

MID-YEAR REPORT

June 30th, 2020

Potential Client Version

Performance

To June 30th, 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 - June 30 th , 2020	\$ 40.38	\$ 18.48
Unit Price - December 31 st , 2019	\$ 43.36	\$ 19.69
Distributions Paid Per Unit Since Inception	\$ 2.48	\$ 8.67
Six Months	- 6.9 %	- 6.1 %
Annualized Return Since Inception¹	11.1 %	10.0 %

See attached Performance Summary for additional performance results.

Mid-Year Commentary

The world has been coping with Covid-19 for about five months now and there is still so much we don't know. Investing in an environment of unprecedented disruption and uncertainty is to say the least, challenging. We aim to own companies that will endure current operating conditions and ultimately prosper in a world that may, in some ways, look different than the past.

One way we are navigating through this uncertainty, is by mapping out, company by company, many possible scenarios based on severity and duration of the pandemic's impact. Our rationale is to allow for as many unknowns as possible. In addition, we think that it is also important to measure the companies we own, or may want to own, against drivers of long-term business performance, that will be valid through all scenarios. A few of these drivers include liquidity, competitive strength, and adept management.

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

Ensuring a company has ample liquidity, or in other words, not too much debt, is obvious. Few things can obliterate a company faster than too much debt. To prosper you must survive. In this regard, all the Funds' portfolio companies can operate for many years in an environment of less-than-normal business activity.

Liquidity is also key to a company's financial capacity to take advantage of opportunities as they arise. Does a company, for example, have enough cash or borrowing capacity to make investments for growth, at a time when many of their competitors are just trying to survive?

Our largest holdings have demonstrated the value of liquidity in the 2008/2009 recession. These companies had the financial capacity to invest right through the worst of the recession, then prospered mightily in the years after. We expect that most of our companies, including newer holdings, to similarly benefit over the next several years from their current investments.

It's hard to separate competitive strengths and management skill. These two attributes are often closely connected in a cart-and-horse kind of way. For instance, does a company owe its competitive strengths to management's smart decisions? Or do the company's current managers look smart due to competitive strengths the company built up years ago?

Fortunately, many of our companies have both, and when combined with ample liquidity, we think that all our holdings' long-term prospects range from decent to excellent. In the meantime, we'll keep moving forward, trying to avoid major potholes in the road ahead, as well as staying alert to new opportunities that are evolving through this period.

Mid-Year Portfolio Review

As of June 30th, the Value Fund was 90 percent invested in 13 operating companies. The Fund owns four Canadian companies, eight U.S. companies and one holding based in Europe. The Value Fund's top ten positions make up 83 percent of the Fund's assets.

The Balanced Fund is 76 percent invested in the common shares of four Canadian companies, eight U.S. companies and two companies based in other countries. The Balanced Fund's top 10 positions make up 70 percent of the Fund's assets. As of June 30th, the Balanced Fund had 24 percent of its assets in cash and investment-grade bonds.

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. The office number is 1 877 696 9799.

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

Regards,



Joe Little

July 9th, 2020



Mark Hughes



Shafaz Jivani