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. Imvescor 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%

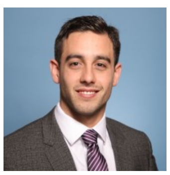
Performance Bonus

- 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

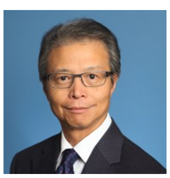
Jennifer Radman, CFA
VP & Portfolio Manager

- 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.