



Caldwell Investment Management Ltd.

Independent Investment Managers

Semi-Annual Management Report of Fund Performance For the Six Months Ended June 30, 2016

Caldwell Income Fund

Note: The fund's auditor does not audit the Management Report of Fund Performance ("MRFP") but checks the figures to ensure they are consistent with the audited financial statements.

This interim management report of fund performance contains financial highlights but does not contain the complete interim or annual financial statements of the investment fund. You may obtain a copy of the interim or annual financial statements at your request, free of charge, by calling 1-800-256-2441, by writing to us at Caldwell Investment Management Ltd., 150 King Street West, Suite 1702, P.O. Box 47, Toronto, ON M5H 1J9 or by visiting our website at www.caldwellinvestment.com or SEDAR at www.sedar.com.

Securityholders may also contact us by using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.



Management Discussion of Fund Performance

Investment Objective

The fundamental investment objective of the Caldwell Income Fund (the “Fund”) is to provide superior investment returns through income and growth securities while preserving capital and maintaining liquidity by investing in a diverse portfolio of Canadian government fixed income (federal, provincial and municipal) securities.

The Fund is designed for people who want to see their money grow faster than putting it with the bank, but who do not want to worry about it.

The Fund maintains a balance of 100% Government of Canada bonds and Treasury Bills.

Results of Operations

The Fund’s Series A units stayed the same at \$4.78 during the first half of 2016, a decline of 4.8%. Assets in Series A were down from \$8.2 million to \$5.8 million.

The Fund’s Series F are intended for use in fee-based accounts. These units increased from \$4.97 to \$4.99 and assets in the series were up from \$137,486.87 to \$137,941 since December 31st, 2015.

Recent Developments

The Fund’s manager changed the target asset mix of 75% to 80% government guaranteed bonds and 20% to 25% of dividend paying equities to 100% Government of Canada bonds and Treasury Bills in the beginning of 2016. The AAA credit rating from Government of Canada bonds and Treasury Bills is a unique feature among existing fixed income products. The active management aspect is also a unique feature.

The Manager of the Fund approaches the issue of rising interest rates by limiting portfolio duration and by actively trading the bonds during times of volatility to take advantage of opportunities and protect capital. Longer term securities, such as a 10 year bond, have bigger reactions to interest rate moves than shorter term bonds, like treasury bills. Our strategy in a volatile interest rate environment is to own very short-term bonds, and only extend term into longer-term bonds when we sense that interest rates have moved too high, too quickly. An added risk feature is that, when we do extend term, we protect capital by limiting the maximum duration of the portfolio to 10 years, which limits volatility.



The Portfolio Manager strives to achieve Absolute Returns through interest rate anticipation. The investment process can be summarized as:

- In-depth proprietary Macroeconomic Research
- Determine the “Natural Boundaries of Interest Rates”
- Technical Analysis for timing and Risk Management

In July, Caldwell Investment Management Ltd launched an “T” Series for institutional buyers. The management fee is set at 0.25% p.a. The initial response from Advisors among large Canadian investment managers has been favourable.

The bond market was volatile for most of Q1 and Q2 2016. The yield of the Government of Canada 10-year bond fluctuated between 1.57% and 1.0%, with a strong downside bias, largely due to a poor Canadian economic backdrop. The non-energy manufacturing sector has failed to pick up the slack left by a tumbling energy sector and the materials sector.

The Fund spent a considerable amount of time in the safety of Treasury Bills. Excluding stock holdings (that was sold in April 2016), the return on bonds is approximately 1.2% as of the end of June 2016.

William Chin succeeded J. Dennis Freeman as Portfolio Manager in November 2015 and has since applied an active management approach. His focus is on actively managing Government bonds of the highest quality.

Independent Review Committee

Under the provisions of National Instrument 81-107 – *Independent Review Committee for Investment Funds* (“NI 81-107”), which came into force on November 1, 2006, it is now required that all publicly offered investment funds, such as the Fund, establish an independent review committee (“IRC”) to whom the Manager is to refer all potential conflict of interest matters in order to obtain a recommendation or approval, as applicable. NI 81-107 further mandates that the IRC be composed of at least three independent members and requires that they conduct assessments and regularly report to the Manager and unitholders in respect of its duties.

The current members of the Manager’s IRC are Robert Guilday, Sharon Kent and F. Michael Walsh

Forward-looking Statements

Certain statements included in this report may constitute forward-looking statements, including those identified by the expressions “believe”, “anticipate”, “expect” or similar expressions to the extent they relate to the Fund, its Manager or its portfolio manager. Such forward-looking statements are not historical facts but reflect the Fund’s, the Manager’s or the portfolio manager’s current expectations regarding future results or events. Such forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ



materially from current expectations. Readers are cautioned to consider these and other factors carefully when making decisions with respect to the Fund and not place undue reliance on forward-looking statements. Unless required by applicable law, the Fund does not undertake any obligation to update publicly or to revise any of such forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements included or incorporated by reference in this report include statements with respect to:

- Interest rates
- Change in accounting policy

Related Party Transactions

Manager and Portfolio Adviser

The Manager is a wholly owned subsidiary of Caldwell Financial Ltd. The Manager is also the portfolio adviser of the Fund. The Manager is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. For its administrative services, trustee fees, asset allocation, security selection, ongoing monitoring and related services, the Manager is paid an annual fee up to 1.25% based on the net asset value of Series A units of the Fund and up to 0.75% based on the net asset value of Series F units of the Fund.

Trustee

The trustee of the Fund is Caldwell Investment Management Ltd.

Principal Distributor

Caldwell Securities Ltd. is related to the Manager in that both are wholly-owned subsidiaries of Caldwell Financial Ltd. Caldwell Securities Ltd. markets units of the Fund directly to the public and receives sales commissions and trailer fees based on the total value of their clients' holdings in the Fund on the same basis as other dealers that distribute units to the public.

Brokerage

The Manager may choose to execute a portion or all of the Fund's portfolio transactions with Caldwell Securities Ltd. on terms as favourable or more favourable to the Fund as those available through other broker or dealers. In 2015 the Fund paid \$123,165 in commissions to Caldwell Securities Ltd. or 100 % of total commissions paid and has paid \$24,667 in commissions in the first half of 2016.



Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years. This information is derived from the Fund's audited annual financial statements.

The Fund's Net Asset Value (NAV), per Series A Unit, as at June 30/December 31.

	2016	2015	2014	2013	2012
Net Assets, beginning of year ⁽³⁾	4.78	5.02	5.04	5.19	4.96
Increase (decrease) from operations:					
Total Revenue	0.02	0.10	0.14	0.13	0.10
Total Expenses	(0.04)	(0.08)	(0.07)	(0.12)	(0.09)
Realized gains (losses) for the period	(0.01)	(0.32)	0.30	(0.06)	0.00
Unrealized gains (losses) for the period	0.03	0.07	(0.10)	(0.03)	0.22
Total increase (decrease) from operations ⁽¹⁾	0.00	(0.23)	0.27	(0.08)	0.23
Distributions:					
From Income (excluding dividends)	0.00	0.00	(0.01)	0.00	0.00
From Dividends	0.00	0.00	(0.05)	(0.05)	0.00
From Capital Gains	0.00	0.00	(0.22)	0.00	0.00
Return of Capital	0.00	0.00	0.00	0.00	0.00
Total Annual Distributions ⁽²⁾	0.00	0.00	(0.28)	(0.05)	0.00
Net Assets at December 31 of year shown ⁽³⁾	4.78	4.78	5.02	5.04	5.19

⁽¹⁾ Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

⁽²⁾ Distributions were paid in cash or reinvested in additional units of the Fund or both.

⁽³⁾ All per unit figures presented from 2013-2016 are referenced to net assets determined in accordance with IFRS and are derived from the Fund's audited financial statements for the year ended December 31, 2015 and June 30, 2016. Net assets per unit for all other prior years were derived from the Fund's audited annual financial statements that were prepared in accordance with Canadian GAAP. Net assets per unit is the difference between the aggregate value of the assets (including the valuation of securities at closing prices for the years ended December 31, 2013 to 2015, June 30, 2016 and for all other prior years at bid prices) and the aggregate value of the liabilities, divided by the number of units then outstanding.



The Fund's Net Asset Value (NAV), per Series F Unit, as at June 30.

	2016	2015	2014
Net Assets, beginning of year ⁽³⁾	4.98	5.19	8.72
Increase (decrease) from operations:			
Total Revenue	0.02	0.10	0.18
Total Expenses	(0.04)	(0.05)	(0.03)
Realized gains (losses) for the period	0.00	(0.33)	0.07
Unrealized gains (losses) for the period	0.03	0.08	(0.08)
Total increase (decrease) from operations ⁽¹⁾	0.00	(0.20)	0.02
Distributions:			
From Income (excluding dividends)	0.00	0.00	(0.02)
From Dividends	0.00	0.00	(0.01)
From Capital Gains	0.00	0.00	(0.08)
Return of Capital	0.00	0.00	0.00
Total Annual Distributions ⁽²⁾	0.00	0.00	(0.11)
Net Assets at December 31 of year shown ⁽³⁾	4.99	4.98	5.19

⁽¹⁾ Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

⁽²⁾ Distributions were paid in cash or reinvested in additional units of the Fund or both.

⁽³⁾ All per unit figures presented from 2013-2015 are referenced to net assets determined in accordance with IFRS and are derived from the Fund's audited financial statements for the year ended December 31, 2015 and June 30, 2016. Net assets per unit for all other prior years were derived from the Fund's audited annual financial statements that were prepared in accordance with Canadian GAAP. Net assets per unit is the difference between the aggregate value of the assets (including the valuation of securities at closing prices for the years ended December 31, 2013 to 2015, June 30, 2016 and for all other prior years at bid prices) and the aggregate value of the liabilities, divided by the number of units then outstanding.

* The Fund's Series F commenced on August 1, 2014



Ratios and Supplemental Data (unaudited) - Series A

	2016	2015	2014	2013	2012
Net assets (000's) ⁽¹⁾	5,783	8,151	11,072	11,422	14,172
Number of units outstanding ⁽¹⁾	1,208,927	1,705,509	2,204,301	2,265,487	2,732,604
Management expense ratio ⁽²⁾	1.65%	1.66%	1.62%	1.63%	1.68%
Management expense ratio before waivers or absorptions	2.81%	2.47%	2.00%	1.96%	2.00%
Portfolio turnover rate ⁽³⁾	420.17%	854.83%	584.67%	381.44%	658.22%
Trading Expense ratio ⁽⁴⁾	0.54%	1.26%	0.89%	0.68%	0.48%

Ratios and Supplemental Data (unaudited) - Series F

	2016	2015	2014
Net assets (000's) ⁽¹⁾	138	138	175
Number of units outstanding ⁽¹⁾	27,670	27,670	33,783
Management expense ratio ⁽²⁾	1.70%	0.79%	1.15%
Management expense ratio before waivers or absorptions	2.83%	1.69%	2.09%
Portfolio turnover rate ⁽³⁾	420.17%	854.83%	584.67%
Trading Expense ratio ⁽⁴⁾	0.54%	0.86%	0.89%

(1) This information is provided as at December 31 for the years 2014 and 2015 and for June 30, 2016

(2) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.



Management Fees

As compensation for managing the Fund, the Manager can receive an annual fee up to 1.25% of the average net asset value of the Fund. Such fees are calculated daily and payable monthly. The Manager in turn is responsible for paying investment adviser fees, trustee fees, sales commissions, trailer fees and has chosen to absorb certain expenses for which the Fund is responsible.

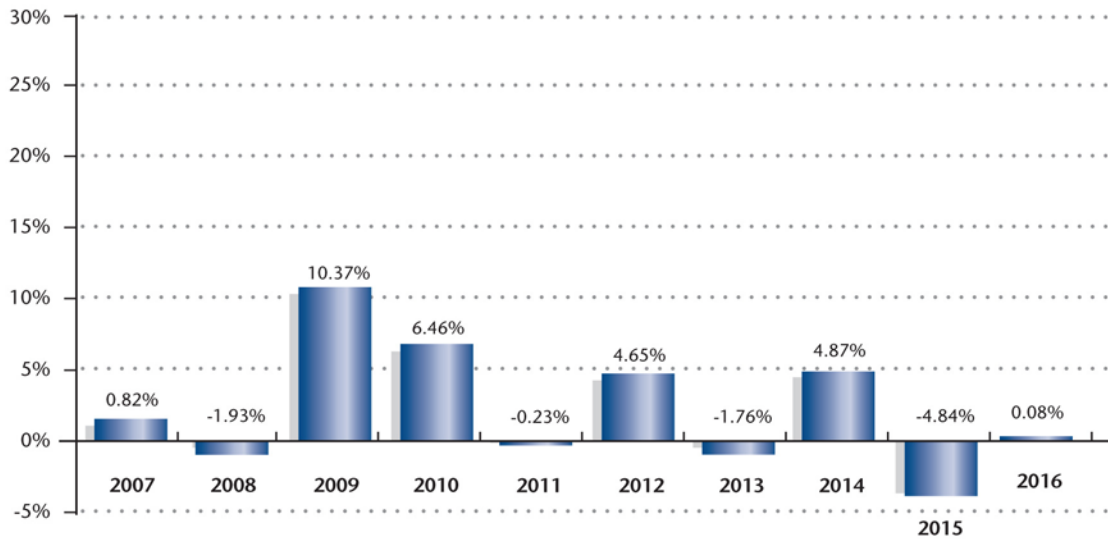
Distribution	50%
Management and Portfolio Adviser Services	(87%)
Waivers and Absorption of Fund Expenses	137%

Past Performance

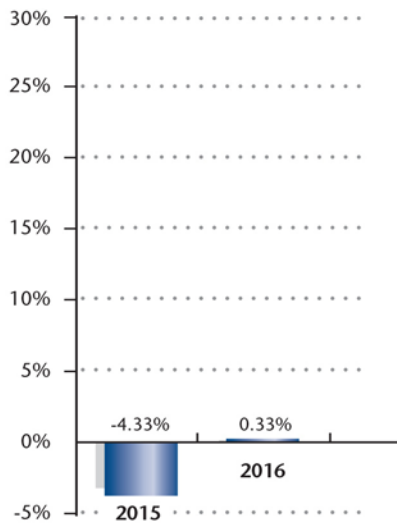
The following charts shows how the Fund has performed in the past, and can help you understand the risks of investing in the Fund. These returns include the reinvestment of all distributions and would be lower if they did not. They don't include deduction of sales, switch, redemption, or other optional charges (which distributors may charge) or income taxes payable, and would be lower if they did. The Fund's past performance is no guarantee of how it will perform in the future.

Year-by-Year Returns

The bar charts shows how the Fund's annual past performance has varied from year to year for each of the years shown. It shows in percentage terms how an investment made on January 1 would have increased or decreased by December 31 for each year.



Caldwell Income Fund - Series A

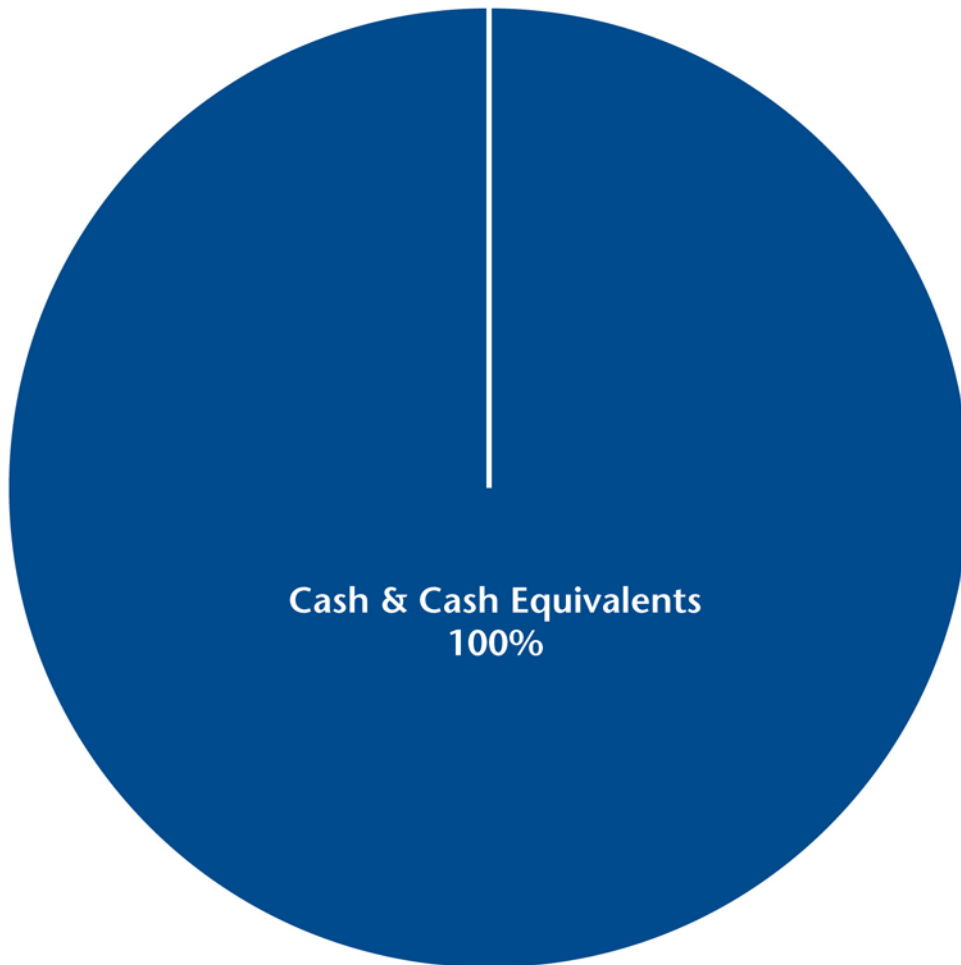


Caldwell Income Fund - Series F
For the period ended June 30



Summary of Investment Portfolio

Portfolio Breakdown as at June 30, 2016



Caldwell Income Fund



All Fund Holdings (unaudited)

**Top 25 Holdings
As at June 30, 2015**

SECURITY	Percentage of Net Assets
Cash and Cash Equivalents	100.00%
All Holdings (the Fund has less than 25 holdings)	100.00%

The summary of investment portfolio may change. A quarterly update is available at www.caldwellinvestment.com.