

Caldwell Canadian Value Momentum Fund ("CCVMF")

Key Points and Frequently Asked Questions Accredited Investors Only



[How do I purchase this fund?](#)

Accredited Investors Only

The fund is only available to accredited investors. The most common ways to qualify as an accredited investors are:

- an individual who, either alone or with a spouse, beneficially owns financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1,000,000.
- an individual whose net income before taxes exceeded \$200,000 in each of the 2 most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the 2 most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year.
- a full list is available starting on p2, item 6 of the subscription agreement (attached).

Minimum Investment Amount: \$50,000

Pricing: The fund is priced monthly. Purchases may be made throughout the month. Redemptions must be received by the 15th of each month.

[About the Portfolio](#)

Profile:

- 100% Canadian Equities (unlike some Canadian equity funds, we do not try to pump up returns with US exposure)
- Focused portfolio of 15-20 stocks (versus the typical mutual fund in Canada with approximately 60 stocks—data from Morningstar Direct)
- Smaller AUM—gives us access to a lot of companies large (\$1B AUM+) don't have access to.
*Note: we have committed to capping the AUM on this fund to \$100M for a period of 12 months.
- Long only (no short positions)
- No leverage is used

Investment Process

The portfolio is constructed through a 2-stage investment process

- Stage I: a quantitative model identifies buy and sell triggers (monitored daily)
 - The model screens the Canadian market and ranks stocks according to a predetermined list of factors
 - These factors include value and momentum factors (price action and standard valuation metrics)
 - Blending value and momentum works well together—they solve each other's problems:
 - Value: getting to the market too early and either waiting or watching the stock get cheaper;
 - Momentum: a very good predictor of future performance in Canada but can become risky when valuations become inflated
- Stage II: From there, our portfolio managers perform a due diligence process to vet the buy and sell triggers
 - The active overlay is an important step—we do not blindly execute a quant model
- Sell Triggers: the quant also produces sell triggers, which means risk management is built into the investment process

What kinds of stocks are purchased in the portfolio?

- The model has a way of identifying stocks that are undergoing a positive re-rating by the market—so, something good is happening at the company that the market has already started to recognize.
- Drivers of positive re-ratings have included:
 - **Industry consolidation** Ex: Boyd Group, where a well-run company is able to buy less-well run companies in a “ma & pa” industry and benefit integrating that business into their model
 - **Accretive acquisitions** sometimes goes hand in hand with industry consolidation: Ex. CCL Industries, where they are also very good operators and able to integrate operations into their business
 - **Industry demand** example today is consumers moving away from big-brand food companies and looking for higher quality, more localized brands (Premium Brands) and shifting tastes to healthier food (AGT Foods—protein based cereals; Clearwater Seafood—a healthier protein source than red meat)
 - **Restructurings** Ex. Invescor Restaurant Group, where m&a/banking guys put together a portfolio of restaurants but couldn’t run them; the board then brought in an operationally-focused CEO and he’s been improving same-store-sales
 - **Efficiency gains** Ex. New Flyer Industries: the largest bus manufacturer in North America; the industry got destroyed in the recession = lots of capacity shut down, huge cost-cutting; now that demand is back, huge operational leverage
 - **Under-covered names** companies that are looking to increase the number of analysts that cover them.
- The CCVMF owned 3 of the top 10 performing stocks in the TSX Index last year.

How does the CCVMF fit within my financial plan?

- We suggest investors use the CCVMF as a core-satellite approach, where they use the CCVMF to complement and enhance their more traditional Canadian equity portfolio
 - Remember: most Canadian equity portfolios look the same, especially as managers get over the \$1B in AUM mark—there simply aren’t enough large companies in Canada to invest in)

“We perform better when markets decline”

- We looked back to when we first started the Fund, and identified every month that the TSX Index declined.
- There were 24 months that the Index declined, and the CCVMF did better than the Index in 18 of those months.
- That’s a 75% success ratio.

Returns and Performance

- Performance numbers are net of all fees and assume the re-investment of distributions
- The Index is the S&P/TSX Total Return Index
- Inception date is August 15, 2011

Fees

There are 3 series of the fund, each with different fees.

For brokerage accounts:

O Series: 1.0% management fee + 50bps brokerage + 50 bps fund expenses + HST = 2.26%

For fee-based accounts:

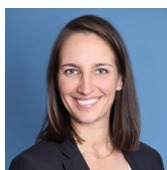
F Series: 0.50% management fee + 50bps brokerage + 50 bps fund expenses + HST = 1.7%

I Series: (for amounts over \$1M): 0.25% management fee + 50bps brokerage + 50 bps fund expenses + HST = 1.4%

Performance Bonus

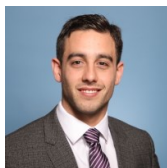
- The manager earns a performance bonus if the Fund earns a return above the hurdle rate, which is the S&P/TSX Composite Index + 1.00%
- The manager earns 20% of the incremental performance above the hurdle rate., while the client retains 80% of the incremental performance
- A performance fee will not be collected if it results in a negative return to the investor
- A performance fee can only be earned if, in the event of the fund under-performed the Index in the previous year, that performance is made up in an addition to the Fund outperforming the hurdle in the current year.
- ****IA's participate in the performance fee:** 25% of the performance fee is paid to the dealer which is then allocated to the IA based on the dealer's payout grid**

About the Portfolio Managers



Jennifer Radman, CFA
VP & Portfolio Manager

- Joined Caldwell as a research associate in 2003 and earned progressively senior roles.
- Graduated magna cum laude from the University of South Carolina where she played the #1 spot on the school's top 20 NCAA ranked tennis team.
- Guest commentator on BNN.



Mario Mainelli, CFA
Portfolio Manager

- Prior to joining Caldwell in 2014, Mario spent 6 years with a major Canadian Bank, two of those years with the institutional asset management group.
- Graduated from the University of Toronto where he received a Bachelor of Commerce.



William Chin, MBA
Portfolio Manager & Chief Technical Analyst

- Advises on a number of Caldwell's fund with specialties in macroeconomics, currency risk management and technical analysis.
- William is a frequent speaker on macro analysis, monetary policy and technical analysis.
- Guest commentator on BNN.

The Fund is available on a private placement basis only to residents of Canada who are qualified "Accredited Investors" as defined under National Instrument 45-106 Prospectus Exemptions and who are resident in Canada. This material is for information purposes only and does not constitute an offering memorandum or an offer or solicitation in any jurisdiction in which an offer or solicitation is not authorized. Please read the Fund's Offering Memorandum before investing. Prospective investors should rely solely on the Offering Memorandum which outlines the risk factors in making a decision to invest. The indicated rates of return are historical annual compounded total returns net of fees and expenses paid by the Fund, including changes in unit value and reinvestment of all distributions, but do not take into account sales charges or income taxes payable by any security holder that would have reduced returns. Investments in the Fund are not guaranteed, their values change frequently and past performance may not be repeated. Investment losses do and may occur, and investors could lose some or all of their investment in the Fund. The information herein does not consider the specific investment objectives, financial situation or particular needs of any prospective investor. No assurance can be given that the Fund's investment objective will be achieved or that investors will meet their investment goals. Prospective investors should consult their appropriate advisors prior to investing. Information presented herein is obtained from sources we believe reliable, but we assume no responsibility for information provided to us from third parties. Caldwell Securities Ltd. and Caldwell Investment Management Ltd. are wholly-owned subsidiaries of Caldwell Financial Ltd. Officers, directors and employees of Caldwell Financial Ltd. and its subsidiaries may have positions in the securities mentioned herein and may make purchases and/or sales from time to time. This information may not be reproduced for any purpose or provided to others in whole or in part without the prior written permission of Caldwell Investment Management Ltd. All information and opinions indicated herein are subject to change without notice. Inception date: August 15, 2011.