

# Steadyhand

# Q1 2019

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We're excited to announce the launch of two new funds for growth-oriented investors — **Steadyhand Global Small-Cap Equity Fund** and **Steadyhand Builders Fund**. See pages 14-17 for details.



## Bradley's Brief



The cover of last quarter's report read, "In weak markets investors should be raising their expectations for stock returns, not lowering them as is so often the case."

In that report, we told you that we were shifting from defense to offense. Valuations were reasonable again and investor sentiment was extremely bearish. Both factors were conducive to good future returns.

As it turned out, bond and stock markets rallied dramatically in the first quarter. To be clear, our more upbeat advice to clients and asset mix shift in the Founders Fund in no way anticipated this market turnaround. They were based on an improvement to our medium-term return expectations.

Steadyhand portfolios participated with the markets over the last two quarters, both down and up, but haven't performed as well as we'd hoped. Compared to other managers, we were only middle of the pack going down (Q4) and have lagged going up (Q1). This period has moderated our three and five-year returns, although it has only slightly dented our full-cycle numbers (ten or more years).

How you reacted to the market recovery depends on what type of investor you are. For younger clients who are accumulating assets for their retirement, the bounce back was likely too quick. A few more months of low prices would have allowed them to contribute to their RRSPs and TFSA's at better prices.

For clients who are receiving a paycheque from their portfolio, the recovery was a relief and importantly, it provided an opportunity to reassess (from a position of strength) their risk tolerance and cash flow needs.

For all of us, the recovery brings little in the way

of clarity. Indeed, in 2019 the capital markets are sending off conflicting signals. Interest rates, which are retreating, are telling us there's economic trouble ahead. The credit and stock markets, on the other hand, have a rosier outlook. Corporate bonds have had a nice recovery and stocks have been on a roll since Christmas.

What did we learn from the wild ride over the last six months? First, markets are impossible to predict in the short term. Second, we always want to have a broadly diversified portfolio, even if we have some biases or are pursuing particular themes. And our portfolios should fit our goals, personal situation and risk tolerance during all types of markets.

The first quarter of the year is always busy at Steadyhand, but we made it even busier this year with the addition of two new funds — the Global Small-Cap Equity Fund and the Builders Fund.

I'm excited about these funds because they fill out our lineup nicely. The Global Small-Cap taps into a part of the market that is less well followed and potentially offers higher returns. It also plays to our size advantage versus our much larger competitors. The Builders, which is similar in structure to the Founders, gives our growth-oriented clients a one-stop solution.

Bumpy markets, new funds and soft performance all require that our team stays true to our investment philosophy and continues to provide a steady hand. With markets and returns being so unpredictable, that is one constant you can count on.



## Key Takeaways

### Stocks

- Stocks had a strong quarter despite warnings of a weaker global economy. The U.S. market (S&P 500 Index) was up 13.6%, key European markets gained 8-12%, Japan was up 8% and emerging markets gained 10% (all in local currency terms).
- The Canadian market (S&P/TSX Composite Index) was a standout, rising 13.3%. Technology, real estate and energy stocks were the top performers.
- Currency movements had a modest impact on foreign stock returns. Specifically, the Canadian dollar rose against the U.S. dollar (+2%), Japanese Yen (+3%), and Euro (+4%). This decreased the value of foreign stocks in Canadian dollar terms.

### Bonds

- The Canadian bond market (FTSE TMX Canada Universe Bond Index) provided a total return (interest and capital appreciation) of 3.9% in the first quarter, which was its strongest showing in four years.
- Government and corporate bond yields declined. The 10-year Government of Canada benchmark yield fell from 2.0% to 1.6%. This was a substantial decline in an already low interest rate environment. Corporate and high yield bonds performed particularly well despite the deteriorating economic backdrop.

### Our Funds

- All our funds had a positive quarter. The Small-Cap Fund led the way, while the Equity Fund and Global Equity Fund posted solid gains but lagged their respective benchmarks. Our balanced clients' portfolios were up roughly 6% to 7%. Over the past 10 years, our balanced portfolios have returned between 8% to 9% per year.
- We launched two new funds in February, Steadyhand Global Small-Cap Equity Fund and Steadyhand Builders Fund. See pages 14-17 for details.
- The stock weighting in the Founders Fund was held steady at roughly 60%.
- In the context of our balanced portfolios, key transactions in the quarter included the purchase of KONINKLIJKE PHILIPS (Netherlands), FOX CORPORATION (U.S.) and SLEEP COUNTRY CANADA, and the sale of STARBUCKS (U.S.) and EXCHANGE INCOME (Canada).

### Market Returns

	3M	1Y
Canada	13.3%	8.1%
World	10.1%	7.0%

	3M	1Y
Bonds	3.9%	5.3%

### Fund Returns

	3M	1Y
Savings	0.5%	1.7%
Income	5.9%	6.0%
Founders	6.5%	2.0%
Equity	7.1%	4.8%
Global	6.3%	-6.9%
Small-Cap	12.9%	-4.0%
Global Small-Cap	N/A	N/A
Builders	N/A	N/A

## Our Advice to Clients

We recommend that your equity weighting be at your long-term target. In the Founders Fund, we increased our exposure to stocks late last year, bringing the weight back up to the fund's target of 60%. We feel valuations are reasonable again. Our outlook for bonds remains subdued as current yields are unattractive. As a result, we recommend a below-average position in the asset class, with cash as an alternative. In the Founders Fund, for example, 13% of the portfolio is currently held in cash.

For our thoughts on asset mix and the advice we're giving clients, visit the [Current Outlook](#) page on our website, or give us a call at 1.888.888.3147.



## Founders Fund

### Fund Overview

- The Founders Fund is a balanced fund with a target asset mix of 60% stocks and 40% fixed income. It gains this exposure from investing in Steadyhand's other funds.
- Steadyhand President Tom Bradley manages the fund and Salman Ahmed is co-manager. They have considerable scope to adjust the portfolio to reflect their views on valuations, corporate fundamentals and investor sentiment.

### Portfolio Specifics

- The fund benefited from strong bond and stock markets in the first quarter. All the underlying funds had substantial bounce backs after a weak fourth quarter. The fund was positioned well for the recovery, having increased its stock weighting from 55% to over 60% near the end of last year. To be clear, this shift was based on long-term valuations, not any divine insight into the market's dramatic rebound.
- While the shift helped first quarter returns, the fund didn't keep up with the red-hot markets. The Equity Fund and Global Equity Fund in particular lagged behind their comparable indexes.
- We've added a new underlying fund to the portfolio. After the Global Small-Cap Equity Fund was launched in February, we started building a position to complement the existing holding in the Small-Cap Equity Fund. Over time, the two small-cap funds are each expected to make up 4-8% of the Founders.
- With the addition of the Global Small-Cap Fund, we've revised the Founders's target asset mix. Originally, the fund had a bias towards Canadian stocks, but this has been reversed. The 60% target for stocks is now split 26% Canadian and 34% foreign.
- Keep in mind, none of Steadyhand's equity managers are constrained by borders. They have the flexibility to search widely for attractive opportunities. In the Founders, the Canada-based companies are mostly global in nature and play to Canada's strengths — banking, transportation, energy, and utilities. Many of the foreign companies, which are based in the U.S., Europe, Asia and developing markets, are in industries not available in Canada, namely healthcare, consumer products and technology.

### Positioning

- We're maintaining a full allocation to stocks while bonds remain below target levels. Bonds provide insurance when stocks are weak (as was the case in the fourth quarter), but their long-term returns are expected to be modest.
- In lieu of a full allocation to bonds, we're holding a larger cash reserve (13%). Although it offers little in the way of yield (similar to bond yields), it provides protection against rising interest rates and is a ready source of liquidity.
- Refer to pages 6-15 for details on the underlying funds.

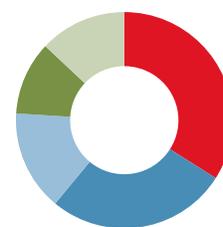
The fund was up 6.5% in the quarter. Since inception (Feb 2012), it has a cumulative return of 60%, which equates to an annualized return of 6.8%.

#### Fund Mix

Income	34%
Equity	23%
Global	23%
Small-Cap	9%
Savings	8%
Global Small-Cap	2%



#### Asset Mix



Foreign Stocks	34%
Canadian Stocks	27%
Gov't Bonds	15%
Corporate Bonds	11%
Cash & Short-term	13%

Fund size \$468,673,670



## Founders Fund

### Attributes

#### Top Stock Holdings (% of Fund)

TD Bank	2.0%
Suncor Energy	1.5%
CN Rail	1.5%
Visa	1.4%
Franco-Nevada	1.4%
CCL Industries	1.2%
Nutrien	1.0%
Novartis	1.0%
Keyence	1.0%
Experian	0.9%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	22.0%
Financial Services	17.3%
Oil & Gas	12.0%
Healthcare	9.5%
Consumer Products	8.2%
Consumer Cyclical	6.1%
Real Estate	5.2%
Retailing	4.4%
Comm. & Media	4.2%
Basic Materials	3.9%
Technology	3.9%
Utilities & Pipelines	3.3%

#### Asset Mix

Long-term		Current
17%	Overseas Stocks	18%
17%	U.S. Stocks	16%
26%	Canadian Stocks	27%
35%	Bonds	26%
5%	Cash	13%

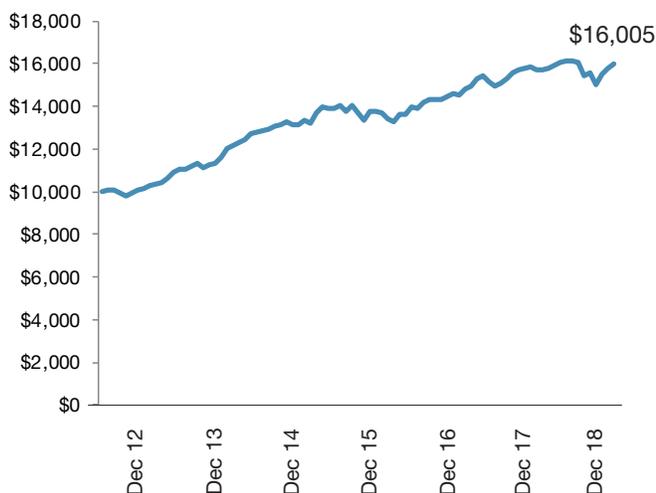
### Performance

#### Compound Annualized Returns (as of March 31, 2019)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep <sup>1</sup>
<b>Founders Fund (after-fee)</b>	<b>6.5%</b>	<b>6.5%</b>	<b>2.0%</b>	<b>3.4%</b>	<b>5.5%</b>	<b>4.6%</b>	<b>N/A</b>	<b>6.8%</b>
FTSE TMX Canada Universe Bond Index	3.9%	3.9%	5.3%	3.3%	2.7%	3.8%	N/A	3.4%
S&P/TSX Composite Index	13.3%	13.3%	8.1%	4.9%	9.3%	5.4%	N/A	6.8%
Morningstar Developed Markets Index	10.1%	10.1%	7.0%	8.6%	11.8%	10.9%	N/A	14.1%

<sup>1</sup>Feb 17, 2012

#### Growth of \$10,000 Since Inception



#### Best and Worst Annualized Returns



## Income Fund

### Market Context

- The Canadian bond market rose 3.9% in the quarter (interest and capital appreciation).
- Interest rates declined, with the 10-year Government of Canada yield falling from 2.0% to 1.6%. This was a substantial decline in a low interest rate environment.
- The Canadian stock market rose 13.3% on the back of strong returns from technology, healthcare, real estate and energy stocks.

The fund was up 5.9% in the quarter. Since inception (Feb 2007), it has a cumulative return of 92%, which equates to an annualized return of 5.5%.

### Portfolio Specifics

- The fund had a strong quarter, gaining 5.9%, as bonds, dividend-paying stocks and real estate investment trusts (REITs) had a good start to 2019.
- Bonds comprise 76% of the fund. Fixed income holdings performed well in the quarter as interest rates fell (reminder: when rates fall, bond prices rise). Investors were willing to pay more for the safety of bonds because of a deteriorating outlook for global growth.
- The fund holds less in mid-term bonds (5-10 years) than short- (1-5 year maturity) and long-term bonds. This hurt performance a little as prices of mid-term bonds rose more than others.
- The manager, Connor, Clark & Lunn, has been mindful about the potential for an economic slowdown. CC&L doesn't believe, however, a recession is imminent, in part because central banks and governments around the world are already responding.
- The portfolio continues to be defensively positioned. It holds more in government issued bonds (federal and provincial) than those issued by corporations. Although 'corporates' are a smaller part of the bond portion of the fund than in past years, they continue to be an important component (40%). The manager's focus is on high-quality bonds in the financial services, communications, and utilities sectors.
- Stocks make up 24% of the fund. Sectors of focus include financial services, REITs, oil & gas, and utilities. This part of the portfolio has been an important contributor to performance this year, benefiting from the strong rebound in Canadian stocks in the first quarter.
- The fund's equity strategy is focused on companies that are growing their dividend (as opposed to high dividend payers), as well as stocks that will benefit from continued growth in business and infrastructure spending.
- The fund paid a distribution of \$0.045/unit at the end of March.

### Notable Stock Transactions

#### Buy

Canadian Natural Resources\*  
 Parkland Fuel\*  
 Empire Company Ltd.\*  
 Northland Power

\*New holding

#### Trim/Sell

Whitecap Resources<sup>1</sup>  
 Cott  
 Rogers Communications  
 Telus

<sup>1</sup>Position eliminated

### Positioning

- The fund's bond strategy remains cautious. The focus is on higher quality securities that also have good liquidity (i.e., they can easily be bought or sold).
- Stocks remain an important source of diversification and yield. The manager has a current bias towards larger cap, lower volatility stocks.

Fund size	\$85,749,470
Pre-fee Yield	2.7%
Avg Term to Matur.	11.2 yrs
Duration (Bonds)	7.8 yrs



## Income Fund

### Attributes

#### Top Holdings (% of Fund)

Canada 0.50% (Mar/22)	5.7%
Quebec 3.50% (Dec/48)	4.4%
Canada 2.75% (Dec/48)	4.3%
Canada 5.00% (Jun/37)	4.0%
CHT 2.35% (Jun/23)	3.7%
Ontario 2.80% (Jun/48)	3.4%
RBC YC 2.065% (Jul/19)	3.4%
CHT 2.55% (Dec/23)	2.3%
CC&L High Yield Bond Fd	2.0%
BMO 1.61% (Oct/21)	1.9%

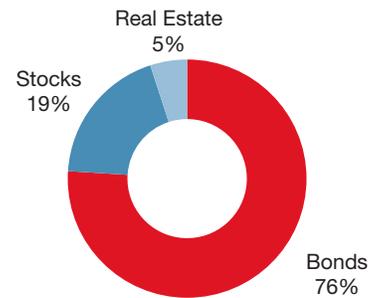
#### Issuer Allocation (Bonds)

Federal Government	35%
Provincial Government	25%
Corporate	40%

#### Rating Summary (Bonds)

AAA	41%
AA	41%
A	8%
BBB	8%
BB (or lower)	2%

#### Asset Mix



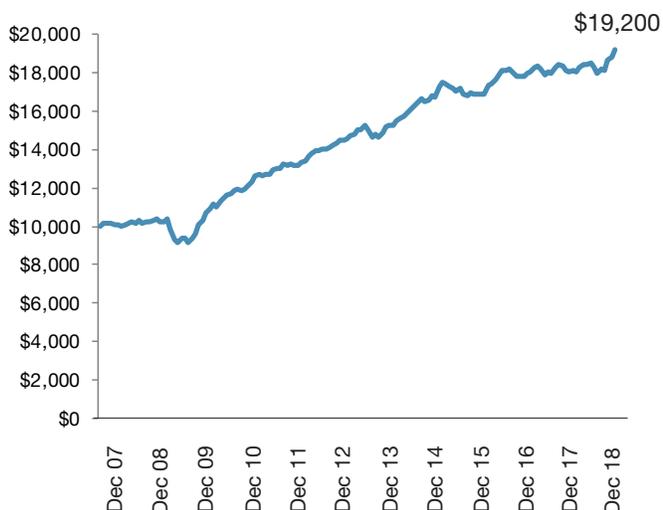
### Performance

#### Compound Annualized Returns (as of March 31, 2019)

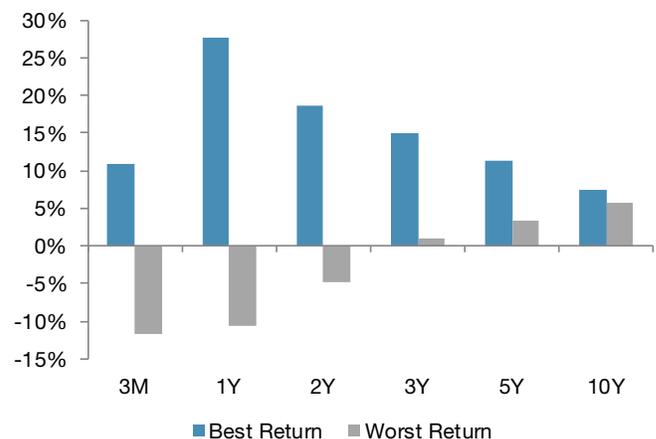
	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep*
<b>Income Fund (after-fee)</b>	<b>5.9%</b>	<b>5.9%</b>	<b>6.0%</b>	<b>3.1%</b>	<b>3.4%</b>	<b>4.0%</b>	<b>7.4%</b>	<b>5.5%</b>
FTSE TMX Canada Universe Bond Index	3.9%	3.9%	5.3%	3.3%	2.7%	3.8%	4.4%	4.6%
S&P/TSX Composite Index	13.3%	13.3%	8.1%	4.9%	9.3%	5.4%	9.5%	4.8%

\*Feb 13, 2007

#### Growth of \$10,000 Since Inception



#### Best and Worst Annualized Returns



## Equity Fund

### Market Context

- The Canadian stock market (S&P/TSX Composite Index) rose 13.3% in the first 3 months of 2019, which was its strongest first quarter in almost 20 years.
- Global stocks, as measured by the Morningstar Developed Markets Index, gained 10.1% in Canadian dollar terms.

### Portfolio Specifics

- The fund holds 24 stocks, of which 12 are headquartered in Canada, 7 overseas, 4 in the U.S., and 1 in Mexico.
- After a rough finish to 2018, the portfolio started the new year on a strong note. Many holdings saw double-digit price gains, including CAE, CN RAIL, SUNCOR ENERGY, KEYENCE, and VISA. Over the last few years, the fund hasn't kept pace in hot markets but has provided better downside protection in weak periods.
- The manager, Fiera Capital, reduced the fund's exposure to U.S. companies as they are finding more attractively-valued stocks elsewhere. VISA was trimmed and STARBUCKS was sold, bringing the fund's weighting in American stocks down to 17% (for context, they comprised 23% at this time last year). Starbucks is still a great company and was an excellent holding for us over the past seven years, but competition is heating up in China and the stock trades at a rich valuation.
- With the strong rebound in the markets, stocks are again trading at above-normal valuations. Fiera's focus in this environment is on world-leading businesses operating in stable industries. Examples include CCL INDUSTRIES (the world's leading label maker), NOVOZYMES (a leader in biological solutions for food & household products) and KEYENCE (a manufacturer of vision systems and automation sensors).
- We'd be remiss if we didn't touch on a laggard. FEMSA has seen only a nominal gain over the past few years and hasn't kept pace with the rest of the portfolio. That said, the manager feels it has strong upside potential. FEMSA is a well run retailer in Mexico and Latin America that is using technology, strategic partnerships and multi-decade thinking to strengthen its franchise in a fast-growing market.
- One new company was purchased, KONINKLIJKE PHILIPS. The company is known for making light bulbs, TV's and electronics, but has transformed itself into a leader in healthcare, focusing on diagnostic imaging (MRI machines), patient monitoring and consumer health (you may own one of their electric toothbrushes).
- The fund currently has a cash position of 7%.

### Positioning

- The fund is comprised of two dozen businesses operating in a diverse array of industries, from railroads to packaging to construction to enzyme production. Focus is on best-in-class companies that generate strong cash flows, have good growth prospects, are well financed and have proven leaders at the helm.

The fund was up 7.1% in the quarter. Since inception (Feb 2007), it has a cumulative return of 113%, which equates to an annualized return of 6.4%.

### Notable Transactions

#### Buy

Koninklijke Philips\*  
TD Bank  
Ritchie Bros. Auctioneers  
Christian Hansen

\*New holding

#### Trim/Sell

Starbucks<sup>1</sup>  
Visa  
CAE  
Evertz Technologies

<sup>1</sup>Position eliminated

Fund size	\$103,255,627
No. of stocks	24



## Equity Fund

### Attributes

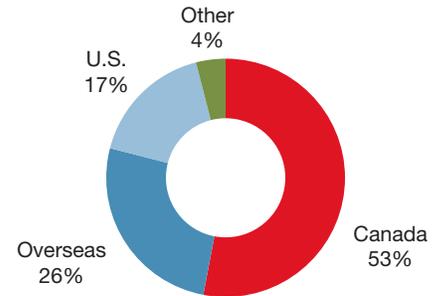
#### Top Stock Holdings

Visa	6.2%
Franco-Nevada	6.0%
TD Bank	5.9%
Suncor Energy	5.4%
CCL Industries	5.1%
CN Rail	4.5%
Novartis	4.3%
Keyence	4.2%
Nutrien	4.1%
Experian	4.0%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	28.0%
Financial Services	21.2%
Oil & Gas	12.3%
Basic Materials	10.9%
Healthcare	6.9%
Technology	6.7%
Retailing	6.5%
Consumer Products	4.0%
Consumer Cyclical	3.5%

#### Geographic Profile (Stocks)



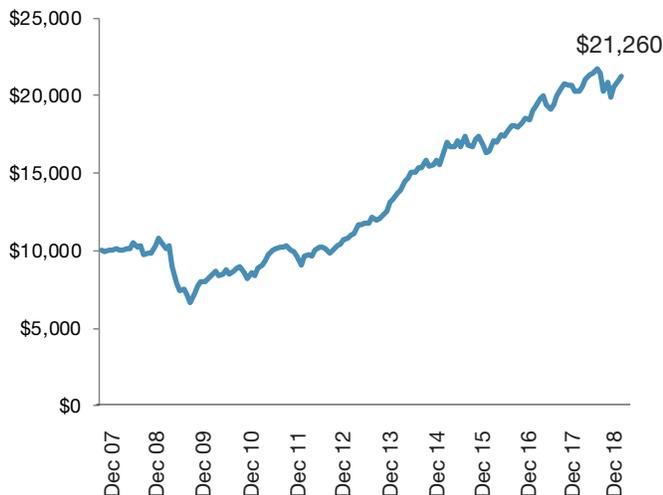
### Performance

#### Compound Annualized Returns (as of March 31, 2019)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep <sup>1</sup>
<b>Equity Fund (after-fee)</b>	<b>7.1%</b>	<b>7.1%</b>	<b>4.8%</b>	<b>5.0%</b>	<b>7.5%</b>	<b>7.6%</b>	<b>11.4%</b>	<b>6.4%</b>
S&P/TSX Composite Index	13.3%	13.3%	8.1%	4.9%	9.3%	5.4%	9.5%	4.8%
Morningstar Developed Markets Index	10.1%	10.1%	7.0%	8.6%	11.8%	10.9%	13.4%	6.3%

<sup>1</sup>Feb 13, 2007

#### Growth of \$10,000 Since Inception



#### Best and Worst Annualized Returns



## Global Equity Fund

### Market Context

- Global stocks, as measured by the Morningstar Developed Markets Index, were up 10.1% in Canadian dollar terms in the quarter.
- Returns were strong across the globe. European markets were up 8-12% in local currency terms, the U.S. was up over 13%, Japan +8% and emerging markets +10%. The loonie rose against most currencies, which dampened returns.

### Portfolio Specifics

- The fund holds 51 stocks, of which 21 are based in Europe (including the U.K.), 19 in the U.S., nine in Asia, and two in Canada.
- The portfolio rebounded nicely in the quarter following a rough end to 2018. That said, the fund has lagged the global market for quite some time owing to its focus on ‘value’ stocks rather than ‘growth’ stocks. Fast growing companies have been the market darlings over the past several years, but the tide will eventually turn.
- Mergers and acquisitions were a theme in the fund in the first quarter. DISNEY’S acquisition of 21ST CENTURY FOX closed in March. As a shareholder of 21<sup>st</sup> Century Fox, we received shares in the newly formed FOX CORPORATION as well as shares in Disney and a cash sum. We used some of the cash to buy more shares in Fox as well as additional shares in Disney (we already owned the stock) on price weakness. The manager of the fund, Velanne Asset Management, continues to like the prospects for both companies. They generate significant amounts of cash and, importantly, have good balance sheets. What’s more, the sector is ripe for further consolidation.
- SHIRE is another holding that was taken over. The Irish biotech was acquired by TAKEDA PHARMACEUTICAL, the largest drug company in Asia and a leader in plasma therapies and vaccines. We held onto our shares in Takeda following the merger, as Velanne believes the stock is very cheap and its drug pipeline is under-appreciated.
- We added to two Japanese investments on price weakness, JXTG HOLDINGS and SEVEN & I HOLDINGS. JXTG is Japan’s biggest oil refiner. Its shares have fallen as the industry has experienced some headwinds and consolidation, but Velanne likes the company’s longer-term prospects in an industry that now has fewer players and better pricing power. Seven & I, which operates over 50,000 7-Eleven stores in Japan and Asia, is facing some challenges with a tight labour market in Japan, but the fundamentals of the business remain attractive.
- The fund currently has a cash position of 9%.

### Positioning

- The fund is focused on quality companies that generate large amounts of cash flow but are facing temporary headwinds and are trading below their true value.
- Key areas of investment include healthcare, financial services, oil & gas services, consumer products, and media & entertainment companies.

The fund was up 6.3% in the quarter. Since inception (Feb 2007), it has a cumulative return of 36%, which equates to an annualized return of 2.5%.

### Notable Transactions

#### Buy

Fox Corporation\*  
Disney  
JXTG Holdings  
Seven & I Holdings

\*New holding

#### Trim/Sell

None to report

Fund size	\$79,240,072
No. of stocks	51



## Global Equity Fund

### Attributes

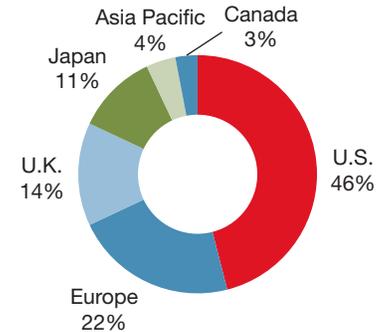
#### Top Stock Holdings

Zimmer Biomet	3.8%
Alleghany Corporation	3.3%
Discovery, Inc.	3.2%
Konecranes	3.2%
Mowi	3.1%
Medtronic	2.9%
Chugoku Marine Paints	2.7%
Heiwa Real Estate	2.6%
Walt Disney Company	2.5%
Frank's International	2.5%

#### Sector Allocation (Stocks)

Healthcare	17.6%
Financial Services	16.9%
Oil & Gas	16.8%
Consumer Products	14.7%
Industrial Goods & Svc	9.6%
Comm. & Media	9.4%
Consumer Cyclical	5.1%
Real Estate	2.9%
Retailing	2.5%
Technology	2.4%
Utilities & Pipelines	2.1%

#### Geographic Profile (Stocks)



### Performance

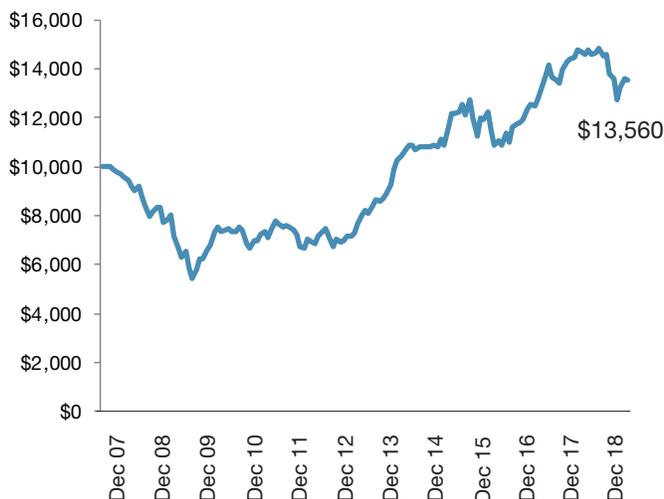
#### Compound Annualized Returns (as of March 31, 2019)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep <sup>1</sup>
<b>Global Equity Fund (after-fee)</b>	<b>6.3%</b>	<b>6.3%</b>	<b>-6.9%</b>	<b>1.5%</b>	<b>7.0%</b>	<b>4.6%</b>	<b>8.9%</b>	<b>2.5%</b>
Morningstar Developed Markets Index*	10.1%	10.1%	7.0%	8.6%	11.8%	10.9%	13.4%	6.3%

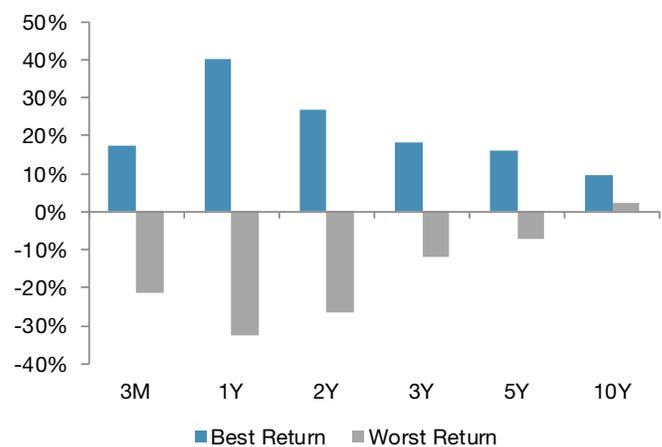
\*The fund has declined -7.0% since September 30, 2018, which is Velanne's starting date as portfolio advisor. The index is up 0.3% over the same period.

<sup>1</sup>Feb 13, 2007

#### Growth of \$10,000 Since Inception



#### Best and Worst Annualized Returns



## Small-Cap Equity Fund

### Market Context

- The Canadian small-cap market (S&P/TSX SmallCap Index) gained 10.7% in the first quarter. U.S. small-caps rose 12.2% (Russell 2000 Index) in Canadian dollar terms.
- Gains were broad-based, with tech and energy stocks among the top performers.

### Portfolio Specifics

- The fund consists of 24 companies, ranging from very small (e.g. BRICK BREWING) to medium-sized businesses (e.g. STANTEC). While the majority of holdings are Canadian, there are five U.S. stocks which make up 21% of the portfolio.
- The fund had a strong start to the year as many holdings bounced back sharply from last quarter. Several investments saw price gains of more than 30%, including BRICK BREWING, STERICYCLE, AG GROWTH INT'L., POINTS INT'L., and ALCANNA.
- The fund's largest holding, AG GROWTH INT'L., was added to the S&P/TSX Composite Index in March, which served to heighten its appeal to a broader range of investors. Ag Growth is a leading food infrastructure company involved in the processing, storing and handling of grain, fertilizer, feed and seed. The business has been growing at a solid pace and recently announced a platform acquisition in India that will expand its presence in a huge market. The manager, Galibier Capital, added to the stock late last year on weakness — a move that is proving fruitful.
- Galibier has been pleased with the growth and overall operating results of most holdings — CARGOJET, DREAM GLOBAL REIT and PARK LAWN to name a few. A couple of investments, however, have disappointed, notably UNI-SELECT. The auto paints and parts distributor has seen its stock fall over the past year as it lowered its growth forecast and is looking to divest one of its paint divisions. Galibier thinks management is doing the right things, but the company is on a short leash.
- Two new stocks were added to the portfolio, SLEEP COUNTRY CANADA and HENRY SCHEIN. You may have heard Sleep Country's jingle "*Why buy a mattress anywhere else?*" and their strong revenues back it up. The company has a good balance sheet and experienced CEO. New opportunities in online sales (it purchased *Endy* last year and also owns *Bloom*) and accessories (pillows and sheets) point to an attractive growth runway. Henry Schein is a worldwide distributor of dental and medical supplies. The company has a competitive edge through its powerful distribution network and proprietary software that helps medical practitioners work more efficiently.
- The fund currently has a cash position of 1%.

The fund was up 12.9% in the quarter. Since inception (Feb 2007), it has a cumulative return of 113%, which equates to an annualized return of 6.4%.

### Notable Transactions

#### Buy

Sleep Country Canada\*  
Henry Schein\*  
Premium Brands Holdings  
NFI Group

\*New holding

#### Trim/Sell

Exchange Income<sup>1</sup>  
WABCO Holdings  
Stericycle  
Middleby Corp.

<sup>1</sup>Position eliminated

### Positioning

- The portfolio has a unique composition, with key areas of investment being capital goods, transportation, and commercial & professional services. Food & beverage and consumer companies are also important components of the fund. This is in contrast to the small-cap market's heavy focus on resource companies.

Fund size	\$57,874,595
No. of stocks	24



## Small-Cap Equity Fund

### Attributes

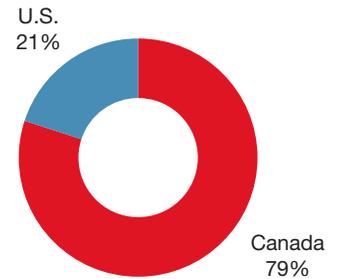
#### Top Stock Holdings

Ag Growth International	6.2%
Premium Brands	5.8%
Park Lawn	5.8%
NFI Group	5.8%
Oshkosh Corp.	5.2%
Stericycle	4.9%
Middleby Corp.	4.8%
Cargojet	4.6%
Spin Master	4.5%
Winpak	4.5%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	50.4%
Consumer Cyclical	19.2%
Consumer Products	10.1%
Oil & Gas	5.5%
Healthcare	4.0%
Real Estate	4.0%
Retailing	3.4%
Utilities & Pipelines	3.4%

#### Geographic Profile (Stocks)



### Performance

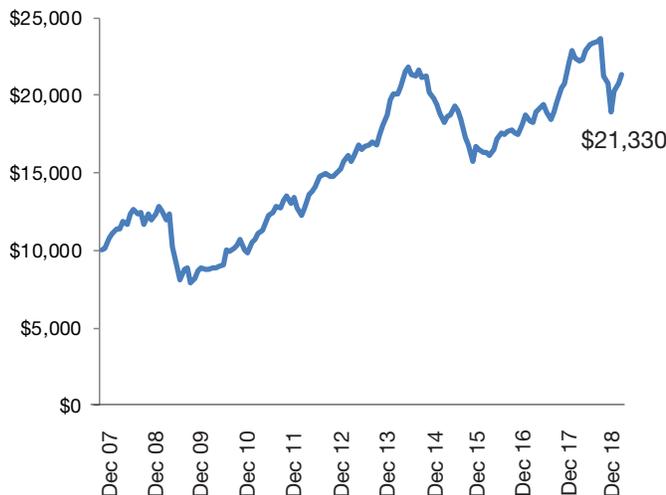
#### Compound Annualized Returns (as of March 31, 2019)

	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep <sup>1</sup>
<b>Small-Cap Equity Fund (after-fee)*</b>	<b>12.9%</b>	<b>12.9%</b>	<b>-4.0%</b>	<b>6.2%</b>	<b>8.9%</b>	<b>-0.4%</b>	<b>10.0%</b>	<b>6.4%</b>
S&P/TSX SmallCap Index	10.7%	10.7%	-1.8%	-4.2%	5.9%	0.2%	8.1%	1.0%
Russell 2000 Index (\$Cdn)	12.2%	12.2%	5.8%	7.0%	14.1%	11.2%	16.0%	8.1%

\*The fund has gained 21.2% since September 30, 2016, which is Galibier's starting date as portfolio advisor. The Canadian index is down -4.0% over the same period.

<sup>1</sup>Feb 13, 2007

#### Growth of \$10,000 Since Inception



#### Best and Worst Annualized Returns



## Global Small-Cap Equity Fund

### Market Context

- The global small-cap market (S&P Global SmallCap Index) rose 10.7% in the first quarter in Canadian dollar terms.
- Technology, real estate and healthcare stocks were strong performers.

### Portfolio Specifics

- Securities regulations prohibit us from discussing performance until the fund reaches the 1-year mark. Our discussion will focus instead on the characteristics and investment merit of select holdings.
- The fund consists of 46 companies around the globe. Twenty are headquartered in the U.S., sixteen in Europe (including the U.K.), eight in Japan, and two in Australia.
- The two Australian holdings, CHALLENGER and STEADFAST GROUP, are both involved in the insurance business. Steadfast is the largest general insurance broker in Australia and New Zealand, while Challenger sells annuity products in Australia and Japan. The fund also holds Danish insurer TOPDANMARK and Bermuda/U.S.-based property and catastrophe re-insurer RENAISSANCE RE. The manager, TimesSquare Capital Management, likes the insurance sector because of its high barriers to entry. Financial services companies as a group make up 18% of the fund.
- TimesSquare has found compelling investment ideas in the technology sector, which is the fund's largest area of investment comprising nine stocks and 21% of the portfolio. Examples include: GARTNER (a world leader in technology research); IIT (manufactures highly engineered components for the electronics, aviation, and transportation markets); J2 GLOBAL (provides messaging and communication services); WEX (provides payment processing technology, specializing in commercial vehicle fleets); and TYLER TECHNOLOGIES (designs software solutions for government organizations and school districts).
- The healthcare industry is also a key area of interest, comprising 17% of the fund's investments. Holdings are concentrated in care facilities (CHEMED, ORPEA, ENCOMPASS HEALTH,) and medical testing (BIO-RAD LABORATORIES, CHARLES RIVER LABORATORIES, EUROFINS). AMPLIFON, a Milan-based global leader in hearing aids, is also a company the manager likes because of its leading technology and brand name recognition.
- A unique trait that TimesSquare looks for is businesses that make critical inputs which are a small cost in the overall development of a final product or service. Examples include HORIBA, IIT, NORDSON, and INTERPUMP GROUP.

### Positioning

- The fund invests in businesses with a clear competitive edge, a record of consistent earnings growth, and management that has clear goals and a record of success.
- This approach will result in low weights in commodity-related business, utilities and real estate companies.

Regulations prohibit us from publishing performance figures until units of the fund have been distributed under a prospectus for more than 12 months.

### Notable Transactions

#### Buy

Teleperformance\*  
Gartner\*  
Planet Fitness\*  
St. James's Place\*  
CoStar Group\*

\*New holding

#### Trim/Sell

None to report

Fund size	\$2,008,676
No. of stocks	46



## Global Small-Cap Equity Fund

### Attributes

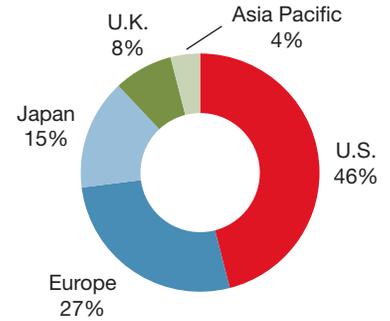
#### Top Stock Holdings

Gartner	3.8%
Planet Fitness	3.8%
Teleperformance	3.7%
St. James's Place	3.5%
CoStar Group	3.4%
Wex	3.1%
Charles River Labs	3.1%
Orpea	2.8%
Topdanmark	2.7%
J2 Global	2.6%

#### Sector Allocation (Stocks)

Technology	21.1%
Financial Services	17.7%
Healthcare	16.6%
Industrial Goods & Svc	13.9%
Consumer Cyclical	8.9%
Real Estate	7.8%
Retailing	6.6%
Basic Materials	2.4%
Comm. & Media	1.8%
Consumer Products	1.6%
Oil & Gas	1.6%

#### Geographic Profile (Stocks)



### Performance

Performance information is not available because the fund is a new mutual fund.<sup>1</sup> Securities regulations prohibit us from showing performance figures until units of the fund have been distributed under a prospectus for more than 12 months.

<sup>1</sup>Inception date: February 15, 2019.

## Builders Fund

### Fund Overview

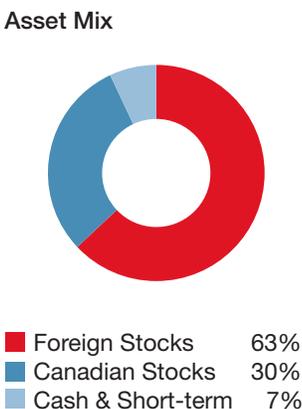
- The Builders Fund is a fund-of-funds that invests mainly in Steadyhand’s four stand-alone equity funds — Steadyhand Equity Fund, Steadyhand Global Equity Fund, Steadyhand Small-Cap Equity Fund, and Steadyhand Global Small-Cap Equity Fund. Its primarily an all-stock portfolio designed for growth-oriented investors.
- The underlying fund mix is managed by Salman Ahmed, with Tom Bradley as co-manager, and is a reflection of their views on market valuations.

Regulations prohibit us from publishing performance figures until units of the fund have been distributed under a prospectus for more than 12 months.

### Portfolio Specifics

- Securities regulations prohibit us from discussing performance until the fund reaches the 1-year mark. Our discussion will focus instead on the fund’s composition.
- 62% of the fund is invested in foreign stocks. The Global Equity Fund and Global Small-Cap Equity Fund have the most latitude to invest outside our borders. The Equity Fund and Small-Cap Equity Fund are both Canadian-centric in nature, but the managers have the flexibility to invest a portion of the funds’ assets in foreign companies.
- The fund is well diversified across industries and looks different than most Canadian portfolios. The largest sector weight, industrial goods & services, includes a diverse assortment of companies. Holdings include CAE (pilot training), KONECRANES (manufactures lifting equipment), TELEPERFORMANCE (outsourced customer service), and AG GROWTH (grain and seed storage).
- The Builders Fund also has diverse exposure to financial services companies (TD BANK, BERKSHIRE HATHAWAY, CHALLENGER, EXPERIAN), oil and gas (SUNCOR, JXTG HOLDINGS, SCHLUMBERGER, PASON SYSTEMS), and healthcare (NOVARTIS, ZIMMER BIOMET, ORPEA, PHILIPS), among others.
- 30% of the fund is invested in Steadyhand’s two small-cap funds. These funds can experience more pronounced fluctuations over shorter periods but provide the opportunity for enhanced returns over the long term.
- Investors should expect the fund to stay fully invested in our underlying funds on most occasions. Much of the cash in the Builders Fund is held within our underlying equity funds. The cash position can be a result of managers waiting for the right price to buy stocks or because of a recent sale. In some cases, cash can build up when there is a dearth of new investment opportunities.

Fund Mix	
Equity	35%
Global	35%
Small-Cap	15%
Global Small-Cap	15%



### Positioning

- Refer to pages 6-15 for details on the underlying funds.

Fund size	\$23,513,726
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## Builders Fund

### Attributes

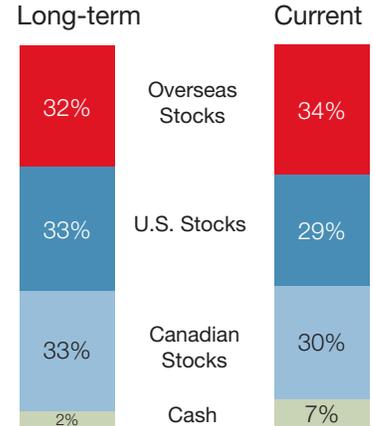
#### Top Stock Holdings (% of Fund)

Visa	2.2%
Franco-Nevada	2.1%
TD Bank	2.0%
Suncor Energy	1.9%
CCL Industries	1.8%
CN Rail	1.6%
Novartis	1.5%
Keyence	1.5%
Nutrien	1.5%
Experian	1.4%

#### Sector Allocation (Stocks)

Industrial Goods & Svc	23.1%
Financial Services	15.8%
Healthcare	11.6%
Oil & Gas	11.1%
Consumer Products	8.3%
Consumer Cyclical	7.4%
Technology	6.3%
Retailing	4.7%
Basic Materials	4.1%
Comm. & Media	3.5%
Real Estate	2.8%
Utilities & Pipelines	1.3%

#### Asset Mix



### Performance

Performance information is not available because the fund is a new mutual fund.<sup>1</sup> Securities regulations prohibit us from showing performance figures until units of the fund have been distributed under a prospectus for more than 12 months.

<sup>1</sup>Inception date: February 15, 2019.

## Savings Fund

### Market Context

- The Bank of Canada left its key lending rate unchanged in the quarter, at 1.75%.
- In its March statement, the central bank indicated that the slowdown in the global economy has been more pronounced than expected, with trade tensions weighing heavily on confidence and economic activity. In Canada, the slowdown has been sharper and more broadly based than anticipated, with exports and business investment falling short of expectations.
- Overall, the BoC feels the current outlook warrants a short-term interest rate that is still very accommodative of economic growth.

### Positioning

- The manager’s (Connor, Clark & Lunn) preference for corporate paper continued to add value for the fund in the first quarter. These securities, which include bank paper, floating rate notes and short-dated bonds, comprise 70% of the fund.
- Investments in T-Bills remain focused on provincial securities (30% of the fund).
- The pre-fee yield of the fund at the end of March was 2.0%.

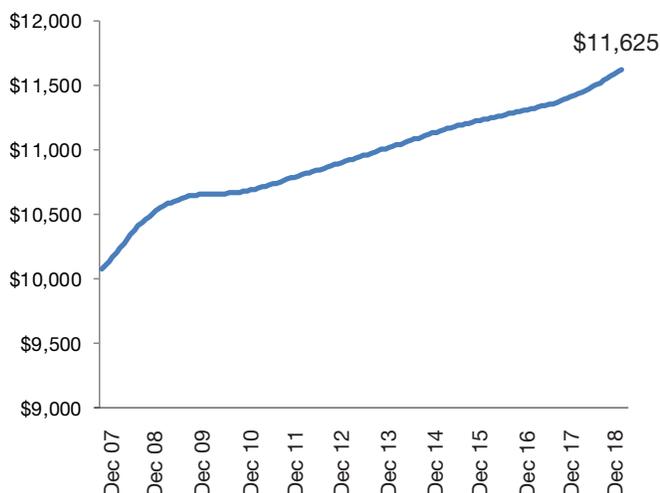
## Performance

### Compound Annualized Returns (as of March 31, 2019)

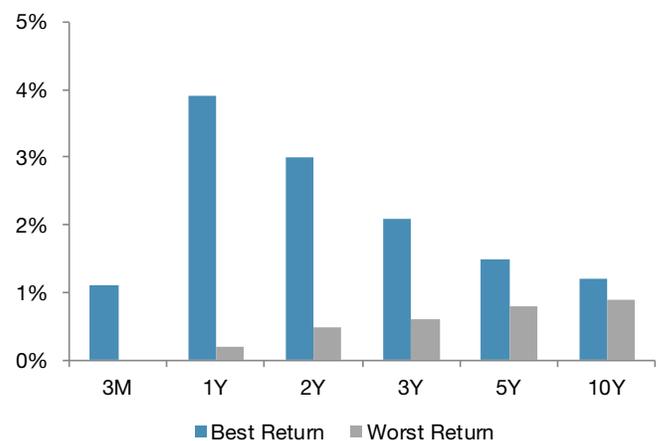
	3M	YTD	1Y	2Y	3Y	5Y	10Y	Incep*
<b>Savings Fund (after-fee)</b>	<b>0.5%</b>	<b>0.5%</b>	<b>1.7%</b>	<b>1.3%</b>	<b>1.1%</b>	<b>1.0%</b>	<b>0.9%</b>	<b>1.2%</b>
FTSE TMX Canada 91 Day T-Bill Index	0.4%	0.4%	1.5%	1.1%	0.9%	0.8%	0.8%	1.3%

\*Feb 13, 2007

### Growth of \$10,000 Since Inception



### Best and Worst Annualized Returns



## These two global forces will shape investing returns for decades to come

Special to the National Post, by Tom Bradley, March 25, 2019

*'This time is different.'*

These are the four most expensive words in investing. That's because whatever seemingly unique situation we're going through is not all that different from what the economy and markets have already experienced. In other words, most 'secular' trends are just 'cyclical.' Things that are way above or below the long-term trend eventually revert to the mean.

But really? Isn't this time different? We've never had anyone like Trump before. Surely Brexit is a once in a lifetime disruption. And how often do we see the world's biggest trading nations fighting like children?

Our firm is driven by bottom up research (company by company) rather than macro analysis, but we keep a live dashboard of issues that could impact our clients' returns going forward. Valuation is at the core of it, but we also monitor a range of cyclical and secular trends.

I recently talked about two of the most important ones in client presentations across the country. Surprising to some, I didn't focus on Trump, Brexit and trade. Policy announcements and tweets on these issues still cause markets to jump, and they certainly have the potential to impact economic and profit growth. But in my view, they've moved into the 'not different' category. We will muddle through each of them and their negative impact is waning.

Rather, my presentation highlighted two forces that are often overlooked by investors and yet arguably, will have a bigger impact on returns.

### Debt fatigue

We have been living in an over-stimulated economy for many years now. Despite experiencing one of the longest growth cycles in history, governments continue to run recession-like deficits and our 'data driven' central banks have kept interest rates at levels normally reserved for an economic crisis. In a decade of record auto sales, rising real estate prices, overbooked restaurants, and three or four new smartphones per person, we continued to binge on debt.

Massive monetary and fiscal stimulation were needed to get us through the debt crisis ten years ago, but we got hooked. Last week it was reported that consumer debt as a percentage of disposable income hit a new high in Canada.

And governments in Toronto, Ottawa and Washington continue to run large deficits. The world carries a heavier debt load today (relative to incomes and size of economy) than it did before the 2007-08 debt crisis.

This factor is flashing on my dashboard because it can't go on indefinitely. At some point, the pace of debt growth must slow or reverse, and with it will come less economic activity and a dramatically different attitude toward consumption and investing.

### Expanding middle class

While we live in our debt-laden cocoon in western countries, however, we need to remember that there's a big, dynamic world out there. Indeed, a vast majority of the 7.5 billion people on the planet live in regions that are growing. And more importantly, the middle class in India, China and other parts of Asia is expanding rapidly.

According to Consensus Economics, 12 per cent of India's population was middle class in 2017. By 2030, the percentage is expected to be close to 80 per cent. Think about it — there will be an additional 350-500 million people in India alone who might buy an appliance, subscribe to a streaming service or take a vacation. Even if the number is 50 to 60 per cent, the potential is incredible for global sellers of products and services.

### Mysterious markets

In recent years, many investors have been surprised that stock markets went higher in the face of a chaotic political landscape. These two macro trends go a long way to explaining why.

Cheap and plentiful credit pulled future consumption forward to present day and importantly, encouraged risk taking in the capital and real estate markets. Meanwhile, countries outside of the western world provided an extra shot of growth.

One of these trends is likely to come to a jolting end. The debt cycle won't be different this time. It will end with higher defaults and more restrictive credit policies.

The other, a steady shift of economic power from the west to the east, is a more sustainable trend. Indeed, the growing middle class is going to become an even bigger force going forward.



# Steadyhand



## State of the Union

Check out our annual [State of the Union](#) blog for an update on all things Steadyhand, including how our investors have fared, details about our client base, and where we're focusing our strategic efforts in 2019 and beyond.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The performance data provided for the Steadyhand Savings Fund assumes reinvestment of distributions only and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. The indicated rates of return for the funds other than the Savings Fund are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual fund securities are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the funds will be able to maintain their net asset value per security at a constant amount or that the full amount of your investment in the funds will be returned to you. Past performance may not be repeated.

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