ANNUAL REPORT
December 31st, 2017

2017 Performance

To December 31st, 2017 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	$32.17	$18.67
2017 Distribution	$ 0.05	$ 0.83
Pre-Distribution Unit Price	$32.22	$19.50
Unit Price on December 31st, 2016	$26.18	$16.32
Total Distributions Since Inception	$ 2.46	$ 7.60
One Year Return	**23.1 %**	**19.5 %**
Annualized Return Since Inception[1]	**11.3 %**	**10.6 %**

See attached Performance Summary for additional performance results.

Our 2017 Annual Report echoes our 2016 Annual Report: the financial performance of the Funds' portfolio companies continues to range from decent-to-exceptional. As such, we have made very few changes in the Funds' holdings over the past few years.

The steady financial performance of our companies reflects their competitive strengths, sound fundamentals, and skilled management. Our companies continue to be important players in businesses that sell products and services that cater to basic human 'needs and desires.' Not much happened in 2017 to change this.

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

There have however, been a few recent developments worth mentioning. One is United States (U.S.) tax reform, signed into law on December 22nd. As a general statement, the reforms seem to aim at broadening the U.S. tax base but at lower rates, along with fewer deductions and exemptions.[2] For our purposes, the most significant reform is the change in corporate tax rates. Briefly, starting January 1st, 2018 U.S tax law eliminates the current tiered tax structure that has an upper limit of 35 percent on U.S. corporate income. It is replaced with a flat corporate tax rate of 21 percent along with fewer exemptions and deductions.

The vast majority of our portfolio companies earn income in the U.S. Those companies will now pay lower taxes on their U.S. income. However, many of our companies also earn non-U.S. income from other countries. That non-U.S. income may be subject to higher tax rates.

It is worth highlighting two large holdings that operate almost solely in the U.S. One is a financial services company and the other is in consumer products. For these two, their tax savings will be substantial as nearly all their operating profits will be taxed at the new rate (about one-third lower than the old rate). This is where it gets interesting. *Based on information released by the companies themselves, we estimate the tax savings alone will boost the intrinsic value of both companies by about 25 percent.*

Rarely do single events, of any sort, have such a clear, positive impact to the underlying value of a business. Recent robust stock prices in the U.S. reflect these tax reforms.

We would be foolish of course, not to be cautious about the assumptions underlying our revaluation. The biggest assumption may be that the lower tax rates are permanent. As well, there are often unintended consequences to things like tax reform.[3] Nonetheless, there is evidence that tax laws, similar to the recent U.S. tax reforms, have been effective in other countries and just may have a lasting, positive impact in the U.S. as well.

In the attached Investment Review we also discuss a few company specific developments that occurred in 2017.

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[2] The idea of 'broad base, low rate' tax structures are discussed in the book "A Fine Mess" by T.R. Reid. Mr. Reid presents a well-researched comparison of some of the best and worst tax regimes from around the world.

[3] As an example, the decline in tax rates may lead to an increase in the U.S Government's debt, possibly leading to a decline in the value of the U.S. dollar? Possibly not?

Portfolio Review

During the fourth quarter the Value Fund added money to one existing common stock holding and eliminated one position.

During the fourth quarter the Balanced Fund added money to one existing common stock holding and made no sales.

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

As of December 31st, the Value Fund was 94 percent invested in 16 operating companies. The Fund owns four Canadian companies, eight U.S. companies, and four 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 78 percent invested in the common shares of four Canadian companies, seven U.S. companies, and five companies based outside of North America. The Balanced Fund's top ten positions make up 68 percent of the Fund's assets. At year-end the Balanced Fund had 22 percent of its assets in cash and investment grade bonds.

2017 Distribution

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

Distributions for 2017 are $0.05 per unit for the Value Fund and $0.83 per unit for the Balanced Fund. The Value Fund's distribution is entirely dividend income, *no capital gains*. There are no capital gains included in the 2017 distribution due to the Value Fund's eligibility to use the Capital Gains Refund. There is further discussion on how the Capital Gains Refund works at the end the Investment Review.

2017 was the eighth year (out of 13 years of operations) that the Value Fund has not distributed any realized capital gains to unitholders.

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 slip in February. Both the Value Fund confirmation and the T3 Supplementary slip give a breakdown of the types of income that made up the distribution. The T3 Supplementary slip is necessary for income tax purposes.

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

Fund Expenses

The 2011 to 2017 Management Expense Ratios (MER's) for the Funds were as follows:

	2017	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**
HughesLittle Value Fund	**1.15%**	1.16%	1.17%	1.18%	1.23%	1.28%	1.29%
HughesLittle Balanced Fund	**1.23%**	1.23%	1.24%	1.25%	1.33%	1.38%	1.42%

The MER reflects all expenses charged to the Funds 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, 2018. The audited financial statements include a complete list of each Fund's portfolio investments as of December 31st, 2017.

Investment Performance Report

In a separate mailout unit holders of both Funds will receive a report called the **Investment Performance Report**. This report is sent to you annually. It summarizes the performance of your account. It is now a regulatory requirement of all Funds.

Canadian Western Trust – Transfer of self-directed plans (RRSP and RRIF) to Computershare Trust Company of Canada (FOR BALANCED FUND UNIT HOLDERS)

Recall from previous correspondence that effective January 22nd, 2018 your self-directed account at Canadian Western Trust will be transferred to Computershare Trust Company of Canada ("Computershare"). To facilitate the transfer, you **do not have to do anything at this time**. However, there are a few things worth mentioning:

- If you are receiving a January 31st, 2018 RRIF payment Computershare will be processing this payment.
- Cheques for RRSP contributions for January 15th should be made payable to **"Canadian Western Trust."** Any date after that: "**Computershare Trust Company of Canada**." Send your contribution cheque directly to our office and we will forward it to Computershare.
- On-line access to accounts with Computershare is still unknown – we are having training sessions with them over the next couple of weeks and we will provide more information when its available.

If you have any questions about the transition, please contact either Barb or Mark.

The final date for accepting 2017 RRSP contributions is March 1st, 2018.

Cheques payable reminder:	The Balanced Fund	**"Computershare Trust Company of Canada"**
	The Value Fund	**"RBC Investor Services"**

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

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

Regards;

Joe Little   Mark Hughes

January 8th, 2018