

Financial Statements of

CALDWELL MUTUAL FUNDS

December 31, 2017 and 2016

Independent Auditor's Report

To the Unitholders of
Caldwell Balanced Fund
Caldwell Income Fund
(collectively the "Funds")

We have audited the accompanying financial statements of each of the Funds, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to holders of redeemable units and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of each of the Funds as at December 31, 2017 and December 31, 2016, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

The signature of Deloitte LLP is written in a cursive, handwritten style.

Chartered Professional Accountants
Licensed Public Accountants
March 29, 2018

CALDWELL MUTUAL FUNDS

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Caldwell Balanced Fund

Statements of Financial Position As at December 31, 2017

	December 31, 2017	December 31, 2016
ASSETS		
Current assets		
Financial assets designated at fair value through profit or loss (Note 5)	\$ 53,435,378	\$ 55,706,302
Foreign currencies	266,207	1,450
Cash	146,451	4,224,242
Subscription receivable	50	1,084
Dividends receivable	62,253	78,824
Due from Manager	63,179	143,969
Interest receivable	14,448	20,457
Forward contract (Note 5)	—	44,036
	<u>53,987,966</u>	<u>60,220,364</u>
LIABILITIES		
Current liabilities		
Management fee payable (Note 6)	102,130	105,617
Payable for investments purchased	—	3,638,735
Redemption payable	15,230	4,616
Due to Manager	174	7
Accounts payable and accrued liabilities	21,731	25,299
Performance fee payable (Note 6)	655	529
	<u>139,920</u>	<u>3,774,803</u>
Net Assets Attributable to Holders of Redeemable Units	<u>\$ 53,848,046</u>	<u>\$ 56,445,561</u>
Net Assets Attributable to Holders of Redeemable Units per Series		
Series A	\$ 50,866,327	\$ 54,009,605
Series F	2,890,994	2,328,207
Series M	90,725	107,749
	<u>\$ 53,848,046</u>	<u>\$ 56,445,561</u>
Number of Redeemable Units Outstanding (Note 8)		
Series A	4,644,411	5,043,980
Series F	252,869	210,663
Series M	8,369	10,311
Net Assets Attributable to Holders of Redeemable Units per Unit		
Series A	\$ 10.95	\$ 10.71
Series F	11.43	11.05
Series M	10.84	10.45

Approved on behalf of Caldwell Investment Management Ltd., Manager and
Trustee of the Fund



Brendan T.N. Caldwell, President

See Accompanying Notes

Caldwell Balanced Fund

Statements of Comprehensive Income For the years ended December 31

	2017	2016
Income		
Dividends	\$ 829,020	\$ 802,609
Interest income for distribution purposes	176,009	110,444
Exchange (loss) gain on foreign currencies and other net assets	(9,234)	67,335
Realized gain on sale of investments and forward contracts	3,511,319	2,932,254
Change in unrealized (depreciation) appreciation on investments and foreign currency	<u>(1,647,938)</u>	<u>1,084,487</u>
	<u>2,859,176</u>	<u>4,997,129</u>
Expenses		
Management fee (Note 6)	1,241,602	1,183,026
Transaction costs (Note 7)	74,871	70,149
Withholding taxes	60,704	70,636
Securityholder reporting costs	55,008	66,381
Administrative fee	51,093	66,972
Legal fee	37,556	26,835
Audit fee	30,336	27,777
Filing fee	29,516	21,028
Custodial fee	20,134	21,095
Independent review committee fee	7,826	8,090
Performance fee (Note 6)	<u>126</u>	<u>529</u>
	<u>1,608,772</u>	<u>1,562,518</u>
Deduct: Expenses absorbed by Manager (Note 6)	<u>—</u>	<u>122,372</u>
Net expenses	1,608,772	1,440,146
Increase in Net Assets Attributable to Holders of Redeemable Units	<u>\$ 1,250,404</u>	<u>\$ 3,556,983</u>
Increase in Net Assets Attributable to Holders of Redeemable Units per Series (Note 11)		
Series A	\$ 1,165,212	\$ 3,329,297
Series F	80,935	220,349
Series M	<u>4,257</u>	<u>7,337</u>
	<u>\$ 1,250,404</u>	<u>\$ 3,556,983</u>
Weighted Average of Redeemable Units Outstanding During the Year		
Series A	4,935,636	5,181,679
Series F	249,785	132,262
Series M	7,101	10,842
Increase in Net Assets Attributable to Holders of Redeemable Units per Unit		
Series A	\$ 0.24	\$ 0.64
Series F	0.32	1.67
Series M	0.60	0.68

Caldwell Balanced Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units For the years ended December 31

	Net assets attributable to holders of redeemable units, beginning of year	Increase in net assets attributable to holders of redeemable units	Proceeds from redeemable units issued	Redemption of redeemable units	Net assets attributable to holders of redeemable units, end of year
December 31, 2017					
Series A	\$ 54,009,605	\$ 1,165,212	\$ 4,218,865	\$ (8,527,355)	\$ 50,866,327
Series F	2,328,207	80,935	880,354	(398,502)	2,890,994
Series M	107,749	4,257	58,246	(79,527)	90,725
	<u>\$ 56,445,561</u>	<u>\$ 1,250,404</u>	<u>\$ 5,157,465</u>	<u>\$ (9,005,384)</u>	<u>\$ 53,848,046</u>

	Net assets attributable to holders of redeemable units, beginning of year	Increase in net assets attributable to holders of redeemable units	Proceeds from redeemable units issued	Redemption of redeemable units	Net assets attributable to holders of redeemable units, end of year
December 31, 2016					
Series A	\$ 52,845,850	\$ 3,329,297	\$ 3,618,341	\$ (5,783,883)	\$ 54,009,605
Series F	562,262	220,349	1,704,316	(158,720)	2,328,207
Series M	—	7,337	127,870	(27,458)	107,749
	<u>\$ 53,408,112</u>	<u>\$ 3,556,983</u>	<u>\$ 5,450,527</u>	<u>\$ (5,970,061)</u>	<u>\$ 56,445,561</u>

Caldwell Balanced Fund

Statements of Cash Flows

For the years ended December 31

	2017	2016
Cash provided by (used in):		
Operating Activities		
Increase in Net Assets Attributable to Holders of Redeemable Units	\$ 1,250,404	\$ 3,556,983
Adjustments for non-cash items		
Transaction costs	74,871	70,149
Exchange loss (gain) on foreign currencies and other net assets	9,234	(67,335)
Realized gain on sale of investments and forward contracts	(3,511,319)	(2,932,254)
Change in unrealized depreciation (appreciation) on investments and foreign currency	1,647,938	(1,084,487)
Change in non-cash balances		
Decrease in subscription receivable	1,034	4,414
Decrease (Increase) in dividends receivable	16,571	(26,136)
Decrease (increase) in due from Manager	80,790	(98,627)
Decrease (increase) in Interest and dividends receivable	6,009	(20,457)
Decrease in receivable for investments sold	-	4,571,887
(Decrease) increase in management fee payable	(3,487)	3,980
(Decrease) increase in payable for investments purchased	(3,638,735)	3,638,735
Increase (decrease) in redemption payable	10,614	(21,943)
Increase in due to Manager	167	-
Decrease in accounts payable and accrued liabilities	(3,568)	(12,299)
Increase in performance fee payable	126	529
Proceeds from sale of investments	109,898,986	109,550,485
Purchase of investments	<u>(105,795,515)</u>	<u>(118,428,399)</u>
Cash provided by (used in) operating activities	<u>44,120</u>	<u>(1,294,775)</u>
Financing Activities		
Proceeds from issuances of redeemable units	5,147,747	5,450,527
Amounts paid on redemption of redeemable units	<u>(8,995,667)</u>	<u>(5,970,061)</u>
Cash used in financing activities	<u>(3,847,920)</u>	<u>(519,534)</u>
Decrease in cash and cash equivalents during the year	(3,803,800)	(1,814,309)
Foreign exchange (loss) gain on cash	(9,234)	67,335
Cash and cash equivalents, beginning of year	<u>4,225,692</u>	<u>5,972,666</u>
Cash and cash equivalents, end of year	\$ 412,658	\$ 4,225,692
Supplemental information*		
Interest paid	\$ 676	\$ 305
Interest received	180,418	44,903
Dividends received, net of withholding taxes	784,888	705,836

*Included as a part of cash flows from operating activities

Caldwell Balanced Fund

Schedule of Investment Portfolio As at December 31, 2017

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
Canadian equities				
222,560	Bird Construction Inc.	\$ 2,277,524	\$ 2,256,758	4.19
100,000	Celestica Inc.	933,995	1,318,000	2.45
21,000	CGI Group Inc.	1,230,024	1,434,300	2.66
74,000	Enerflex Ltd.	1,148,857	1,135,160	2.11
58,000	Parkland Fuel Corp.	1,149,101	1,557,300	2.89
27,200	ShawCor Ltd.	1,187,405	745,824	1.39
26,470	Suncor Energy Inc.	761,958	1,221,591	2.27
125,300	SunOpta Inc.	1,648,657	1,212,904	2.25
53,700	TFI International Inc.	1,530,705	1,764,582	3.28
12,960	The Bank of Nova Scotia	797,006	1,051,314	1.95
159,000	Tricon Capital Group Inc.	1,388,139	1,836,450	3.41
659,893	Trinidad Drilling Ltd.	1,793,327	1,121,818	2.08
		<u>15,846,698</u>	<u>16,656,001</u>	<u>30.93</u>
Canadian fixed income				
1,700,000	Canadian Government Bond 0.50% 01MAR22	1,650,530	1,610,096	2.99
6,200,000	Canadian Government Bond 1% 01JUN27	5,717,978	5,649,905	10.49
5,300,000	Canadian Government Bond 1.50% 01JUN23	5,471,012	5,192,649	9.64
		<u>12,839,520</u>	<u>12,452,650</u>	<u>23.12</u>
European equity				
5,000	Bulgarian Stock Exchange	8,218	19,470	0.04
U.S. equities				
4,800	Accenture PLC	617,051	920,010	1.71
20,400	Amdocs Ltd.	1,011,448	1,672,412	3.11
11,100	AmerisourceBergen Corp.	1,229,348	1,276,041	2.37
12,700	Apogee Enterprises Inc.	902,929	727,125	1.35
15,000	Broadridge Financial Solutions Inc.	1,145,390	1,701,092	3.16
34,340	Cisco Systems Inc.	839,539	1,646,658	3.06
19,140	Citigroup Inc.	831,335	1,783,108	3.31
18,600	Cognizant Technology Solutions Corp.	1,178,195	1,653,857	3.07
31,500	Keysight Technologies Inc.	1,596,670	1,640,621	3.05
67,000	KKR & Co LP	1,418,151	1,766,597	3.28
23,640	Kohl's Corp.	1,243,705	1,605,060	2.98
12,800	LCI Industries	1,728,572	2,083,328	3.87
13,000	Robert Half International Inc.	932,199	903,969	1.68
14,700	Steris PLC	1,299,972	1,609,833	2.99
17,500	Tyson Foods Inc.	1,542,791	1,776,244	3.30
7,300	Whirlpool Corp.	1,510,057	1,541,302	2.86
		<u>19,027,352</u>	<u>24,307,257</u>	<u>45.15</u>

Caldwell Balanced Fund

Schedule of Investment Portfolio (Continued)

As at December 31, 2017

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
	Total investments owned	\$ 47,721,788	\$ 53,435,378	99.24
	Commissions and other portfolio transaction costs	<u>(22,987)</u>	<u>—</u>	<u>—</u>
	Net investments owned	<u>\$ 47,698,801</u>	53,435,378	99.24
	Other assets, net		<u>412,668</u>	<u>0.76</u>
	Net Assets Attributable to Holders of Redeemable Units		<u>\$ 53,848,046</u>	<u>100.00</u>

CALDWELL INCOME FUND

Statements of Financial Position As at December 31, 2017

	December 31, 2017	December 31, 2016
ASSETS		
Current assets		
Financial assets designated at fair value through profit or loss (Note 5)	\$ 32,383,019	\$ 29,723,934
Cash	9,050,414	1,710,625
Due from Manager	32,640	29,927
Interest receivable	38,986	38,203
Subscription receivable	—	400,000
	<u>41,505,059</u>	<u>31,902,689</u>
LIABILITIES		
Current liabilities		
Payable for investments purchased	—	371,785
Accounts payable and accrued liabilities	24,725	26,446
Management fee payable (Note 6)	13,629	9,894
Performance fee payable (Note 6)	4,467	4,464
Redemption payable	4,940	2,120
	<u>47,761</u>	<u>414,709</u>
Net Assets Attributable to Holders of Redeemable Units	\$ 41,457,298	\$ 31,487,980
Net Assets Attributable to Holders of Redeemable Units per Series		
Series A	\$ 4,820,542	\$ 5,121,090
Series F	1,011,781	181,515
Series I	32,803,518	25,003,504
Series M	2,821,457	1,181,871
	<u>\$ 41,457,298</u>	<u>\$ 31,487,980</u>
Number of Redeemable Units Outstanding (Note 8)		
Series A	1,040,131	1,091,170
Series F	208,874	37,046
Series I	3,352,015	2,536,349
Series M	290,871	120,801
Net Assets Attributable to Holders of Redeemable Units per Unit		
Series A	\$ 4.63	\$ 4.69
Series F	4.84	4.90
Series I	9.79	9.86
Series M	9.70	9.78

Approved on behalf of Caldwell Investment Management Ltd., Manager and Trustee of the Fund


Brendan T.N. Caldwell, President

See Accompanying Notes

CALDWELL INCOME FUND

Statements of Comprehensive Income For the years ended December 31

	2017	2016
Income		
Dividends	\$ -	\$ 7,077
Interest income for distribution purposes	374,225	98,745
Change in unrealized depreciation on investments and foreign currency	(438,303)	(357,677)
Realized (loss) gain on investments	(112,094)	18,221
	<u>(176,172)</u>	<u>(233,634)</u>
Expenses		
Management fee (Note 6)	147,459	78,504
Administrative fee	61,254	54,327
Transaction costs (Note 7)	41,210	31,978
Legal fee	33,045	38,105
Securityholder reporting costs	23,139	12,832
Audit fee	21,290	34,882
Filing fee	17,953	18,368
Custodial fee	7,291	4,477
Independent review committee fee	4,671	12,403
Bank charges	2,746	2,538
Performance fee (Note 6)	-	4,467
	<u>360,058</u>	<u>292,881</u>
Deduct: Expenses absorbed by Manager (Note 6)	<u>21,749</u>	<u>92,014</u>
Net expense	338,309	200,867
Decrease in Net Assets Attributable to Holders of Redeemable Units	<u>\$ (514,481)</u>	<u>\$ (434,501)</u>
Decrease in Net Assets Attributable to Holders of Redeemable Units per Series (Note 11)		
Series A	\$ (82,158)	\$ (95,803)
Series F	(13,667)	(2,954)
Series I	(374,158)	(326,645)
Series M	(44,498)	(9,099)
	<u>\$ (514,481)</u>	<u>\$ (434,501)</u>
Weighted Average of Redeemable Units Outstanding During the Year		
Series A	1,115,298	1,344,325
Series F	128,954	28,970
Series I	3,061,340	1,805,838
Series M	222,230	65,625
Decrease in Net Assets Attributable to Holders of Redeemable Units per Unit		
Series A	\$ (0.07)	\$ (0.07)
Series F	(0.11)	(0.10)
Series I	(0.12)	(0.18)
Series M	(0.20)	(0.14)

See Accompanying Notes.

CALDWELL INCOME FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units For the years ended December 31

	Net assets attributable to holders of redeemable units, beginning of year	Decrease in net assets attributable to holders of redeemable units	Proceeds from redeemable units issued	Redemption of redeemable units	Distribution to unitholders	Reinvestments to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year
December 31, 2017							
Series A	\$ 5,121,090	\$ (82,158)	\$ 1,759,610	\$ (1,978,000)	\$ -	\$ -	4,820,542
Series F	181,515	(13,667)	915,787	(71,854)	-	-	1,011,781
Series I	25,003,504	(374,158)	20,426,444	(12,236,413)	(37,760)	21,901	32,803,518
Series M	1,181,871	(44,498)	1,954,593	(270,509)	-	-	2,821,457
	<u>\$ 31,487,980</u>	<u>\$ (514,481)</u>	<u>\$ 25,056,434</u>	<u>\$ (14,556,776)</u>	<u>\$ (37,760)</u>	<u>\$ 21,901</u>	<u>\$ 41,457,298</u>
	Net assets attributable to holders of redeemable units, beginning of year	Decrease in net assets attributable to holders of redeemable units	Proceeds from redeemable units issued	Redemption of redeemable units	Distribution to unitholders	Reinvestments to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year
December 31, 2016							
Series A	\$ 8,151,353	\$ (95,803)	\$ 712,129	\$ (3,646,589)	\$ -	\$ -	5,121,090
Series F	137,875	(2,954)	208,600	(162,006)	-	-	181,515
Series I	-	(326,645)	27,372,647	(2,042,498)	-	-	25,003,504
Series M	-	(9,099)	1,193,966	(2,996)	-	-	1,181,871
	<u>\$ 8,289,228</u>	<u>\$ (434,501)</u>	<u>\$ 29,487,342</u>	<u>\$ (5,854,089)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,487,980</u>

CALDWELL INCOME FUND

Statements of Cash Flows For the years ended December 31

	2017	2016
Cash provided by (used in):		
Operating Activities		
Decrease in Net Assets Attributable to Holders of Redeemable Units	\$ (514,481)	\$ (434,501)
Adjustments for non-cash items		
Transaction costs	41,210	31,978
Realized loss (gain) on investments	112,094	(18,221)
Change in unrealized depreciation on investments and foreign currency	438,303	357,677
Change in non-cash balances		
Decrease in receivable for investments sold	-	2,683,428
(Increase) decrease in due from Manager	(2,713)	1,751
Increase in interest receivable	(783)	(32,070)
Decrease (increase) in subscription receivable	400,000	(400,000)
Increase in performance fee payable	3	4,464
(Decrease) increase in payable for investments purchased	(371,785)	371,785
Increase in management fee payable	3,735	3,882
Decrease in distribution payable	-	(18)
Decrease in accounts payable and accrued liabilities	(1,721)	(13,389)
Increase in redemption payable	2,820	1,117
Proceeds from sale of investments	213,442,792	80,942,823
Purchase of investments	<u>(216,693,484)</u>	<u>(106,349,773)</u>
Cash used in operating activities	<u>(3,144,010)</u>	<u>(22,849,067)</u>
Financing Activities		
Proceeds from issuance of redeemable units	24,352,648	29,487,342
Amount paid on redemption of redeemable units	(13,852,990)	(5,854,089)
Distribution paid	<u>(15,859)</u>	<u>-</u>
Cash provided by financing activities	<u>10,483,799</u>	<u>23,633,253</u>
Increase in cash during the year	7,339,789	784,186
Cash, beginning of year	<u>1,710,625</u>	<u>926,439</u>
Cash (including foreign currencies), end of year	\$ <u>9,050,414</u>	\$ <u>1,710,625</u>
Supplemental information*		
Interest paid	\$ -	\$ 65
Interest received	372,514	31,805
Dividends received, net of withholding taxes	-	13,212

*Included as a part of cash flows from operating activities

CALDWELL INCOME FUND

Schedule of Investment Portfolio As at December 31, 2017

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
	Canadian fixed income			
8,000,000	Canadian Government Bond 0.50% 01MAR22	\$ 7,770,800	\$ 7,576,919	18.28
16,900,000	Canadian Government Bond 1% 01JUN27	15,580,605	15,400,548	37.15
9,600,000	Canadian Government Bond 1.50% 01JUN23	9,876,404	9,405,552	22.69
		<u>33,227,809</u>	<u>32,383,019</u>	<u>78.12</u>
	Total investments owned	33,227,809	32,383,019	78.12
	Commissions and other portfolio transaction costs	<u>(4,215)</u>	<u>—</u>	<u>—</u>
	Net investments owned	<u>\$ 33,223,594</u>	32,383,019	78.12
	Other assets, net		<u>9,074,279</u>	<u>21.88</u>
	Net Assets Attributable to Holders of Redeemable Units		<u>\$ 41,457,298</u>	<u>100.00</u>

CALDWELL INCOME FUND

Discussion of Financial Risk Management (Note 10)

December 31, 2017 and 2016

FINANCIAL RISK MANAGEMENT

The Fund's financial instruments consist of cash, investments, accounts receivable and accounts payable. As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include credit risk, liquidity risk, and market risk, consisting of interest rate risk, currency risk and other price risk. These risks and related risk management practices employed by the Fund are discussed below:

Concentration risk

Concentration risk indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realize liquid assets. Concentrations of foreign exchange risk may arise if the Fund has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together. In order to avoid excessive concentrations of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The Investment Manager is instructed to reduce exposure or to use derivative instruments to manage excessive risk concentrations when they arise.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in financial markets. The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments as disclosed in the Schedule of Investment Portfolio. The Manager moderates this risk through a careful selection of securities within specified limits and through diversification of the investment portfolio. The Manager monitors the Fund's overall market positions on a daily basis and positions are maintained within established ranges.

If the following index had increased (decreased) by 5% at December 31, 2017 and December 31, 2016, with all other variables held constant, this would have approximately increased (decreased) net assets attributable to holders of redeemable units as described in the table below:

Market sensitivity	December 31, 2017		December 31, 2016	
	5% Increase	5% Decrease	5% Increase	5% Decrease
Globe Cdn Fixed Income Balanced Peer Index	0	0	0	0

A 36-month regression analysis has been utilized to estimate the historical correlation. Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the Fund invests in interest-bearing financial instruments. The Fund is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. The Fund's exposure to interest rate risk is concentrated in its investments in debt instruments. Other assets and liabilities are short-term in nature and/or non-interest bearing.

CALDWELL INCOME FUND

Discussion of Financial Risk Management (Note 10)

December 31, 2017 and 2016

Interest rate risk (continued)

The table below summarizes the Fund's exposure to interest rate risk, categorized by earlier of contractual re-pricing or maturity dates.

	0-3 Years	3-5 Years	More than 5 Years	Total
	(\$)	(\$)	(\$)	(\$)
Interest Rate exposure (December 31, 2017)	-	<u>7,576,919</u>	<u>24,799,830</u>	<u>32,383,019</u>
		<u>574,672</u>	<u>806,100</u>	<u>74,502</u>
Interest Rate exposure (December 31, 2016)	-	-	29,723,934	29,723,934

At December 31, 2017, should interest rates have increased or decreased by 0.25% with all other variables remaining constant, net assets attributable to holders of redeemable units would have decreased or increased respectively by \$527,853 (December 31, 2016 - \$577,525). Actual results may differ from this sensitivity analysis and the difference could be material.

Credit risk

The Fund's main credit risk concentration is spread between short-term debt securities. The Fund limits its exposure to credit loss by placing its assets in cash and cash equivalents and fixed income securities with high credit quality counterparties. To maximize the credit quality of its investments, the Fund's Manager performs ongoing credit evaluations based upon factors surrounding the credit risk of counterparties, historical trends and other information.

The Fund invests in financial assets, which have an investment grade as rated primarily by Dominion Bond Rating Services, S&P Global and Moody's. Ratings for securities that subject the portfolio to credit risk at December 31, 2017 and December 31, 2016 are noted below:

Portfolio by rating category

Rating	December 31, 2017 As a % of net assets attributable to holders of redeemable units	December 31, 2016 As a % of net assets attributable to holders of redeemable units
AA	- %	- %
AAA	<u>78.115 %</u>	<u>94.39 %</u>
Total	<u>78.1585-38 %</u>	<u>94.39 %</u>

All transactions in listed securities are settled upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. The Fund's maximum credit risk exposure is represented by its investments in fixed income.

Liquidity risk

The Fund is exposed to daily cash redemptions of redeemable units; therefore, the Fund invests the majority of its assets in investments that are traded in the active market and can be readily disposed. In addition, the Fund retains sufficient cash and cash equivalent positions to maintain liquidity.

CALDWELL INCOME FUND

Discussion of Financial Risk Management (Note 10)

December 31, 2017 and 2016

Liquidity risk (continued)

The Fund's investments are considered readily realizable and highly liquid; therefore, the Fund's liquidity risk is not considered to be significant.

All financial liabilities are due between one and three months.

Currency risk

The Fund holds no amounts of cash denominated in currencies other than the Canadian dollar, the functional currency. As such, the Fund did not have significant exposure to currency risk as at December 31, 2017 and December 31, 2016.

CALDWELL BALANCED FUND

Discussion of Financial Risk Management (Note 10)

December 31, 2017 and 2016

FINANCIAL RISK MANAGEMENT

The Fund's financial instruments consist of cash, foreign currencies, investments, accounts receivable and accounts payable. As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include credit risk, liquidity risk, and market risk, consisting of interest rate risk, currency risk and other price risk. These risks and related risk management practices employed by the Fund are discussed below:

Concentration risk

Concentration risk indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realize liquid assets. Concentrations of foreign exchange risk may arise if the Fund has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together. In order to avoid excessive concentrations of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The Investment Manager is instructed to reduce exposure or to use derivative instruments to manage excessive risk concentrations when they arise.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in financial markets. The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments as disclosed in the Schedule of Investment Portfolio. The Manager moderates this risk through a careful selection of securities within specified limits and through diversification of the investment portfolio. The Manager monitors the Fund's overall market positions on a daily basis and positions are maintained within established ranges.

If the following index had increased (decreased) by 5% at December 31, 2017 and December 31, 2016, with all other variables held constant, this would have approximately increased (decreased) net assets attributable to holders of redeemable units as described in the table below:

Market sensitivity	December 31, 2017		December 31, 2016	
	5% Increase	5% Decrease	5% Increase	5% Decrease
Blend 60% MSCI and 40% Barclays Cap	1,345,334	1,345,334	1,252,389	1,252,389

A 36-month regression analysis has been utilized to estimate the historical correlation. Since historical correlation may not be representative of future correlation, actual results could differ from this sensitivity analysis and the difference could be material.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the Fund invests in interest-bearing financial instruments. The Fund is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. The Fund's exposure to interest rate risk is concentrated in its investments in debt instruments. Other assets and liabilities are short-term in nature and/or non-interest bearing.

CALDWELL BALANCED FUND

Discussion of Financial Risk Management (Note 10)

December 31, 2017 and 2016

Interest rate risk (continued)

The table below summarizes the Fund's exposure to interest rate risk, categorized by earlier of contractual re-pricing or maturity dates.

	0-3 Years	3-5 Years	More than 5 Years	Total
	(\$)	(\$)	(\$)	(\$)
Interest Rate exposure (December 31, 2017)	-	1,610,096	10,842,554	12,452,650
Interest Rate exposure (December 31, 2016)	-	-	15,958,912	15,958,912

At December 31, 2017, should interest rates have increased or decreased by 0.25%, with all other variables remaining constant, net assets attributable to holders of redeemable units would have decreased or increased respectively, by approximately \$211,188 (December 31, 2016 - \$308,209). Actual results may differ from this sensitivity analysis and the difference could be material.

Credit risk

The Fund's main credit risk concentration is spread between short-term debt securities. The Fund limits its exposure to credit loss by placing its assets in cash and cash equivalents and fixed income securities with high credit quality counterparties. To maximize the credit quality of its investments, the Fund's Manager performs ongoing credit evaluations based upon factors surrounding the credit risk of counterparties, historical trends and other information.

The Fund invests in financial assets, which have an investment grade as rated primarily by Dominion Bond Rating Services, S&P and Moody's. Ratings for securities that subject the portfolio to credit risk at December 31, 2017 and December 31, 2016 are noted below:

Portfolio by rating category

Rating	December 31, 2017	December 31, 2016
	As a % of net asset value	As a % of net asset value
AA	- %	- %
AAA	23.10 %	28.27 %
Total	23.10 %	28.27 %

All transactions in listed securities are settled upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Fund's maximum credit risk exposure is represented by its investments in fixed income securities.

Liquidity risk

The Fund is exposed to daily cash redemptions of redeemable units; therefore, the Fund invests the majority of its assets in investments that are traded in the active market and can be readily disposed. In addition, the Fund retains sufficient cash to maintain liquidity.

CALDWELL BALANCED FUND

Discussion of Financial Risk Management (Note 10)

December 31, 2017 and 2016

Liquidity risk (continued)

The Fund's investments are considered readily realizable and highly liquid; therefore, the Fund's liquidity risk is not considered to be significant.

All financial liabilities are due between one and three months.

Currency risk

The Fund holds assets, including cash, equities and options that are denominated in currencies other than the Canadian dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in other currencies fluctuate due to changes in exchange rates. The tables below summarize the Fund's exposure to currency risks as at December 31, 2017 and December 31, 2016:

December 31, 2017	Exposure			1% Impact on net assets attributable to holders of redeemable units			
	Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
United States Dollar	\$	266,207	\$ 24,307,257	\$ 24,573,464	\$ 2,662	\$ 243,073	\$ 245,735
Euro		–	19,470	19,470	–	195	195
Total	\$	266,207	\$ 24,326,727	\$ 24,592,934	\$ 2,662	\$ 243,268	\$ 245,930
% of net assets attributable to holders of redeemable units		0.49	45.18	45.67	0.00	0.45	0.45

December 31, 2016	Exposure			1% Impact on net assets attributable to holders of redeemable units			
	Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
United States Dollar	\$	(13,552,649)	\$ 24,620,176	\$ 11,067,527	\$ (135,526)	\$ 246,202	\$ 110,676
Euro		–	10,392	10,392	–	104	104
Total	\$	(13,552,649)	\$ 24,630,568	\$ 11,077,919	\$ (135,526)	\$ 246,306	\$ 110,780
% of net assets attributable to holders of redeemable units		(24.01)	43.64	19.63	(0.24)	0.44	0.20

As at December 31, 2017, if the Canadian dollar appreciated or depreciated by 1% in relation to all currencies, with all other variables held constant, net assets attributable to holders of redeemable units would have decreased or increased, respectively, by approximately \$245,930 (December 31, 2016 - \$110,780). Actual results may differ from this sensitivity analysis and the difference could be material.

CALDWELL MUTUAL FUNDS

Notes to the Financial Statements

December 31, 2017 and 2016

1. FORMATION OF FUNDS

The Caldwell Mutual Funds (the "Funds") were established as follows:

Caldwell Balanced Fund	March 1, 1990
Caldwell Income Fund	April 15, 1997

All of the Funds are open-ended mutual fund trusts established under the laws of the Province of Ontario by a declaration of trust made by Caldwell Investment Management Ltd. (the "Manager" and the "Trustee").

The address of the Funds' registered office is 150 King Street West, Suite 1702, P.O. Box 47, Toronto, ON M5H 1J9.

The Declaration of Trust was amended, restated and consolidated on November 1, 2007, and then again, amended and restated on April 16, 2009 when Caldwell High Income Equity Fund was launched. The Declaration of Trust was also amended on June 11, 2010, June 21, 2011. On June 25, 2012, the Declaration of Trust was further amended to provide for the unitholder approved change of management fees payable by Caldwell High Income Equity Fund and to change the fundamental investment objective of the Caldwell Balanced Fund. On July 7, 2015, Caldwell High Income Equity Fund was closed. On August 25, 2016, Series M was added to Caldwell Balanced Fund, Series I and Series M were added to Caldwell Income Fund.

The Funds are authorized to issue an unlimited number of redeemable units of the same series which rank equally in all respects to a pro rata interest in the net assets attributable to the holders of redeemable units of the Funds. All redeemable units of the Funds are redeemable at the unitholders' option.

2. BASIS OF PRESENTATION

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") applicable to the preparation of annual financial statements.

These annual financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss which are presented at fair value. The accounting policies applied in these annual financial statements are based on IFRS issued and outstanding as of December 31, 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New standards, amendments and interpretations issued but not yet effective

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 issued in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. It is effective for annual periods beginning on or after January 1, 2018. The funds plans to adopt the new standard the date it becomes effective.

CALDWELL MUTUAL FUNDS

Notes to the Financial Statements

December 31, 2017 and 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification and measurement of financial assets and financial liabilities

Under IFRS 9, classification and measurement of financial assets will be driven by the Funds' business model for managing them and their contractual cash flows. Classification and measurement categories under IFRS 9 are amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

IFRS 9 largely retains the existing requirements for classification and measurement of financial liabilities. However, unlike IAS 39 where all fair value changes of liabilities designated at fair value through profit or loss are recognized in profit or loss, under IFRS 9, fair value changes related to changes in the issuer's own credit risk will be presented in other comprehensive income.

Based on the Funds' initial assessment, IFRS 9 is not expected to have a material impact on classification and measurement of financial instruments, since the Fund makes decisions based on the assets' fair values and manages the assets to realize those fair values. As such the majority of the Funds' financial assets will continue to be measured at FVTPL. In addition, derivatives will continue to be measured at FVTPL.

Impairment of financial assets

IFRS 9 also introduces the expected credit loss ("ECL") model for impairment of financial assets measured at amortized cost and debt instruments measured at FVOCI. The ECL impairment model will not have a material impact to the Fund's financial assets given that the majority of the Funds' financial assets will continue to be measured at FVTPL.

Hedge accounting

The Funds do not apply hedge accounting, therefore, IFRS 9 hedge accounting related changes do not have an impact on the Fund's financial statements.

Based on the Funds' initial assessment, IFRS 9 is not expected to have a material impact to the Funds' financial statements.

CALDWELL MUTUAL FUNDS

Notes to the Financial Statements

December 31, 2017 and 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets at Fair Value Through Profit and Loss

Measurement

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices. In accordance with the provisions of the Funds' offering documents, investment positions are valued based on the last traded market price for the purpose of determining the net asset per unit for subscriptions and redemptions. For financial reporting purposes, the Funds use the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

Classification

The Funds classify their investments in debt and equity securities and derivatives as financial assets and liabilities at fair value through profit or loss ("FVTPL").

This category has two sub-categories: financial assets or financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

- i. **Financial assets or financial liabilities held for trading**
A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorized as held for trading. The Funds do not classify any derivatives as hedges in a hedging relationship.
- ii. **Financial assets or financial liabilities designated at fair value through profit or loss at inception**
Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Funds' documented investment strategy. The Fund classifies all other investments as designated at fair value through profit or loss.

The Funds recognize financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Purchases and sales of financial assets are recognized at their trade date. The Funds' investments have been designated at fair value through profit or loss. The Funds' obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The Funds' policy for measuring its net asset value ("NAV") for transactions with unitholders is the same as the accounting policies used to measure the fair value of its investments and derivatives.

Recognition/derecognition

The Funds recognize financial assets or liabilities designated as trading securities on the trade date – the date it commits to purchase or sell short the instruments. From this date any gains and losses arising from changes in fair value of the Funds' assets or liabilities are recognized in the Statements of Comprehensive Income.

Other financial assets are derecognized only when the contractual rights to the cash flows from the asset expire or the Funds transfer the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Funds derecognize financial liabilities when, and only when, the Funds' obligations are discharged, cancelled or they expire.

CALDWELL MUTUAL FUNDS

Notes to the Financial Statements

December 31, 2017 and 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transaction costs

Transaction costs are expensed as incurred and are included in "transaction costs" in the Statements of Comprehensive Income. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. The cost of investments for each security is determined on an average cost basis.

Investment transactions and income recognition

Investment transactions are accounted for on the trade date. Interest income is accrued daily and dividend income is recognized on the ex-dividend date. Realized gains and losses from investment transactions are calculated on an average cost basis and included in the Statements of Comprehensive Income.

The interest for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the Funds accounted for on an accrual basis. The Funds do not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis and included in the Statements of Comprehensive Income.

Realized gain/loss on sale of investments and unrealized appreciation/depreciation in investments are determined on an average cost basis and are recognized in the Statements of Comprehensive Income. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds.

Foreign currency translation

The monetary assets and liabilities of the Funds are translated into Canadian dollars, the Funds' functional currency, at exchange rates in effect at the date of the statement of financial position. Non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Foreign exchange gains and losses are included in the Statements of Comprehensive Income for the period. Purchases and sales of investments, investment income and expenses are calculated at the exchange rates prevailing on the dates of the transactions.

Realized and unrealized foreign exchange gains (losses) on investments are included in "Realized gain (loss) on investments" and "Change in unrealized appreciation (depreciation) on investments and foreign currency", respectively, in the Statements of Comprehensive Income.

Valuation of Funds' redeemable units

The redeemable units of each of the Funds are issued and redeemed at their respective NAV per unit as determined on the Valuation Date less any applicable redemption fee. A Valuation Date is every day on which the Toronto Stock Exchange is open for business. The net asset value per unit on a Valuation Date is calculated by dividing the net asset value of the Funds' (being the value of its assets less its liabilities) by the total number of redeemable units of the Funds' that are outstanding, respectively.

Distributions

Caldwell Balanced Fund distributes its net investment income and realized gains to unitholders on an annual basis. Distributions to unitholders of Caldwell Income Fund are made on a quarterly basis. For all the Funds, such distributions will be automatically reinvested, unless a written notice to the contrary is received from the unitholder, by the Manager, prior to reinvestment.

CALDWELL MUTUAL FUNDS

Notes to the Financial Statements

December 31, 2017 and 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets attributable to holders of redeemable units per unit

The net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders of redeemable units of a particular series of units by the total number of units of that particular series outstanding at the end of the year.

Increase (decrease) in net assets attributable to holders of redeemable units per unit

Increase (decrease) in net assets attributable to holders of redeemable units per unit is based on the increase (decrease) in net assets attributable to holders of redeemable units attributed to each series of redeemable units, divided by the weighted average number of redeemable units outstanding of that series during the year. Refer to Note 11 for the calculation.

Income taxes

The Funds qualify as mutual fund trusts for income tax purposes and annually distribute all of their net taxable investment income and net realized taxable capital gains with the exception of Caldwell Income Fund which distributes quarterly and monthly, respectively. The amount of net realized taxable capital gains available for distribution is reduced by the amount of net capital gains to be retained in the Funds in order to enable the Funds to fully utilize any available tax credit attributable to redemptions during the year. Such income and net realized capital gains are taxable only in the hands of the unitholders. Accordingly, no provision for Canadian income taxes has been made in the financial statements of the Funds.

Withholding taxes on foreign dividend income are deducted at source.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with IFRS requires management to use accounting estimates. It also requires management to exercise its judgment in the process of applying the Funds' accounting policies. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management uses its judgment in determining the fair value of its investments for those investments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Actual results could differ from those estimates.

The following discusses the most significant accounting judgments and estimates that the Funds have made in preparing the financial statements:

Classification and measurement of investments and application of the fair value option

In classifying and measuring financial instruments held by the Funds, the Manager is required to make significant judgments about whether or not the business of the Funds are to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39. The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those which are not.

CALDWELL MUTUAL FUNDS

Notes to the Financial Statements

December 31, 2017 and 2016

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Functional and presentation currency

The Funds considers its functional and presentation currency to be the Canadian dollar, which is the currency of the primary economic environment in which it operates. The Funds' performance is evaluated and its liquidity is managed in Canadian dollars.

5. FAIR VALUE DISCLOSURES

The Funds' total investment holdings as at December 31, 2017 and 2016, are classified into a three-level fair value hierarchy as follows:

Fair value hierarchy

The three levels of fair value hierarchy are as follows:

- Level 1 Level 1 financial instruments are valued using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Level 2 financial instruments are valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices), including inputs in markets that are not considered to be active.
- Level 3 Level 3 financial instruments are valued using inputs that are not based on observable market data (unobservable inputs).

	Financial Assets at fair value as at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Caldwell Balanced Fund				
Equities	40,982,728	–	–	40,982,728
Fixed income	–	12,452,650	–	12,452,650
	40,982,728	12,452,650	–	53,435,378

	Financial Assets at fair value as at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Caldwell Balanced Fund				
Equities	39,747,390	–	–	39,747,390
Fixed income	–	15,958,912	–	15,958,912
Forward contract	–	44,036	–	44,036
	39,747,390	16,002,948	–	55,750,338

	Financial Assets at fair value as at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Caldwell Income Fund				
Fixed income	–	32,383,019	–	32,383,019
	–	32,383,019	–	32,383,019

CALDWELL MUTUAL FUNDS

Notes to the Financial Statements

December 31, 2017 and 2016

5. FAIR VALUE DISCLOSURES (CONTINUED)

	Financial Assets at fair value as at December 31, 2016			Total
	Level 1	Level 2	Level 3	
Caldwell Income Fund				
Fixed Income	–	29,723,934	–	29,723,934
	–	29,723,934	–	29,723,934

During the years ended December 31, 2017 and December 31, 2016, there were no transfers of investments between levels.

Financial instruments not measured at fair value

The financial instruments not measured at fair value through profit or loss are short-term financial assets and financial liabilities carried at amortized cost, whose carrying amounts approximate fair value.

Receivables include the contractual amounts for settlement of trades and other obligations due to the Fund. Accruals represent the contractual amounts and obligations due by the Fund for settlement of trades and expenses.

The puttable value of redeemable units is calculated based on the net difference between total assets and all other liabilities of the Fund in accordance with the Funds' offering documents. These redeemable units are not traded on an active market. A demand feature is attached to these redeemable units, as they are redeemable at the holders' option and can be put back to a Fund at any dealing date for cash equal to a proportionate share of that Fund's net asset value attributable to the share series. The fair value is based on the amount payable on demand, discounted from the first date that the amount could be required to be paid. The impact of discounting in this instance is not material. As such, Level 2 is deemed to be the most appropriate categorization for net assets attributable to holders of redeemable units.

6. MANAGEMENT FEES AND PERFORMANCE FEES

Management fees

As compensation for managing the Funds, the Manager is entitled to receive an annual management fee equal to 2.00% for Series A, 1.00% for Series F and 0.75% for Series M of the average net asset value of the Caldwell Balanced Fund and 1.25% for Series A, 0.75% for Series F and 0.50% for Series M of the Caldwell Income Fund. Such fees are calculated daily and paid monthly. Since April 2001, the Manager has been waiving a portion of the fee and charging the Caldwell Income Fund Series A an annual fee of 0.75%.

For the year ended December 31, 2017 Caldwell Balanced Fund incurred a management fee of \$1,241,602 (December 31, 2016: \$1,183,026), Caldwell Income Fund incurred a management fee of \$147,459 (December 31, 2016: \$78,504).

As at December 31, 2017, Caldwell Balanced Fund accrued management fees payable of \$102,130 (December 31, 2016: \$105,617), Caldwell Income Fund accrued management fees payable of \$13,629 (December 31, 2016: \$9,894).

In addition to management fees, the Funds are responsible for all other operating expenses including but not limited to custodian fees, securityholder reporting costs, audit and legal.

The Manager at its discretion may waive and absorb a portion of the management fees and operating expenses otherwise payable by the Funds. For year ended December 31, 2017, Caldwell Balanced Fund has absorbed management fees of \$Nil (December 31, 2016: \$122,372). Caldwell Income Fund has absorbed management fees of \$21,749 (December 31, 2016: \$92,014) and has waived \$Nil (December 31, 2016: \$Nil). These waivers/absorptions may be terminated at any time by the Manager and at the Manager's discretion, may be continued indefinitely.

CALDWELL MUTUAL FUNDS

Notes to the Financial Statements

December 31, 2017 and 2016

6. MANAGEMENT FEES AND PERFORMANCE FEES (CONTINUED)

Performance fees

The Manager is entitled to receive a performance fees calculated at 20% of any growth over the benchmark hurdle. The benchmark hurdle for Caldwell Balanced Fund consists of 32.5% S&P /TSX Total Return + 32.5% S&P 500 Total Return (\$Cdn) + 35% S&P Canada Sovereign Bond Index. The benchmark hurdle for Caldwell Income Fund consists of 100% S&P Canada Sovereign Bond Index. The Fund's return must be positive in order for a performance fee to be triggered. In all instances, a performance fee must never take the net Fund return below zero and if necessary, only a partial performance fee would be paid. If Manager fails to meet the Benchmark Hurdle in any given year, then Manager must make up the difference the next year to be eligible to earn a performance fee. The performance fee is accrued at each valuation date and is paid annually on the last valuation date of the year.

For the year ended December 31, 2017 Caldwell Balanced Fund incurred a performance fee of \$126 (December 31, 2016: \$529), Caldwell Income Fund incurred a performance fee of \$Nil (December 31, 2016: \$4,467).

As at December 31, 2017, Caldwell Balanced Fund accrued performance fee payable of \$655 (December 31, 2016: \$529), Caldwell Income Fund accrued performance fee payable of \$4,467 (December 31, 2016: \$4,467).

7. COMMISSIONS AND RELATED PARTY TRANSACTIONS

The Manager and Caldwell Securities Ltd., a broker, are both wholly-owned subsidiaries of Caldwell Financial Ltd. The following transaction costs were paid for the years ended December 31, 2017 and 2016, primarily to Caldwell Securities Ltd.

	<u>2017</u>	<u>2016</u>
Caldwell Balanced Fund	74,871	70,149
Caldwell Income Fund	41,210	31,978

Neither the Manager nor the Funds have received any soft dollar commissions from brokers to pay for third-party research services.

CALDWELL MUTUAL FUNDS

Notes to the Financial Statements

December 31, 2017 and 2016

8. REDEEMABLE UNITS OF THE FUND

During the years ended December 31, 2017 and 2016, the following redeemable units were issued and redeemed:

CALDWELL BALANCED FUND

	Redeemable units, beginning of year	Redeemable units issued	Redeemable units redeemed	Reinvestment of redeemable units	Redeemable units, end of year
2017					
Series A	5,043,980	387,249	(786,818)	—	4,644,411
Series F	210,663	77,317	(35,111)	—	252,869
Series M	10,311	5,484	(7,426)	—	8,369
2016					
Series A	5,256,477	366,271	(578,768)	—	5,043,980
Series F	54,799	170,962	(15,098)	—	210,663
Series M	—	12,965	(2,654)	—	10,311

CALDWELL INCOME FUND

	Redeemable units, beginning of year	Redeemable units, issued	Redeemable units redeemed	Reinvestment of redeemable units	Redeemable units, end of year
2017					
Series A	1,091,170	370,064	(421,103)	—	1,040,131
Series F	37,046	186,602	(14,774)	—	208,874
Series I	2,536,349	2,050,631	(1,237,183)	2,218	3,352,015
Series M	120,801	197,638	(27,568)	—	290,871
2016					
Series A	1,705,509	149,981	(764,320)	—	1,091,170
Series F	27,670	41,897	(32,521)	—	37,046
Series I	—	2,742,406	(206,057)	—	2,536,349
Series M	—	121,102	(301)	—	120,801

CALDWELL MUTUAL FUNDS

Notes to the Financial Statements

December 31, 2017 and 2016

9. TAX STATUS

The capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future periods. The capital losses as at December 31, 2017 and December 31, 2016 are as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
Caldwell Balanced Fund	5,468,205	7,671,757
Caldwell Income Fund	762,667	639,036

As at December 31, 2017 and December 31, 2016, the Funds did not have any non-capital losses to carry forward.

10. CAPITAL MANAGEMENT

The Funds define their capital as their net assets attributable to holders of redeemable units, which are primarily composed of their investments. The Funds manage their investments in line with their investment objectives. There have been no significant changes in the Funds' capital management policies in the current period.

The Funds investment activities expose them to various types of risks associated with the financial instruments and markets in which they invest directly. The following is a summary of the main risks:

Currency risk

The Funds may invest in securities denominated in currencies other than their reporting currency. Consequently, the Funds are exposed to risks that the exchange rate of the reporting currency, Canadian dollars, relative to the other currencies may change in a manner which has an adverse effect on the reported value of that portion of the Funds' assets.

Liquidity risk

The Funds maintain sufficient cash and marketable securities and manage liquidity risk through their ability to close out market positions.

Interest rate risk

The Funds may invest in fixed and floating rate securities. The income of the Funds may be affected by changes in interest rates relevant to particular securities or as a result of management being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movement in the future.

Credit risk

Financial assets which potentially expose the Funds to credit risk consist principally of cash, investments in bonds and amounts due from brokers. The Funds seek to mitigate their exposure to credit risk by placing their cash and transacting their securities activity with large financial institutions. The extent of the Funds' exposure to credit risk in respect of these financial assets is reflected in their carrying value as recorded in the Funds' Statements of Net Assets Attributable to Holders of Redeemable Units. The Funds invest only in Federal Government of Canada and Province of Ontario bonds and their guarantees; the Funds do not invest in corporate bonds.

CALDWELL MUTUAL FUNDS

Notes to the Financial Statements

December 31, 2017 and 2016

10. CAPITAL MANAGEMENT (CONTINUED)

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. Any equity and derivative instruments that the Funds may hold are susceptible to market price risk arising from uncertainties about future prices of the instruments. Management moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

Refer to Discussion of Financial Risk Management for each Fund's specific risk disclosures.

11. INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the years ended December 31, 2017 and 2016 is calculated as follows:

Caldwell Balanced Fund

Series A	2017	2016
Increase in net assets attributable to holders of redeemable units	\$ 1,165,212	\$ 3,329,297
Weighted average of redeemable units outstanding during the year	4,935,636	5,181,679
Increase in net assets attributable to holders of redeemable units per unit	\$ 0.24	\$ 0.64

Series F	2017	2016
Increase in net assets attributable to holders of redeemable units	\$ 80,935	\$ 220,349
Weighted average of redeemable units outstanding during the year	249,785	132,262
Increase in net assets attributable to holders of redeemable units per unit	\$ 0.32	\$ 1.67

Series M	2017	2016
Increase in net assets attributable to holders of redeemable units	\$ 4,257	\$ 7,337
Weighted average of redeemable units outstanding during the year	7,101	10,842
Increase in net assets attributable to holders of redeemable units per unit	\$ 0.60	\$ 0.68

CALDWELL MUTUAL FUNDS

Notes to the Financial Statements

December 31, 2017 and 2016

11. INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT (CONTINUED)

Caldwell Income Fund

Series A	2017	2016
Decrease in net assets attributable to holders of redeemable units	\$ (82,158)	\$ (95,803)
Weighted average of redeemable units outstanding during the year	1,115,298	1,344,325
Decrease in net assets attributable to holders of redeemable units per unit	\$ (0.07)	\$ (0.07)

Series F	2017	2016
Decrease in net assets attributable to holders of redeemable units	\$ (13,667)	\$ (2,954)
Weighted average of redeemable units outstanding during the year	128,954	28,970
Decrease in net assets attributable to holders of redeemable units per unit	\$ (0.11)	\$ (0.10)

Series I	2017	2016
Decrease in net assets attributable to holders of redeemable units	\$ (374,158)	\$ (326,645)
Weighted average of redeemable units outstanding during the year	3,061,340	1,805,838
Decrease in net assets attributable to holders of redeemable units per unit	\$ (0.12)	\$ (0.18)

Series M	2017	2016
Decrease in net assets attributable to holders of redeemable units	\$ (44,498)	\$ (9,099)
Weighted average of redeemable units outstanding during the year	222,230	66,625
Decrease in net assets attributable to holders of redeemable units per unit	\$ (0.20)	\$ (0.14)

12. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

There has been no significant event after the statement of financial position date and the date of authorization of the financial statements which in the opinion of management requires additional disclosure in the financial statements.

13. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Manager and Trustee and authorized for issue on March 29, 2018.