

## FIRST QUARTER REPORT March 31<sup>st</sup>, 2020

### Performance

To March 31<sup>st</sup>, 2020 the change in unit prices of the **HughesLittle Value Fund** and **HughesLittle Balanced Fund** were as follows:

	Value Fund <i>(non-RSP)</i>	Balanced Fund <i>(RSP)</i>
Unit Price - March 31 <sup>st</sup> , 2020	\$ 35.77	\$ 16.68
Unit Price - December 31 <sup>st</sup> , 2019	\$ 43.36	\$ 19.69
Distributions Paid Per Unit Since Inception	\$ 3.21	\$ 11.35
<b>Three Months</b>	<b>-17.5 %</b>	<b>-15.3 %</b>
<b>Annualized Return Since Inception<sup>1</sup></b>	<b>10.4 %</b>	<b>9.4 %</b>

*See attached Performance Summary for additional performance results.*

### First Quarter Commentary

This time is different. The Covid-19 virus outbreak has quickly caused unprecedented, far-reaching disruption to societies worldwide. For our part, we are being diligent and realistic in assessing how this outbreak is impacting the fundamentals of our portfolio companies. Our first priority was to determine if there are any solvency issues with each company. In doing that, we are re-examining certain risks under a variety of scenarios and making changes where needed. We are trying to avoid, or at least to minimize, any risk of permanent impairment of intrinsic value in any of the Funds' holdings.

We are also rationally optimistic that the world will beat down this virus and return to more usual conditions. Lockdowns will not last forever. As such, we are making decisions today, just as we did in the dark days of the 2008/2009 global financial crises, to strengthen our portfolio for years to come. This involves shifting the weightings of some companies, holding firm on others, and

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<sup>1</sup> Inception dates: Value Fund June 30<sup>th</sup>, 2005. Balanced Fund August 31<sup>st</sup>, 2005.

cautiously investing new cash. This strategy requires a long-term temperament, resisting emotional reaction to share price volatility, and the conviction to make decisions through a period of unusually high uncertainty.

In terms of near-term solvency and long-term prospects, the Funds' portfolio companies hold up well. Some of our companies are definitely experiencing a dramatic impact on their businesses by the rapid decline in consumer spending, but all of our companies have strong balance sheets and experienced management. As such, we do not foresee any solvency issues.

We are also reassessing our holdings with our sights beyond this crises period. We have already made some upgrades and we are confident in the companies we own. Our companies' long-term prospects look superb and their shares are at favorable prices. In the near term, share prices will continue to be volatile as fear and uncertainty consume stock markets. Beyond this period, substantial investor returns await when economies recover.

### **First Quarter Investment Review**

As of March 31<sup>st</sup>, the Value Fund was 98 percent invested in 14 operating companies. The Fund owns four Canadian companies, eight U.S. companies and two holdings based in other countries. The Value Fund's top ten positions makeup 87 percent of the Fund's assets.

The Balanced Fund is 80 percent invested in the common shares of four Canadian companies, eight U.S. companies and three companies based in other countries. The Balanced Fund's top ten positions make up 71 percent of the Fund's assets. As of March 31<sup>st</sup>, the Balanced Fund had 20 percent of its assets in cash and investment-grade bonds.

### **Miscellaneous**

The Funds continue to experience net inflows of new client capital. If you have cash well beyond what you require for over the next year or so, and you want to invest this cash for the long-term, consider investing additional money in your Fund account. For larger amounts, we suggest spreading your investments out over the next few months.

## **Making an Investment**

During this period, RBC Investor Services is unable to accept cheques for account contributions. If you would like to make an investment in the Value Fund, please give us a call for wire transfer instructions. If you would like to make an investment in the Balanced Fund, please use your online account or give us a call for further instructions.

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

Regards,

*Joe Little*

Joe Little  
April 14<sup>th</sup>, 2020

*Mark Hughes*

Mark Hughes

*Shafaz Jivani*

Shafaz Jivani