ANNUAL REPORT
December 31st, 2015

2015 Performance

To December 31st, 2015 the change in unit prices of the **HughesLittle Value Fund** and **HughesLittle Balanced Fund** were as follows:

	Value Fund *(non-RSP)*	**Balanced Fund** *(RSP)*
Post-Distribution Unit Price	$24.59	$15.82
2015 Distribution	$ 0.47	$ 0.14
Pre-Distribution Unit Price	$25.06	$15.96
Unit Price on December 31st, 2014	$21.34	$13.83
Total Distributions Since Inception	$ 2.31	$ 6.30
One Year Return	**17.4 %**	**15.4 %**
Annualized Return Since Inception[1]	**10.6 %**	**10.2 %**

See attached Performance Summary for additional performance results.

Here are four things that contributed to the Funds' performance in 2015:

- Randomness
- Company Performance
- Exchange Rates
- Not Owning Commodity Companies

[1] Inception dates: Value Fund June 30th, 2005. Balanced Fund August 31st, 2005.

Randomness

One-year is a mere blip in the history of markets. Market prices, be they common shares or exchange rates, have and will always oscillate unpredictably and inexplicably over short periods. Randomness is ubiquitous. One could argue that our 2015 results were 110 percent luck, the rest skill.

Over longer periods though, we are of the opinion that the role of randomness fades. Our inception returns now extend beyond ten years. Other factors, such as our proclivity for *sitzfleisch* combined with solid underlying performance of our companies, are playing bigger roles.[2]

Company Performance

The underlying performance of the companies we own continues to be satisfactory. Most of our companies continue to generate healthy gains in revenues and profits and make rational investments. All of our companies have solid balance sheets and continue to build-on their competitive strengths.

It is worth repeating: strong underlying company performance drives gains in intrinsic value, which in turn drives share prices. This cause and effect pattern continued in the Funds in 2015.

Exchange Rates

We wrote about the numerous ways exchange rates can impact our companies' results and the Funds' unit prices in the 2015 First Quarter Report. Our thoughts have not changed from that.

The over-riding message is: Over most periods, especially longer ones, exchange rates have been a secondary factor in our returns.

Here's a few examples to show what we mean:

1. In 2009 the US dollar (USD) depreciated by about 15 percent against the Canadian dollar (CAD) and the Funds' unit prices went up by 30 percent.
2. Since the inception of the Funds the USD/CAD exchange rate has gone from 1.26 to 0.90 and then to the current 1.40. Over that time the Funds inception returns have been over 10 percent per year.

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[2] Sitzfleisch: a term used in chess to indicate winning by use of one's glutei muscles – the habit of remaining stolid in one's seat hour by hour, making moves that are sound but uninspired, until one's opponent blunders through boredom.

3. In the early 2000's (prior to HughesLittle) your managers experienced a multi-year fall in the USD/CAD exchange rate from 1.65 to 0.90. Over this period our clients achieved a double digit return.
4. And most importantly, over the past 25 years we have experienced a wide range of exchange rates between the US and Canadian dollars as well as hundreds of other foreign currencies in which our companies operate. Returns have been satisfactory throughout.

It is our view that the most important determinant of returns is owning the right businesses at the right price.

Having said that, we have just come through a three year period where the USD/CAD exchange rate has gone from 1.00 to 1.40. This appreciation of the USD has given a significant lift to the market prices of the Funds' US priced securities when they are translated into Canadian dollars.

Going forward, we have very little foresight into the direction of exchange rates. Purchasing power parity analysis between the US and Canadian dollars does however suggest there is a higher probability of the exchange rate going to 1.20 rather than 1.60. This is one of many factors we weigh in our valuation work.

Not Owning Commodity Companies

In 2015, prices for commodities such as oil, coal, and copper hit new multi-year lows. This has hurt the underlying performance and share prices of companies engaged in commodity businesses. The price of oil is down by 70 percent, coal by 60 percent, and copper by 50 percent. The share prices of many commodity producers have fared even worse. For example, coal producer Walter Energy's share price has collapsed from $120 to $1.25, Teck Resources (copper, coal, zinc) from $25 to $4, and Penn West Petroleum (oil & gas) is down from $10 a share to $1 a share.

The Funds do not own any commodity producing companies. Our small positions in energy and materials services companies were sold in 2014 and early 2015, side-stepping most of the pain.

Not owning commodity companies has obviously helped our recent results, especially compared to the main Canadian index, the S&P/TSX. This index is heavily weighted with energy and materials companies, which contributed to the S&P/TSX Index's eight percent loss last year.

The question now is: has our out-performance sowed the seeds for under-performance?

If commodity prices rebound it is likely the S&P/TSX will show gains for a period at a rate that exceeds our Funds' returns. If (When?) this happens, it is impossible to know to what extent. We are however unlikely to move much, if any, of the Funds' assets into commodity companies. Even at these low prices. So, be prepared for the possibility of a period where we underperform the commodity laden S&P/TSX.

We should point out, that the Funds do own a handful of companies that will benefit from a resurgence of commodity prices. These benefits are hard to quantify, but will likely be minor compared to the direct lift felt by commodity producers.

And let there be no question, we have not strayed from our objective of double-digit, long-term 'absolute' returns. By far our best investments have and will always be made in non-commodity oriented companies irrespective of which sectors happen to be in or out of favour. Relative underperformance – past, present, or future – will not cause us to change our stripes.

Portfolio Review

During the fourth quarter the Value Fund added money to two existing common stock holdings. The Fund made a partial sale of one holding.

During the fourth quarter the Balanced Fund added money to one existing common stock holding and made a partial sale of one holding.

We include a full list of the quarter's buy and sell activity in the attached Investment Review. As of December 31st, the Value Fund was 99 percent invested in 17 operating companies. The Fund owns three Canadian companies, nine U.S. companies, and five holdings based outside of North America. The Value Fund's top ten positions make-up 80 percent of the Fund's assets.

The Balanced Fund is 83 percent invested in the common shares of four Canadian companies, eight U.S. companies, and five companies based outside of North America. The Balanced Fund's top ten positions make up 64 percent of the Fund's assets. At year-end the Balanced Fund had 17 percent of its assets in cash and investment grade bonds.

2015 Distribution

The Funds distribute their net income and realized capital gains to unit holders annually. The Funds do this so the Funds themselves do not pay tax.

Distributions for 2015 are $0.47 per unit for the Value Fund and $0.14 per unit for the Balanced Fund. The Value Fund's distribution is $0.33 of taxable capital gains per unit and the remainder is dividend income. Distributions are automatically reinvested in additional units of the Funds for each unit holder (unless we were instructed otherwise for Value Fund unit holders only).

In a separate mail-out, unit holders of both Funds will receive a confirmation of your distribution. We will also send Value Fund unit holders a T3 Supplementary over the next few weeks. Both the Value Fund confirmation and the T3 Supplementary give a breakdown of the types of income that made up the distribution. The T3 Supplementary form is necessary for income tax purposes.

Unit holders in the Balanced Fund are not sent a T3 Supplementary because the distribution is non-taxable for RSPs and RIFs.

Fund Expenses

The 2009 to 2015 Management Expense Ratios (MER's) for the Funds were as follows:

	2015	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
HughesLittle Value Fund	**1.17%**	1.18%	1.23%	1.28%	1.29%	1.29%	1.33%
HughesLittle Balanced Fund	**1.24%**	1.25%	1.33%	1.38%	1.42%	1.40%	1.41%

The MER reflects all expenses charged to the Fund throughout the year. These expenses include: investment management fees, audit, trustee, custodian, administration, and GST/HST. Details of these expenses are disclosed in the Funds' year-end financial statements.

The MER is expressed as a percentage of the average assets within each Fund over the entire year. The performance results we report to you are after deducting these Fund expenses.

Financial Statements

The Funds' auditors are KPMG. KPMG will send audited Financial Statements for each Fund separately to all clients no later than March 31st, 2016. The audited financial statements include a complete list of each Fund's portfolio investments as of December 31st, 2015.

RSP Contributions

You may now make your RSP contributions to the HughesLittle Balanced Fund via online personal banking. Simply add "Canadian Western Trust Contributions" as a bill payee and use your 8 digit CWT account number. Please let us know if you make an on-line transfer so we know to watch out for it.

If you need any assistance please send Barb an e-mail at barb@hugheslittle.com or call her at 1 877 696 9799.

The final date for accepting 2015 RRSP contributions is February 26th, 2016.

Cheques payable reminder:	The Value Fund	**"RBC Investor Services"**
	The Balanced Fund	**"Canadian Western Trust"**

Please have cheques delivered to our office by noon on the day prior to valuation day.

2016

We've spent as much time this year as we did last year formulating a forecast: economies, currencies, and stock markets will be bumpy. With that out of the way, we continue to focus almost entirely on fundamental, company-specific research. In practice, this means ensuring our companies' drivers of intrinsic value – namely revenues, profits and capital returns - remain healthy and capable of generating acceptable returns.

Company results over the past several years and again in 2015 have shown that *intrinsic value growth* met or exceeded our objectives; we expect 2016 to be similar.

In this letter we discussed three factors that directly impacted our returns last year: randomness, company performance, and exchange rates. Another part of our returns is *price-to-value*. This means comparing the market price of our companies versus what we think they are worth – or a company's intrinsic value. We call this the price-to-value discount. All else being equal, the bigger the discount of price-to-value, the higher the potential return.

Historically, price-to-value has shown to be a major factor impacting returns over some periods. It can trump all other factors, including exchange rates. 2009, as mentioned in this letter, was one of those periods. The USD fell by 15 percent versus the CAD yet the Funds increased by about 30 percent. This was mainly caused by surging share prices as they rose from some of the deepest price-to-value discounts we have ever seen.

We estimate there are a broad range of price-to-value discounts in the Funds today. From 'very cheap' to reasonably priced. None are over-priced. All of our Canadian and foreign companies' share prices for instance, are highly discounted. The current prices are not the deep discounts of 2009, but moreso than one year ago. Our Canadian and foreign companies make-up almost half of the Value Fund and about 35 percent of the Balanced Fund.

These attractive price-to-value discounts put the Funds in a favourable risk/reward position.

We fully realize and appreciate that you have entrusted us with your financial assets. We continue to do our best to take proper care in the work we do for you. With our money invested alongside yours, we are working hard to achieve good results.

If you have any questions or comments we welcome your calls or visits.

Regards;

Joe Little Mark Hughes

January 12th, 2016