

# Q2

## 2011

“A slight tilt toward caution reflects our view that bonds offer limited upside potential and stocks have had a good run off their lows (factoring in the recent pullback). We advise clients to keep some powder dry ... “

- See *The Grip* on page 3 for further details

## Bradley's Brief



Economic and political news continues to be concerning, and coincidentally, capital markets have been skittish. The bond market has been bouncing around and stock markets have given back most or all of their gains from earlier in the year.

Our positioning in the funds and client portfolios has generally fit with this kind of environment. The funds hold high-quality stocks and we've recommended that clients go light on bonds and hold some cash in reserve. This strategy has been working, despite the recent rally in the bond market, and our clients have fared well in recent months. The Income Fund continues to perform well, as have the Equity and Small-Cap funds.

The Global Equity Fund, on the other hand, has struggled. Our manager, Edinburgh Partners Ltd. (EPL), feels strongly that the market has too rosy an outlook for profit margins, and investors are overpaying for growth. In the short-term, this conservative view has held back returns as low valuations on the slower-growing, value stocks have stayed low. Like the other equity funds, however, I expect this defensive positioning will benefit our clients in the coming quarters.

As you can see, we've made some design and format changes to the Quarterly Report. One of the new features is an indicator called 'The Grip' (next page). This play on our company's name is meant to give clients a quick reading on where we are with respect to strategy and risk management. Each quarter, the steady hand will be accompanied with a brief commentary laying out our views and how they apply to your portfolio. If you have feedback on The Grip or report overall, we'd love to hear it.

At Steadyhand, we have a number of projects on the go, but expect the next couple of months to be quieter. If you find summer is a good time to review your portfolio, we'd be pleased to talk with you on the phone, or at our offices. (Note: At the Vancouver office, Lori has redone the garden and would welcome your praise and unabashed enthusiasm) Also, a condensed version of our report on performance assessment is now available on our website in the [Library](#). It may be the perfect companion to that cold beer in the hammock.

In general, if you want to stay up-to-date on all our blogs and articles, you can follow us on Twitter or Facebook. We'll understand, however, if you'd rather put away the phone and focus on enjoying the summer. Personally, I'm going water-skiing.

Hit it!

A handwritten signature in cursive script, appearing to read 'Jim'.

## Takeaways

### Stocks

- Stocks had a mixed quarter. The Canadian market (S&P/TSX Composite Index) dropped 5.1% based on weakness in commodity-related stocks while the MSCI World Index was flat. Both indices are up roughly 20% over the past year.
- Many European markets gained modest ground, Japan was largely unchanged and the emerging markets declined slightly.
- The resource-heavy small-cap market saw a notable decline (-7.6%) as paper & forest, and mining-related stocks lost considerable ground.

*The resource-heavy Canadian market declined over 5% while bonds had a strong quarter as investors favored safety over risk*

### Bonds

- The Canadian bond market had a strong quarter, with the DEX Universe Bond Index gaining 2.5%. Over the past year, it returned 4.7%.
- Bond yields declined further: 10-year Government of Canada yields fell one-quarter of a percent, to 3.1%.
- Interest rates remain near historically low levels and have little room to fall further.

### Our Funds

- Our portfolios held up relatively well, as our managers have a focus on high-quality companies and do not own a lot of mining stocks.
- Balanced clients experienced returns in the -1% to +1% range in the quarter, depending on their asset mix. Over the past year, the range is 13% -20%.

## The Grip

Our view on how your portfolio should be positioned **in relation to your long-term asset mix**.



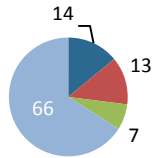
A slight tilt toward caution reflects our view that bonds offer limited upside potential and stocks have had a good run off their lows (factoring in the recent pullback). We advise clients to keep some powder dry in the form of a modest cash position in the event that bonds experience a sustained rise in yields (and drop in prices), or stock prices experience further declines. Clients with a balanced asset mix may choose to lighten up on the Income Fund by 5-10% and hold the proceeds in the Savings Fund. **Questions? 1-888-888-3147.**

## Steadyhand Portfolios (Hypothetical)\*

### Compound Annualized Returns

■ Income Fund   ■ Equity Fund   ■ Global Equity Fund   ■ Small-Cap Equity Fund

#### Balanced Income Portfolio

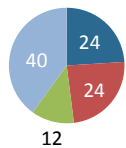


##### Long-term asset mix:

Fixed Income – 50%  
Cdn Equities – 30%  
U.S. Equities – 10%  
Overseas Equities – 10%

	3 M	YTD	1 Y	2 Y	3 Y	4 Y
	0.6%	3.2%	13.5%	12.5%	5.5%	4.0%

#### Balanced Equity Portfolio

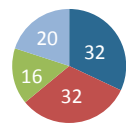


##### Long-term asset mix:

Fixed Income – 30%  
Cdn Equities – 34%  
U.S. Equities – 18%  
Overseas Equities – 18%

	3 M	YTD	1 Y	2 Y	3 Y	4 Y
	-0.1%	2.8%	15.9%	12.1%	3.1%	1.7%

#### Growth Portfolio

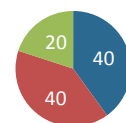


##### Long-term asset mix:

Fixed Income – 15%  
Cdn Equities – 37%  
U.S. Equities – 24%  
Overseas Equities – 24%

	3 M	YTD	1 Y	2 Y	3 Y	4 Y
	-0.5%	2.5%	17.9%	11.8%	1.1%	0.0%

#### Aggressive Growth Portfolio



##### Long-term asset mix:

Fixed Income – 0%  
Cdn Equities – 40%  
U.S. Equities – 30%  
Overseas Equities – 30%

	3 M	YTD	1 Y	2 Y	3 Y	4 Y
	-1.0%	2.2%	19.8%	11.3%	-0.9%	-1.9%

#### Capital Market Performance

	3 M	YTD	1 Y	2 Y	3 Y	4 Y
DEX 91 Day T-Bill Index	0.2%	0.5%	0.9%	0.6%	1.1%	1.8%
DEX Universe Bond Index	2.5%	2.2%	4.7%	5.8%	6.2%	6.3%
S&P/TSX Composite Index	-5.1%	0.2%	20.9%	16.3%	0.2%	1.8%
BMO Small Cap Index	-7.6%	-4.2%	31.1%	35.0%	8.2%	2.9%
S&P 500 Index (\$Cdn)	-0.7%	2.8%	18.8%	11.4%	1.5%	-3.4%
MSCI World Index (\$Cdn)	-0.1%	2.4%	19.3%	9.8%	-0.8%	-4.3%

\*The referenced portfolios are hypothetical portfolios comprised of Steadyhand funds. Each portfolio assumes that it is rebalanced on a quarterly basis to the target fund allocation. The indicated rates of return are the historical compound annualized returns. See end of report for all performance disclaimers. For further details on the portfolios, visit [www.steadyhand.com/education/allocation](http://www.steadyhand.com/education/allocation).

## Income Fund

### Market Overview

- Concerns over U.S. economic growth, debt problems in Europe and supply shocks from the Japanese earthquake led investors away from stocks. The bond market was a key beneficiary and turned in a strong quarter.
- The Canadian stock market (S&P/TSX Composite Index) pulled back on weakness in commodity-related stocks. Income-oriented equities (REITs and dividend-paying stocks) held up better but failed to advance.

*Interest rates don't have much room to fall and expectations for further gains in bond prices should be held in check*

### Portfolio Specifics

- The fund's bond holdings performed well, gaining roughly 2.7% overall, as yields declined significantly in the quarter (general rule: when yields fall, bond prices rise).
- Corporate bonds slightly lagged government issues, but still saw strong appreciation. These securities continue to comprise the largest portion of the portfolio (40%). Their spreads (difference in yield) over government bonds remain above normal, and they offer relatively attractive value.
- Federal government bonds now have extremely low yields (10-year bond yields fell below 3% in the quarter). The manager, Connor, Clark & Lunn (CC&L), sees little room for further declines and has a cautious outlook for these securities. They comprise a small part of the fund.
- Provincial bonds, which is where the fund's government holdings have been focused, were trimmed following a period of strong performance.
- The fund's equities held up relatively well in a rough quarter for stocks. REITs and utilities held their ground, while select financials turned in gains.
- Some profits were taken early in the quarter and the equity weighting of the fund was reduced modestly. It now stands at 28%.

### Notable Transactions

- Recent equity additions include *Cervus Equipment*, *Primaris Retail REIT* and *North West Company*. See next page for further transactions.
- The proceeds from the sales of equities and provincial bonds were invested primarily in short-term debt instruments.

### Positioning

- CC&L doesn't think that bond yields will fall much further from current levels, and that further gains in bond prices will require evidence that we are heading toward a double-dip recession, which they don't foresee.
- The term to maturity of the portfolio has been shortened and liquidity has been increased (through holding more cash & equivalent securities) in anticipation of a rising interest rate environment.
- CC&L continues to like the outlook for banks, with *TD*, *Royal Bank* and *Bank of Nova Scotia* among the larger holdings in the portfolio.



## Income Fund

### Top Holdings

CIBC B/A 1.11% (09/06/11)	4.4%
Ontario 4.40% (06/02/19)	4.1%
RBC YC 1.122% (08/25/11)	2.9%
TD 7.243% (12/31/18)	2.9%
BNS BDN 1.14% (09/06/11)	2.6%
TD 5.763% (12/18/17)	2.1%
Ontario 4.65% (06/02/41)	2.0%
Bank of Nova Scotia	1.8%
TD Bank	1.7%
Royal Bank	1.6%

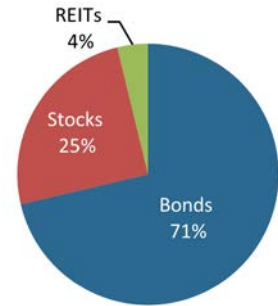
### Issuer Allocation (Bonds)

Federal Govt. Bonds	2.1%
Provincial Govt. Bonds	30.7%
Corporate Bonds	67.2%

### Rating Summary (Bonds)

AAA	11.6%
AA	35.0%
A	39.3%
BBB	14.1%
BB (or lower)	0.0%

### Asset Mix



### Stock Transactions

+	-
Cervus	CIBC
Primaris	Cineplex
North West	
Manulife	

### Portfolio Summary (Bonds)

Avg. Term to Maturity	8.3 yrs.
Duration	5.7 yrs.

### Fund Size / Yield

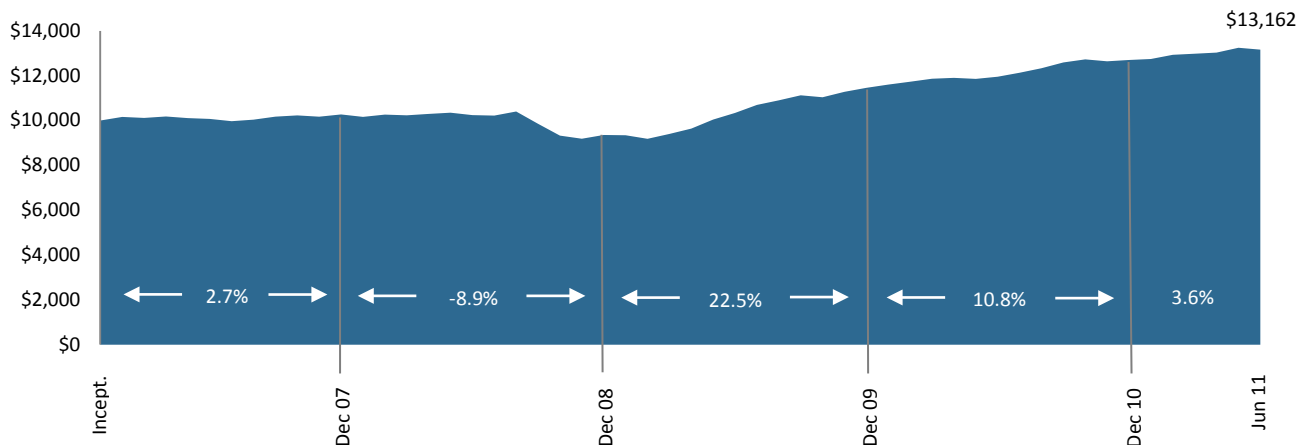
Net Assets	\$49,622,756
Pre-fee Yield	4.4%

### Compound Annualized Returns

	3 M	YTD	1 Y	2 Y	3 Y	4 Y	Incept*
<b>Income Fund</b>	<b>1.4%</b>	<b>3.6%</b>	<b>10.1%</b>	<b>12.8%</b>	<b>8.7%</b>	<b>6.9%</b>	<b>6.5%</b>
DEX Universe Bond Index	2.5%	2.2%	4.7%	5.8%	6.2%	6.3%	5.6%
S&P/TSX Composite Index	-5.1%	0.2%	20.9%	16.3%	0.2%	1.8%	3.4%

\*Feb. 13, 2007

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



## Equity Fund

### Market Overview

- The Canadian market (S&P/TSX Composite Index) had a rough quarter, as commodity-related stocks gave back some of their earlier gains.
- Defensive stocks, such as telecom and consumer-related equities, held up better than the overall market.
- Blue-chip U.S. and foreign businesses, many of which have deep cash reserves and pay attractive dividends, are starting to garner more attention from investors.

*The focus remains on high-quality, stable cash generating businesses – the kinds of companies you want to own for a long time*

### Portfolio Specifics

- The manager, CGOV Asset Management, continues to concentrate on high-quality franchises that they are comfortable owning for a long time. While many of these businesses aren't overly exciting, they generate steady profits and pay rising dividends.
- The portfolio's consumer-focused companies, such as *Unilever, Shoppers Drug Mart, Asia Pacific Breweries* and *CVS Caremark*, give it a defensive tilt. These stocks held up well during the recent selloff in the Materials sector.
- Oil & gas producers remain an important component of the fund, with a focus on western Canada (*Suncor, Crescent Point, Birchcliff*).
- Some of the fund's small-cap holdings have produced solid gains based on strong internal growth (*CAE, Asia Pacific*) and merger & acquisition activity (*TMX Group*).
- In holdings where management teams have not delivered (*RIM, Cisco*), patience is getting thinner, but CGOV will not sell a business on negative sentiment if the fundamentals are strong.
- The fund has held a modest cash position over the first half of the year.

### Notable Transactions

- No new companies were added to the portfolio and none were removed.
- With markets in a give-and-take mode, the manager has been active in adding to existing holdings on price weakness and trimming on strength.

### Positioning

- Emphasis continues to be on companies that generate plenty of cash, have a stable revenue base, a history of dividend growth, and are leaders in their field.
- The portfolio is light on mining-related stocks and other areas of the market where speculation is evident.
- While the portfolio isn't expensive, nor is it excessively cheap. It's more broadly diversified and defensively positioned than the Canadian market overall, however, which is concentrated largely in two sectors (resources and financials).

Oil & Gas

High-quality

Consumer Staples

Technology

Market Leaders

Gold

Dividends

## Equity Fund

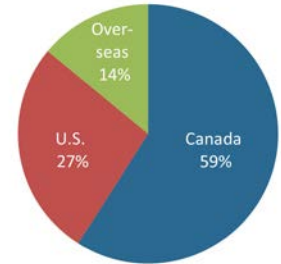
### Top Holdings

Crescent Point Energy	6.0%
Suncor Energy	6.0%
Asia Pacific Breweries	5.0%
Birchcliff Energy	4.8%
Unilever	4.6%
TD Bank	4.6%
Novartis	4.4%
CVS Caremark	4.0%
Nalco	4.0%
CAE	3.9%

### Sector Allocation (Equities)

Energy	21.4%
Consumer Staples	18.0%
Financials	15.6%
Industrials	13.9%
Materials	13.3%
Information Technology	9.6%
Health Care	4.6%
Telecom Services	3.6%

### Geographic Profile (Equities)



### Transactions

+	-
Cisco Systems Manulife Novartis Pason	Ritchie Bros. TD Bank

### Asset Mix

Equities	96.3%
Cash & Short-term	3.7%

### Fund Size / Concentration

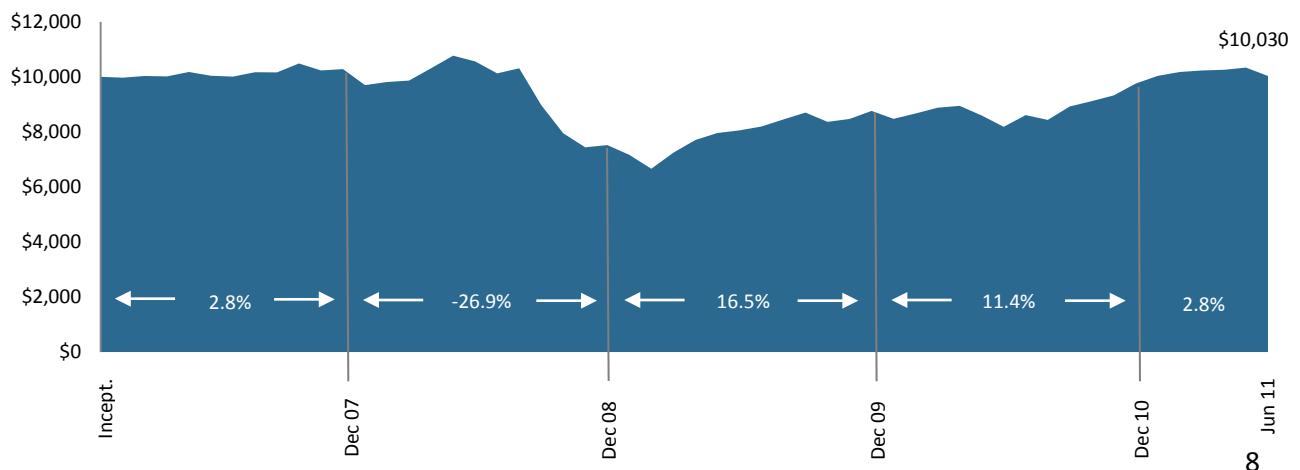
Net Assets	\$33,977,302
Number of stocks	25

### Compound Annualized Returns

	3 M	YTD	1 Y	2 Y	3 Y	4 Y	Incept*
<b>Equity Fund</b>	<b>-2.0%</b>	<b>2.8%</b>	<b>22.6%</b>	<b>11.6%</b>	<b>-1.7%</b>	<b>0.0%</b>	<b>0.1%</b>
S&P/TSX Composite Index	-5.1%	0.2%	20.9%	16.3%	0.2%	1.8%	3.4%
MSCI World Index (\$Cdn)	-0.1%	2.4%	19.3%	9.8%	-0.8%	-4.3%	-4.4%

\*Feb. 13, 2007

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



## Global Equity Fund

### Market Overview

- Global stocks had a mixed quarter, with several European markets advancing modestly while Japan and the U.S. were largely unchanged. The emerging markets lost ground.
- Currency movements had little impact on returns. The loonie gained 1¢ on the U.S. dollar, but depreciated slightly against the euro, pound and yen.

### Portfolio Specifics

- The portfolio has under-performed the broad market, where investors are favoring high-growth companies with lofty revenue projections. The manager, Edinburgh Partners Ltd., is focused on companies whose long-term profit forecasts are achievable in a slower growth environment.
- An area of concentration is “mature” technology companies (*Cisco, Intel, Microsoft*). These businesses have massive balance sheet strength and do not have overstated or unrealistic growth expectations.
- European companies in unfashionable businesses such as banking and insurance, where earnings have started to recover, continue to represent attractive value in the manager’s view.
- Japan is still the cheapest major market in the world. While the impact of the earthquake and tsunami has hurt share prices, EPL has not made significant changes to their long-term forecasts and believes there is substantial potential in select export-oriented businesses.
- The portfolio has noteworthy exposure to the emerging markets (directly and indirectly). Specifically, roughly 30% of the underlying holdings’ revenues are generated in the Asia-Pacific region (excluding Japan).
- Mining-related and other cyclical companies occupy little weight.

### Notable Transactions

- *Microsoft* was purchased. The software giant trades at a cheap valuation. EPL’s investment case is based on growing strength in corporate sales.
- *Dongfeng Motor*, China’s third largest car manufacturer, was also added to the fund. The company has strong fundamentals and a buying opportunity emerged based on share price weakness.
- *Time Warner Cable* was sold after doubling in value since early 2010.

### Positioning

- EPL feels strongly that investors are overpaying for high-growth stocks. The manager currently has much more of a value oriented focus. The portfolio is concentrated in stocks with low price-to-earnings (P/E) multiples, low price-to-book value ratios, and higher dividend yields.
- Valuation differences between growth and value stocks look to be unsustainable. While the timing of the reversal can’t be predicted, history suggests that when the axis tilts, it can happen fast.

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*The portfolio currently has an extreme “value” bias – that is, companies trading at low valuations*

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Asia-Pacific      Japan  
 Value bias  
 Emerging Markets      Technology  
 Mining      USA  
 Europe

## Global Equity Fund

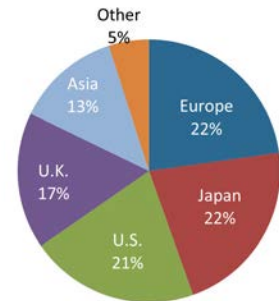
### Top Holdings

Sanofi-Aventis	2.9%
Yamaha Motor	2.9%
Gazprom	2.9%
Unilever	2.7%
Telecom Italia	2.7%
Cisco Systems	2.7%
Samsung Electronics	2.7%
China Mobile	2.7%
Dongfeng Motor	2.6%
Mitsubishi Corp.	2.6%

### Sector Allocation (Equities)

Information Technology	21.9%
Financials	15.7%
Consumer Discretionary	14.6%
Telecom Services	12.6%
Energy	10.2%
Industrials	9.3%
Consumer Staples	7.9%
Health Care	7.8%

### Geographic Profile (Equities)



### Transactions

+ Microsoft Dongfeng Fujitsu HSBC	- Time Warner Zimmer
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### Asset Mix

Equities	97.4%
Cash & Short-term	2.6%

### Fund Size / Concentration

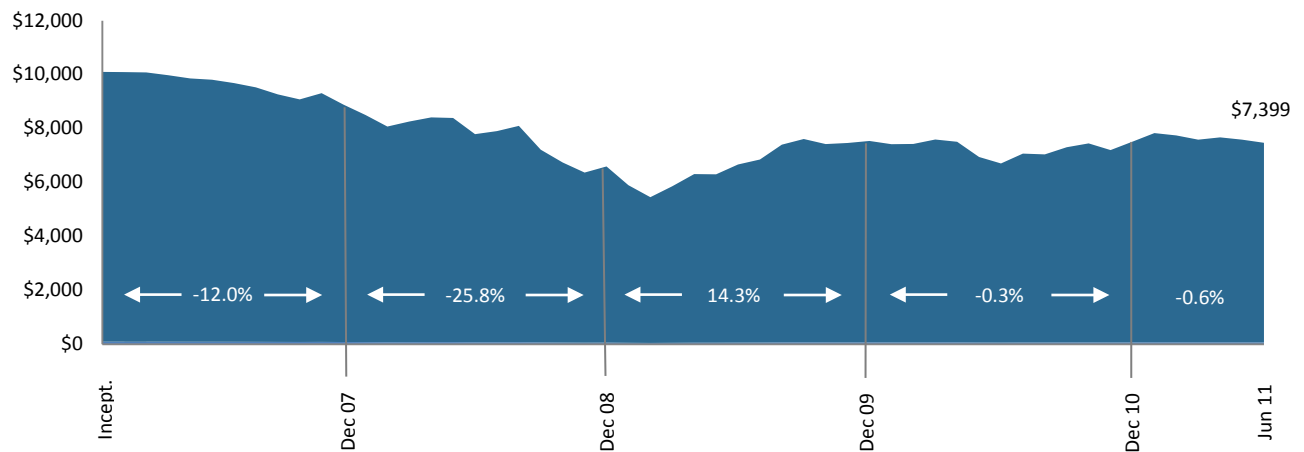
Net Assets	\$20,758,159
Number of stocks	41

### Compound Annualized Returns

	3 M	YTD	1 Y	2 Y	3 Y	4 Y	Incept*
<b>Global Equity Fund</b>	<b>-1.5%</b>	<b>-0.6%</b>	<b>11.4%</b>	<b>5.9%</b>	<b>-1.4%</b>	<b>-6.6%</b>	<b>-6.7%</b>
MSCI World Index (\$Cdn)	-0.1%	2.4%	19.3%	9.8%	-0.8%	-4.3%	-4.4%

\*Feb. 13, 2007

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



## Small-Cap Equity Fund

### Market Overview

- The small-cap market dropped 8% in the quarter, as measured by the BMO Small Cap Index. The pullback was led by large declines in resource stocks, notably forestry & mining-related companies.
- It was the market's largest quarterly decline since Q4 2008. That said, it is up 31% over the past year.
- Consumer-related stocks held up relatively well, but each sector of the market lost ground.

### Portfolio Specifics

- The portfolio held up well in the face of sharp declines in many resource-oriented stocks. The manager, Wutherich & Company, continues to focus on businesses that generate more stable revenues.
- Key holdings continue to deliver strong operating results, notably *Alaris Royalty*, *Canadian Helicopters*, *Badger Daylighting* and *Hibbett Sports*.
- The portfolio remains reasonably valued on balance. A handful of investments trade at bargain levels, while a few others are starting to look more fully valued.
- *Canadian Helicopters*, the fund's largest holding, has gained 50% year-to-date. The firm recently acquired a New Zealand company that looks to be a good fit at an attractive price.
- The portfolio remains concentrated in companies with a market capitalization under \$1 billion.
- With a healthy cash reserve (13%), the manager has some dry powder to take advantage of unwarranted share price declines in quality companies.

### Notable Transactions

- No new companies were added to the fund.
- *Palliser Oil & Gas* was sold after the stock price ran up quickly. Wutherich would look at owning it again at the right price.
- *Canadian Helicopters* and *Alaris* were trimmed based on strong price gains, while additional shares of *Iridium Communications* were purchased.

### Positioning

- The manager remains weary of the mining sector. The inherent cyclicity, lofty forecasts and ongoing financing requirements of many of these companies calls for caution. At current valuations, Wutherich feels the risks outweigh the potential rewards.
- The focus is on companies that largely create their own destinies. They tend to have stable or growing earnings, healthy balance sheets and franchises they should be able to exploit profitably for many years.

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*The portfolio has weathered the recent downturn in commodity prices well, reflecting its focus on less cyclical companies*

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## Cash flow



## Small-Cap Equity Fund

### Top Holdings\*

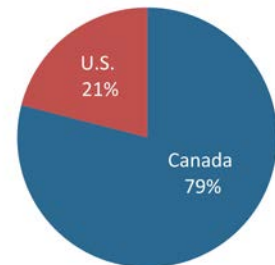
Canadian Helicopters	10.5%
Primero Mining	6.7%
Alaris Royalty Corp.	6.0%
Iridium Communications	5.9%
Medical Facilities	5.7%
Badger Daylighting	5.6%
Stantec	5.5%
MacDonald Dettwiler	5.2%
Coastal Energy	5.2%
Total Energy Services	5.1%

\*As of April 30, 2011

### Sector Allocation (Equities)

Industrials	24.3%
Information Technology	22.9%
Consumer Discretionary	15.8%
Energy	13.1%
Consumer Staples	6.6%
Health Care	5.9%
Financials	5.7%
Materials	5.3%

### Geographic Profile (Equities)



### Transactions

+	-
Iridium Shoppers DM	Cdn Helicopt. Alaris Palliser

### Asset Mix

Equities	86.7%
Cash & Short-term	13.3%

### Fund Size / Concentration

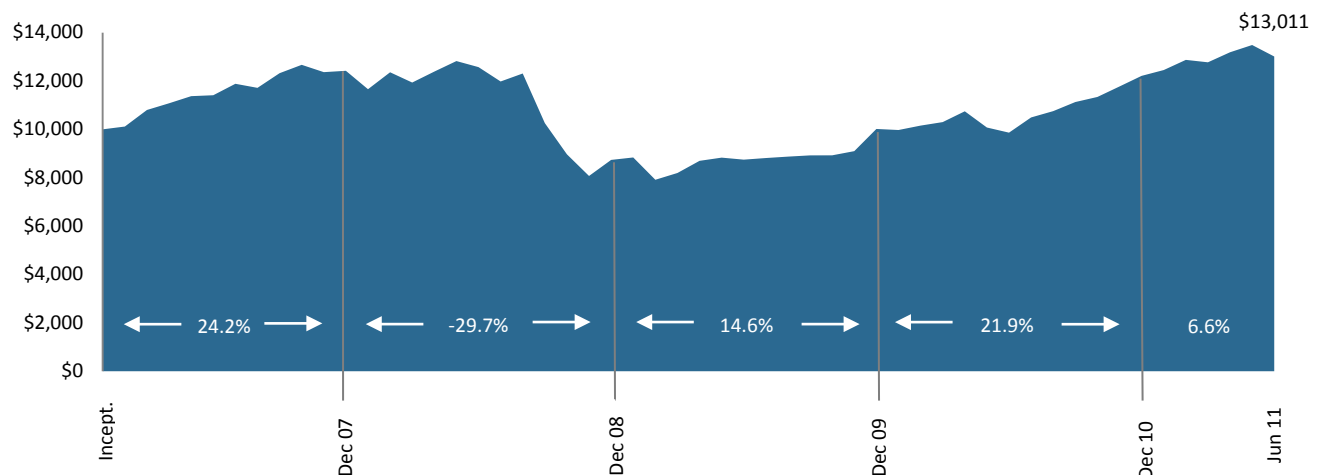
Net Assets	\$19,182,170
Number of stocks	16

### Compound Annualized Returns

	3 M	YTD	1 Y	2 Y	3 Y	4 Y	Incept*
<b>Small-Cap Equity Fund</b>	<b>1.9%</b>	<b>6.6%</b>	<b>31.9%</b>	<b>22.0%</b>	<b>1.2%</b>	<b>3.3%</b>	<b>6.2%</b>
BMO Small Cap Index	-7.6%	-4.2%	31.1%	35.0%	8.2%	2.9%	4.8%

\*Feb. 13, 2007

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



## Savings Fund

### Market Overview

- The Bank of Canada left its key short-term lending rate unchanged in the quarter. The rate has stood at 1.0% since September, 2010.
- The economic expansion in Canada is proceeding in line with the central bank's expectations. Business investment has been strong, while net exports have been a modest drag on growth (reflecting the strength in the Canadian dollar).
- Overall inflation has crept up due to higher gas and food prices, but 'core' inflation (excludes energy and food) remains within the Bank's target.

### Portfolio Specifics

- It continues to be a tough environment to add value in a money market fund as short-term interest rates remain close to historically low levels.
- The fund has moved out of Government of Canada T-Bills in favour of provincial T-Bills, which offer a yield advantage of 12-13 basis points (0.12% - 0.13%). While the 'spread' may seem trivial, it's meaningful in today's low interest rate environment. Provincial T-Bills make up 31% of the portfolio.
- Short-term debt instruments issued by the banks ('bank paper') continue to comprise a large portion of the portfolio (roughly 44%). These securities offer a yield advantage of 25-30 basis points over government T-Bills.
- The manager, Connor, Clark & Lunn (CC&L), continues to also invest in other issues of corporate paper where they can achieve a reasonable yield advantage (over government T-Bills) without undue risk.
- The pre-fee yield of the fund at the end of June was 1.2%.

### Notable Transactions

- The fund does not currently hold any Government of Canada T-Bills. These securities made up 14% of the portfolio at the end of last quarter.
- The weighting of provincial T-Bills increased to 31% of the portfolio (as previously mentioned), up from 20% at the end of March.

### Positioning

- CC&L is keeping the average term to maturity of the portfolio a little shorter than normal in anticipation of the Bank of Canada increasing its key lending rate.
- The focus remains on capital preservation and the manager will not unnecessarily stretch for yield.
- Short-term interest rates are still very low and we have maintained a reduced fee on the fund (0.20%) to help provide a reasonable yield for unitholders.

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*The manager is keeping the average term to maturity of the portfolio shorter than normal in anticipation of rising interest rates*

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## Corporate notes

Shorter maturity

Provincial  
T-Bills

Bank paper

Low yield;  
reduced fee

## Savings Fund

### Top Holdings

Ontario T-Bills (08/24/11)	8.7%
B.C. P/N (08/19/11)	7.9%
B.C. P/N (10/17/11)	7.1%
BNS BDN (09/12/11)	6.3%
Ontario T-Bills (06/08/11)	5.5%
Manulife BDN (09/01/11)	4.8%
Royal Bank B/A (09/06/11)	4.8%
GE Capital C/P (09/07/11)	4.7%
Natl. Bank B/A (09/29/11)	4.0%
Brookfield C/P (07/20/11)	3.2%

### Yield

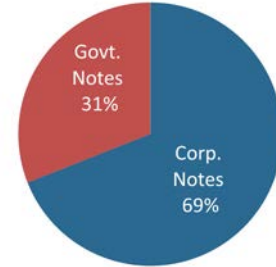
7-day Yield\* 1.0%

*\*This is an annualized historical yield (net of fees) based on the seven day period ended on June 30, 2011, and does not represent an actual one year return.*

### Fund Size

Net Assets \$6,303,809

### Issuer Allocation

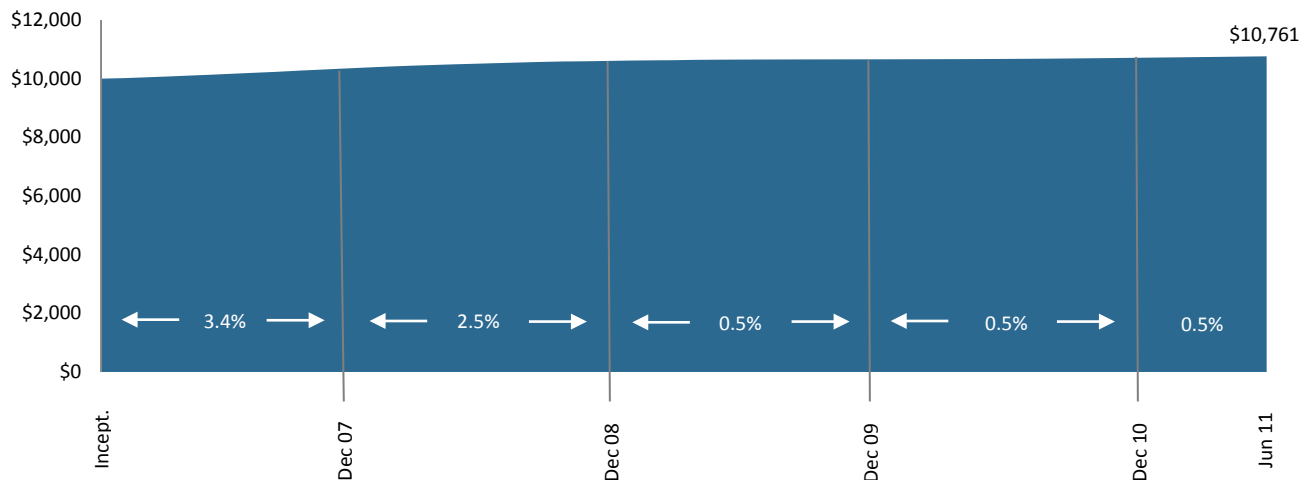


### Compound Annualized Returns

	3 M	YTD	1 Y	2 Y	3 Y	4 Y	Incept*
<b>Savings Fund</b>	<b>0.2%</b>	<b>0.5%</b>	<b>0.8%</b>	<b>0.5%</b>	<b>0.8%</b>	<b>1.5%</b>	<b>1.7%</b>
DEX 91 Day T-Bill Index	0.2%	0.5%	0.9%	0.6%	1.1%	1.8%	2.0%

\*Feb. 13, 2007

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



## Stock Snapshot - **BRIDGESTONE**

### Overview

Bridgestone is a global tire manufacturer based in Tokyo. The firm makes tires for cars, trucks, industrial machinery, aircraft and motorcycles. Bridgestone also makes anti-vibration and noise insulating materials, and sporting goods (golf and tennis equipment). The company has leading market shares in the U.S., Japan, and southeast Asia, and has a growing presence in China.

The stock is held in our Global Equity Fund (2.5% position size).

### Investment Case

After a period of restructuring and consolidation in Japan and the U.S., Bridgestone has expanded aggressively in the emerging markets. With the world car fleet forecasted to grow from 800 million to 1.3 billion vehicles by 2030, there will be a steady demand for tires, with much of the growth coming in the emerging markets. Indeed, over 13 million cars were sold in China in 2009, exceeding sales in the U.S. for the first time. Further, it is estimated that over 50% of Chinese drivers haven't replaced their tires yet. While growth in Europe and the U.S. is expected to be modest at around 3% per year, Asia is expected to grow at a pace of 15%. Bridgestone is well positioned in the region, with a market share of roughly 40%.

The company has been building up its distribution network and production capacity, opening new plants in China, Mexico, Brazil, Thailand, Poland and Hungary, and expanding facilities elsewhere in Asia. Bridgestone spends more on R&D than its closest competitor (Michelin) and has strong worldwide brand recognition.

Bridgestone has a strong balance sheet and generates significant cash flow to fund its expansion. Further, the stock represents a compelling opportunity, as the company is trading at book value, which is an indication that if it were dismantled and sold for parts, it would fetch its market value. In other words, investors are not assigning much value to the company's future growth prospects.

### Risks to Outlook

An increase in rubber prices and/or a global economic slowdown are the greatest risks to the stock. The price of rubber has been tracking other commodities such as copper on the back of Chinese growth forecasts and there is some uncertainty about the role of speculators in the market.

*An interesting fact:* rubber trees take seven years to be productive and require plenty of rainfall. They grow mostly in Brazil, but plantations are also found in southeast Asia. Trees in the Amazon can reach a height of nearly 150 feet.



## Disclaimers

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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