

THIRD QUARTER REPORT September 30th, 2016

Performance

To September 30th, 2016 the performance of the **HughesLittle Value Fund** and the **HughesLittle Balanced Fund** was as follows:

	Value Fund	Balanced Fund <i>(Registered)</i>
Unit Price - September 30 th , 2016	\$ 26.05	\$ 16.64
Unit Price - December 31 st , 2015	\$ 24.59	\$ 15.82
Distributions Paid Per Unit Since Inception	\$ 2.31	\$ 6.30
Nine Months	5.9 %	5.2 %
Annualized Return Since Inception	10.5 %	10.0 %

See attached Performance Summary for additional performance results.

2016 has been a good year. Our companies continue to generate satisfactory to exceptional financial results. We've had no major mishaps. And many of our companies are making notable gains in areas such as market share and smart capital investments. These results reflect our companies' competitive strengths and adept management.

Happily, no major changes to the Funds' holdings have been required.

In terms of activity, we did some buying during market dips in February and June when a few of our companies' share prices were down 20 percent or so. Rising financial results and falling share prices is an ideal scenario for us: it gives us the opportunity to invest more money in existing holdings and/or acquire new positions at favourable prices. This year we have done both.

You may be interested to know that 90 percent of the buying we did this year took place over only six days. Our small size enables us to react quickly when prices look attractive.

On the remaining 190 or so business days, we mostly just 'read and think.' An in-office webcam on YouTube might get the comment, "someone check for a pulse."

Our preference for 'thinking over trading' is no trivial matter. Our behavior is afforded by the confidence we have in the businesses we own and the people running them. Experience has taught us that we make far more money 'sitting on our hands,' and not tinkering or trading.

Without exception, the world's great fortunes have been built the same way: patiently owning competitively strong businesses over many decades. Often, owning one or two really good businesses in a lifetime is all you need. Clearly it is not practical for us to own just one or two businesses, the Funds must own a diversified portfolio. But our thinking is the same; buying and holding relatively few companies, not dancing in-and-out of stocks, or trying to time the ups and downs of markets.

The enclosed **Investment Review** (clients only) discusses two of our largest, long-time holdings and a few of the reasons why we are happy to 'sit and hold' these companies.

Changes Coming in 2017

Starting in January 2017 there will be some changes to the information we send you about your account(s). These changes (described below) include the **Rates of Return** we use and a new annual statement called **Report on Investment Performance**. These reporting changes are mandated by all Securities Commissions in Canada.

Rates of Return

Since starting HughesLittle in 2005 we have reported your rate of return using a calculation method called "time-weighted rate of return." Starting in January we are required to use a calculation method called "money-weighted rate of return." Regardless of the calculation used, the money you have with us does not change. The historical 'percentage rate of return' that we report to you, will however be a slightly different number. We will discuss the differences in the two calculation methods in more detail next year.

Report on Investment Performance

In January, in addition to the quarterly statements you already receive, you will also receive a new statement called Report on Investment Performance. It includes the following additional information for your account as of December 31st, 2016:

Total Value Summary: this will show the dollar-amount your account has changed since you opened your account and also the change in value in 2016.

Change in the Value of Your Account: this section will detail the types of activities that occurred in your account that caused the change in value of your account.

Personal Rates of Return: this section will show more detailed rates of return for your account.

The **Report on Investment Performance** will be sent to you in January of each year detailing your results for the previous year. You will still receive your quarterly client statement from us in its existing format.

Portfolio Review

During the third quarter the Value Fund made no purchases or sales. The Balanced Fund made no purchases and one partial sale. See the Investment Review for details.

As of September 30th, the Value Fund is 98 percent invested in 16 companies. The Fund owns four Canadian companies, seven U.S. based companies, and five holdings based outside of North America. The Value Fund's top ten positions make-up 83 percent of the Fund's assets.

The Balanced Fund is 81 percent invested in the common shares of four Canadian companies, six U.S. companies, and six companies based outside of North America. The Balanced Fund's top ten positions make-up 68 percent of the Fund's assets.

2016 Distribution

The distribution per unit for the HughesLittle Value Fund is estimated to be in the range of 45 to 50 cents per unit; 33 cents per unit being the capital gains portion.

The increased size of the Value Fund allows us to do some year-end tax planning that was not previously available to the Fund. It is possible that we will be able to lower the capital gains portion of the 2016 distribution. We will have a revised estimate of the 2016 distribution by early December. Check our website or call us for this revision.

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 2016 Third Quarter Investment Review
2. Your Client Statement.

Kind Regards,

Joe Little
October 7th, 2016

Mark Hughes