THIRD QUARTER REPORT
September 30th, 2015

Performance

To September 30th, 2015 the performance of the **HughesLittle Value Fund** and the **HughesLittle Balanced Fund** was as follows:

	Value Fund	Balanced Fund (*Registered*)
Unit Price – September 30th, 2015	**$ 23.31**	**$ 14.95**
Unit Price – December 31st, 2014	$ 21.34	$ 13.83
Distributions Paid Per Unit Since Inception	$ 1.84	$ 6.16
Nine Months	**9.2 %**	**8.1 %**
Annualized Return Since Inception	**10.1 %**	**9.8 %**

See attached Performance Summary for additional performance results.

Performance

Revenue and profit growth for our largest 10 positions over the past three years has averaged about seven and nine percent per year, respectively. Individually, five of our top ten companies are growing their revenues and profits at double digit rates, three companies are growing at mid-to-high single digit rates, and two have experienced slightly declining revenues and profits.

The returns on the capital required to run our companies ranges from mid-teens percent on the low end to much much higher than that. The vast majority of our companies generate capital returns in excess of 25 percent. By comparison, a run-of-the-mill, average business will earn about 10 percent on the capital invested in its business.

All of our companies have conservative, safe balance sheets relative to their operations. Our two largest holdings have zero net debt with a combined $13 billion of cash on their balance sheets. These two holdings make up almost one-fifth of both Funds.

All of our companies generate cash earnings in excess of what they need to run current operations as well as cash required to grow their businesses. This excess cash-flow is in all cases being paid out as dividends to shareholders and/or being reinvested back into our companies by way of share repurchases by the companies themselves.

These measures of financial performance quantify our companies' competitive strengths. Many of our largest holdings are the '1000 pound gorilla' in their industries. Their competitive strengths are based on, among other things, dominance, cost advantage, entrenchment, and in some cases a substitute product or service simply does not exist.

For example:

- Our largest two holdings, both consumer services companies, 'touch' about 25 percent of total <u>worldwide</u> consumer spending,
- One of our Canadian based companies has no competitor in about 40 percent of its operating regions and it is the lowest cost operator in the other 60 percent.

We also own a few consumer products companies that dominate shelf space in their categories. One of which owns the world's best-selling cookie. It is over 100 years old and sells more than 40 billion annually in more than 100 countries. It is a cookie-icon. It is delicious. Eating one makes you happy. And thankfully, it is NOT good-for-you, nor does it pretend to be. Competing organic versions have popped up, one came from somewhere like Nantucket – it tasted like the dirt from which it sprouted, they sold six 'bio-degradable' boxes and gave up.

These are the kind of fundamentals embedded in the intrinsic value in our companies. Nothing else matters as much as underlying fundamentals. If we are right about a company's competitive strengths; strong corporate performance, gains in intrinsic values, and a higher share price will surely follow.

Obviously, in the short-term, this relationship can appear to collapse. Share prices can become disconnected from the fundamentals. The past few months has been one of those disconnected periods when many share prices have whipsawed nonsensically.

Navigating through choppy markets can be unnerving. Falling share prices can test one's conviction. In our experience however, the driving forces behind general market upheaval are not as scary as they seem and often transient. To make smart decisions we try to look beyond what may be temporary forces and focus on structural, slower-to-change attributes of the companies we own and their industries. Underlying competitive strengths fall into this category and have been a reliable guide for us.

Throughout most of this year the Value Fund particularly, experienced an influx of new money. By mid-July the Value Fund's cash holding was 10 percent of assets. For reasons that will have slim-to-no impact on cookie sales, for instance, share prices swooned in August and September. In reaction we invested our cash swiftly and we think, intelligently. The share prices we paid reflect favourable risk/reward prospects. By the end of September both Funds were fully invested.

Concentration Versus Diversification

Looking back, at the end of 2012, the Value Fund's largest ten positions made up about 72 percent of its assets. The Balance Fund's top ten weighting was about 58 percent.[1] The 2012 weightings also included two companies we don't own anymore: Ensign Energy Services and Potash Corp.

Gradually over the last three years we have concentrated more of our investments in our best ideas. Meaning, we have favoured investing additional money into our largest holdings versus adding more holdings or equalizing the weightings of all our holdings. For instance, by the end of 2014 our top ten holdings made up 75 percent of the Value Fund and by September 30th this year the top ten Value Fund positions surpassed 80 percent.

In our view we are still well diversified. We own 17 companies, in several industries, operating in dozens of countries. The Value Fund's largest three positions each represent over 10 percent of assets, the next seven positions have weightings each between five and ten percent, with the remaining positions each being under a five percent weighting.

We do not know and/or like all of our 17 positions equally. So we prefer larger weightings in those companies that are clearly superior businesses to others. With our recent buying, our large positions have become larger. The Funds are less 'diversified' in a conventional sense. However, we think we strengthened the Funds by further concentrating our portfolios in those

[1] The Balanced Fund's common stock weightings will always be lower than the Value Fund's to reflect the fixed income component of the Balanced Fund. For ease of discussion we will mostly just quote statistics for the Value Fund. You can make the mental adjustment for the Balanced Fund yourself. The theories of this discussion of course, hold true for both Funds.

companies with the most favourable risk/reward potential rather than diversifying into 'lesser' ideas.

Portfolio Review

Both Funds have grown in size over the past year due to market value gains and new money invested. The Value Fund now has assets of about $120 million and the Balanced Fund $50 million. HughesLittle also manages several private accounts for individuals, foundations, and pension plans.

During the third quarter the Value Fund invested in ten existing positions and made a partial sale of one position. The Balanced Fund made no purchases or sales during the third quarter.

We include a full list of the quarter's buy and sell activity in the attached Investment Review.

As of September 30th, the Value Fund is 100 percent invested in 17 companies. The Fund owns three Canadian companies, nine U.S. based 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 84 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.

2015 Distribution

The distribution per unit for the HughesLittle Value Fund is estimated to be in the range of 50 to 55 cents per unit; 36 cents per unit being the capital gains portion.

If you would like to receive your distribution in cash please let us know by mail, email or fax by December 15th.

The distribution for the HughesLittle Balanced Fund is non-taxable for unit holders.

Miscellaneous

Enclosed with this report for clients are:

1. The 2015 Third Quarter Investment Review
2. Your Client Statement.

Kind Regards,

Joe Little Mark Hughes

October 9th, 2015