

First Quarter Report March 31st, 2018

Performance

To March 31st, 2018 the performance of the **HughesLittle Value Fund** and the **HughesLittle Balanced Fund** was as follows:

	Value Fund	Balanced Fund (Registered)
Unit Price - March 31 st , 2018	\$ 32.62	\$ 19.06
Unit Price - December 31 st , 2017	\$ 32.17	\$ 18.67
Distributions Paid Per Unit Since Inception	\$ 2.46	\$ 7.60
Three Months	1.4 %	2.1 %
Annualized Return Since Inception	11.2 %	10.6 %

See attached Performance Summary for additional performance results.

Our day-to-day analysis of the Funds' portfolio companies continues to focus on a few key qualities. We assess the durability of competitive strengths, management, returns on the capital required to operate a business, opportunities for internal growth at attractive returns, and finally, share price versus intrinsic value.

We take a business-by-business approach and try not to get distracted by unnecessary noise. For instance, in February, the stock market had two single-day 1,000-point hiccups. This grabbed our attention only to the extent we were able to buy shares at more reasonable prices. Other than that, stock market volatility, is a non-event.¹

We are *business* focused rather than *stock market* focused. Ultimately, the Funds will only do as well as our portfolio companies, so that gets our effort.

¹ The two days in question are February 5th and 8th. The Dow Jones Index fell over 1,000 points on both days. Whether these are 'events' is a fair question. They are the two biggest single-day 'point' declines in the Dow Jones' 121-year history, but in terms of percentage declines, neither day is worth even this footnote. The Dow Jones would have to fall about 2,000 points to even crack the top-ten largest percentage declines in a single day. It would have to fall 6,000 points to be the largest.

Much of our business analysis is guided by the first rule of business success: *to succeed, you must not die*. Most corporate deaths, or at least destructive forces, come from competitive threats. Few things can decimate a business more totally and completely than a competitor with a superior product or service. As well, almost every other measure of a business - capital returns, pricing power, growth, even management - hinges on a businesses' competitive strengths.

Over the past several years all our companies have done a nice job of *not-dying*. Our companies have easily handled 'non-events' such as Brexit, currency swings, and political folly. More importantly, our companies have fended-off, even benefitted from, the competitive impact of Amazon, technological change, and the ascent of many superb companies from China, amongst others.

Even though the impact on our companies' fundamentals from these events and non-events has been modest, and at times positive, share prices often had a volatile reaction. For instance, over the past five years, all our positions have seen their share prices dip by 10 percent or more (then rebound) on many occasions. As well, three of our largest positions have had periods where their share prices were clobbered 25 percent or more (again, all have since bounced back, plus).

The hair-trigger sensitivity of share prices to almost everything - and this is an important point - *helps* us more than it *hurts* us. For as long as business fundamentals remain in-tact - an even more important point - we try to take advantage of share price declines and buy when it makes sense. In early February, we did some buying.

Portfolio Review

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

As of March 31st, the Value Fund was 96 percent invested in the common shares of four Canadian companies, eight U.S. based companies, and four holdings based outside of North America. The Value Fund's top 10 positions make-up 85 percent of the Fund's assets.

The Balanced Fund is 79 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 10 positions make-up 69 percent of the Fund's assets.

Miscellaneous

Enclosed with this report for clients are:

1. The First Quarter 2018 Investment Review
2. A Final Note on 2017
3. Performance Summary
4. Your Client Statement

Forward,

Joe Little
April 6th, 2018

Mark Hughes

A Final Note on 2017

Subsequent to mailing out the Funds' 2017 Annual Report we received the *RBC Investor Services Pooled Fund Performance Survey*. This survey measures the performance of 81 Canadian Balanced Pooled Funds, including the *HughesLittle Balanced Fund*. Most of Canada's investment firms are represented.

Here are the survey results for the *HughesLittle Balanced Fund* to December 31st, 2017:²

Period	Annual Return	Rank	Value of an Initial \$500,000 Investment
One-Year	20.8 %	1	\$604,000
Two-Years	13.8 %	1	\$647,522
Three-Years	14.8 %	1	\$756,477
Five-Years	16.8 %	1	\$1,086,887
Ten-Years	12.1 %	1	\$1,566,845

Rolling Four-Year Periods to the End of:

2017	14.4 %	1	\$856,395
2016	15.8 %	1	\$899,092
2015	18.4 %	1	\$982,600
2014	17.4 %	1	\$949,822

The top-ranking appeals to our competitive spirits, but by far, the double-digit returns are more gratifying. In fact, it is a certainty that we will **not** continue our 'clean-sweep' of all measurement periods. That has never been our goal anyways. Our goal is double-digit returns.

That ten-year number is good, but we hope your real gains are yet to come: Below shows an initial investment of \$500,000 growing at 10 percent per year for 20, 30 and 40 years:

Twenty-Years	10 %	\$3,363,750
Thirty-Years	10 %	\$8,724,701
Forty-Years	10 %	\$22,629,628

² Returns are measured and presented in the survey 'pre-fees.' All multi-year returns are annualized.