



Caldwell Investment Management Ltd.

Independent Investment Managers

Annual Management Report of Fund Performance

For the Year Ended December 31, 2016

Caldwell Balanced 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 annual management report of fund performance contains financial highlights, but does not contain the complete annual financial statements of the investment fund. You may obtain a copy of the 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 Fund is to provide consistent capital appreciation through a balanced portfolio while emphasizing the preservation of unitholder value. The Fund invests in a balance of income generating securities and equities both in Canada and internationally.

The investment objective of the Fund may only be changed with the approval of unitholders at a meeting called for that purpose.

Results of Operations

A Review of 2016

The Caldwell Balanced Fund had another good year, returning 6.5% in 2016. As a reminder, our investment strategy and process aims to protect investors from common risks in the market; specifically: valuation risk, balance sheet risk, management risk and operating risk. History is full of examples of each of these causing significant damage to investor portfolios and our goal with every stock we own is to take acceptable risks relative to the return opportunity.

Our Investment Strategy & Competitive Advantages: A Quick Recap

Our strategy consists of protecting our investors' capital from common risks in the market, specifically, valuation risk, balance sheet risk, management risk and operating risk. History is full of examples where each of these caused significant damage to client portfolios and our goal with every stock we own is to minimize these risks relative to the return opportunity. Our competitive advantages lie in:

- 1) Our actively managed portfolio consisting of approximately 25 stocks and minimal overlap with the index (93% active share);
- 2) Our manageable fund size of \$50 million;
- 3) Our ability to diversify risk through U.S. market exposure (some competing mandates limit how much can be invested outside of Canada, which has been problematic with the recent collapse in oil); and
- 4) Our monthly communication, which keeps investors informed about how the portfolio is positioned.



Recent Developments

Performance Drivers in 2016

It is said that markets climb a wall of worry, and that was certainly the case in 2016. After a shaky start (both the S&P 500 and TSX were down 11% in the first few weeks of the year), markets battled through political uncertainty (Brexit, impeachments, failed coups, the U.S. election), wars/terrorist events, and economic uncertainty (negative interest rates) to regain early losses and end the year on a strong note. Strength in commodities was the major story and this drove the Canadian market to outsized returns versus the rest of the world. Indeed, if one strips out the volatile Energy and Materials sectors, Canada's market return would be roughly cut in half.

Caldwell Balanced Fund Performance Summarized

While we have touched on a number of things that drove performance, here is a more comprehensive review:

Top Contributors:

- 1) An underweight position to the yield-sensitive Consumer Defensive and Real Estate
- 2) Security selection in Technology (Mentor Graphics)
- 3) Security selection in Consumer Cyclical (Whirlpool, Omnicom and CCL Industries)

Top Individual Contributors: Mentor Graphics (sold on Nov 1), CSX (sold on Dec 23), Parkland, Broadridge, Suncor

Bottom Contributors:

- 1) underweighting the Canadian market which benefitted from a strong commodity rally
- 2) an underweight position in Basic Materials (i.e. commodities)
- 3) an overweight position in Consumer Cyclical

Bottom Individual Companies: Cardinal Health, Bird Construction, Cognizant Technologies, Celestica, Williams Sonoma

Going Forward

The market's focus has shifted to President Trump and his policies. On one hand, if he is successful in bringing down regulatory burdens, there can be significant benefit to economic growth. Investment decisions at the corporate level are driven by project IRR (the return on the capital invested in this project). Regulations generally weigh on IRR by increasing the cost and delaying the benefit of projects. If more efficient regulation can decrease the amount of time required to get a project started, or decrease the cost of the project, then more projects will qualify for investment, which would be good for economic growth. On the other hand, protectionist policies have negative outcomes and it is unclear sitting here today which policies will have the bigger impact. Ultimately, we look for management teams that can find ways to continue to grow the value of their businesses over time, regardless of what the political environment throws at them.



We have performed very well over the last several years for our investors and owe much of this to our investment process, which has helped us avoid painful losses entirely (as we did in materials), limit losses in energy and participate in the outperformance of the U.S. market. Valuations, which can be viewed as the prices investors must pay to own businesses, have moved higher with the upward trend in the markets and this has implications for returns investors should expect going forward. While higher valuations may act to lower future returns, we believe our strategy of stock selection positions us well for this type of environment. We will continue to focus on executing our investment process with the goal of making smart decisions with our investors' capital.

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 2% based on the net asset value of Series A units of the Fund and up to 1% 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 2016 the Fund paid \$70,149 in commissions to Caldwell Securities Ltd.



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 December 31.

	2016	2015	2014	2013	2012
Net Assets, beginning of year ⁽³⁾	10.05	9.69	8.72	7.13	6.94
Increase (decrease) from operations:					
Total Revenue	0.17	0.18	0.18	0.17	0.15
Total Expenses	(0.26)	(0.28)	(0.25)	(0.25)	(0.22)
Realized gains (losses) for the period	0.55	0.46	0.80	0.63	0.68
Unrealized gains (losses) for the period	0.18	(0.02)	0.24	1.07	(0.37)
Total increase (decrease) from operations ⁽¹⁾	0.64	0.34	0.97	1.62	0.24
Distributions:					
From Income (excluding dividends)	0.00	0.00	0.00	0.00	0.00
From Dividends	0.00	0.00	0.00	0.00	0.00
From Capital Gains	0.00	0.00	0.00	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	0.00	0.00	0.00
Net Assets at December 31 of year shown ⁽³⁾	10.71	10.05	9.69	8.72	7.13

⁽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.

⁽³⁾ All per unit figures presented in 2013 to 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, 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 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 December 31.

	2016	2015	2014
Net Assets, beginning of year ⁽³⁾	10.26	9.78	9.13
Increase (decrease) from operations:			
Total Revenue	0.18	0.20	0.07
Total Expenses	(0.12)	(0.17)	(0.07)
Realized gains (losses) for the period	0.63	0.42	0.21
Unrealized gains (losses) for the period	0.98	(0.31)	0.44
Total increase (decrease) from operations ⁽¹⁾	1.67	0.14	0.65
Distributions:			
From Income (excluding dividends)	0.00	0.00	0.00
From Dividends	0.00	0.00	0.00
From Capital Gains	0.00	0.00	0.00
Return of Capital	0.00	0.00	0.00
Total Annual Distributions ⁽²⁾	0.00	0.00	0.00
Net Assets at December 31 of year shown ⁽³⁾	11.05	10.26	9.78

⁽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.

⁽³⁾ All per unit figures presented in 2013 to 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, 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 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 8, 2014.



The Fund's Net Asset Value (NAV), per Series M Unit, as at December 31.

	2016
Net Assets, beginning of year ⁽³⁾	10.00
Increase (decrease) from operations:	
Total Revenue	0.07
Total Expenses	(0.05)
Realized gains (losses) for the period	0.25
Unrealized gains (losses) for the period	0.41
Total increase (decrease) from operations ⁽¹⁾	0.68
Distributions:	
From Income (excluding dividends)	0.00
From Dividends	0.00
From Capital Gains	0.00
Return of Capital	0.00
Total Annual Distributions ⁽²⁾	0.00
Net Assets at December 31 of year shown ⁽³⁾	10.45

⁽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.

⁽³⁾ All per unit figures presented in 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, 2016. Net assets per unit is the difference between the aggregate value of the assets (including the valuation of securities at closing prices for the year ended December 31, 2016) and the aggregate value of the liabilities, divided by the number of units then outstanding.

* The Fund's Series M commenced on September 15, 2016.



Ratios and Supplemental Data (unaudited) - Series A

	2016	2015	2014	2013	2012
Net asset value (000's) ⁽¹⁾	54,009	52,846	47,324	39,736	29,637
Number of units outstanding ⁽¹⁾	5,043,980	5,256,477	4,881,726	4,558,628	4,157,573
Management expense ratio ⁽²⁾	2.49%	2.70%	2.73%	2.78%	3.17%
Management expense ratio before waivers or absorptions	2.72%	2.73%	2.73%	2.78%	3.22%
Portfolio turnover rate ⁽³⁾	123.59%	110.80%	224.21%	177.70%	181.78%
Trading Expense ratio ⁽⁴⁾	0.13%	0.21%	0.22%	0.29%	0.56%

Ratios and Supplemental Data (unaudited) - Series F

	2016	2015	2014
Net asset value (000's) ⁽¹⁾	2,328	562	123
Number of units outstanding ⁽¹⁾	210,663	54,799	12,611
Management expense ratio ⁽²⁾	1.07%	1.59%	1.76%
Management expense ratio before waivers or absorptions	1.27%	1.64%	1.76%
Portfolio turnover rate ⁽³⁾	123.59%	110.80%	224.21%
Trading Expense ratio ⁽⁴⁾	0.13%	0.21%	0.22%

Ratios and Supplemental Data (unaudited) - Series M

	2016
Net asset value (000's) ⁽¹⁾	107
Number of units outstanding ⁽¹⁾	10,311
Management expense ratio ⁽²⁾	1.42%
Management expense ratio before waivers or absorptions	1.48%
Portfolio turnover rate ⁽³⁾	123.59%
Trading Expense ratio ⁽⁴⁾	0.13%

⁽¹⁾ This information is provided as at December 31 of the year shown.

⁽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 2% 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.

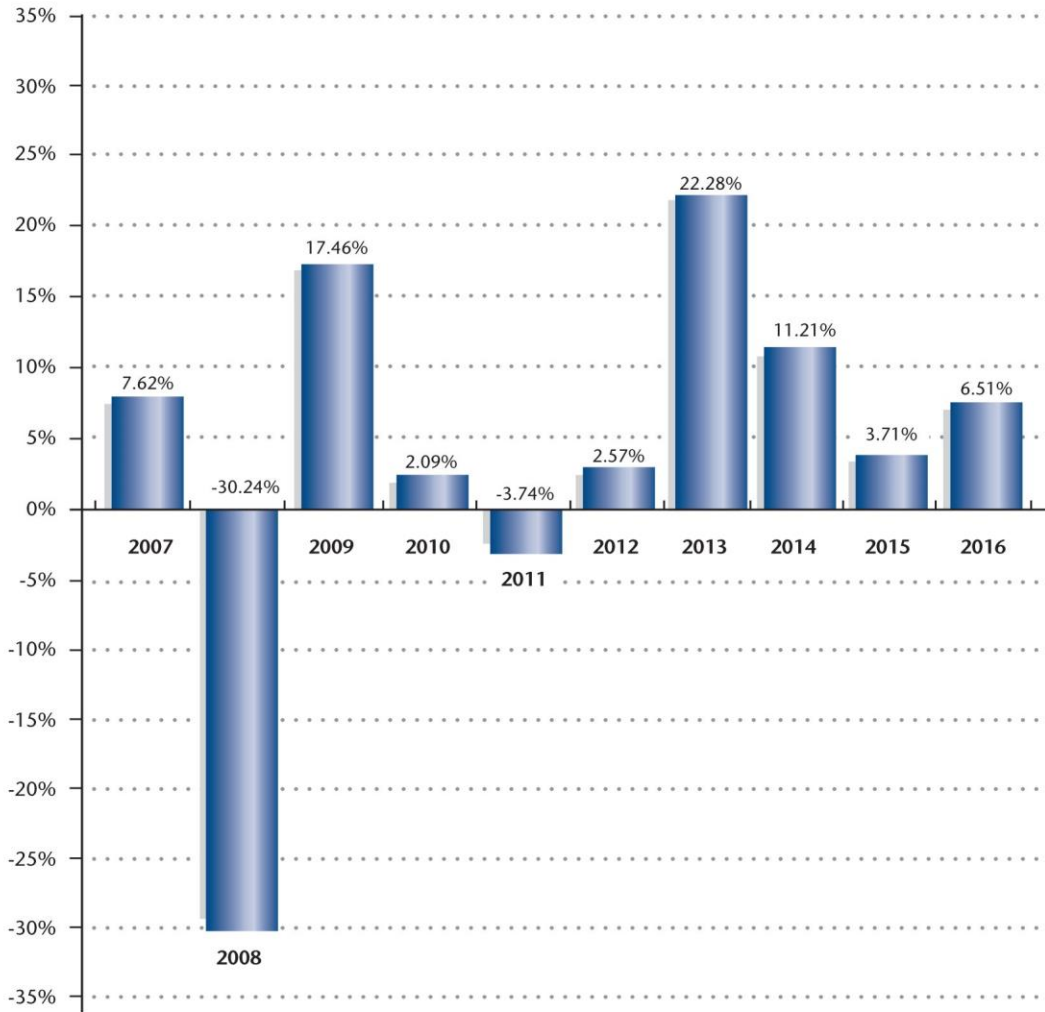
Distribution	32%
Management and Portfolio Adviser Services	68%
Waivers and Absorption of Fund Expenses	0%

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 that year.



Caldwell Balanced Fund - Series A



Caldwell Balanced Fund - Series F

For the years ended December 31



Annual Compound Returns

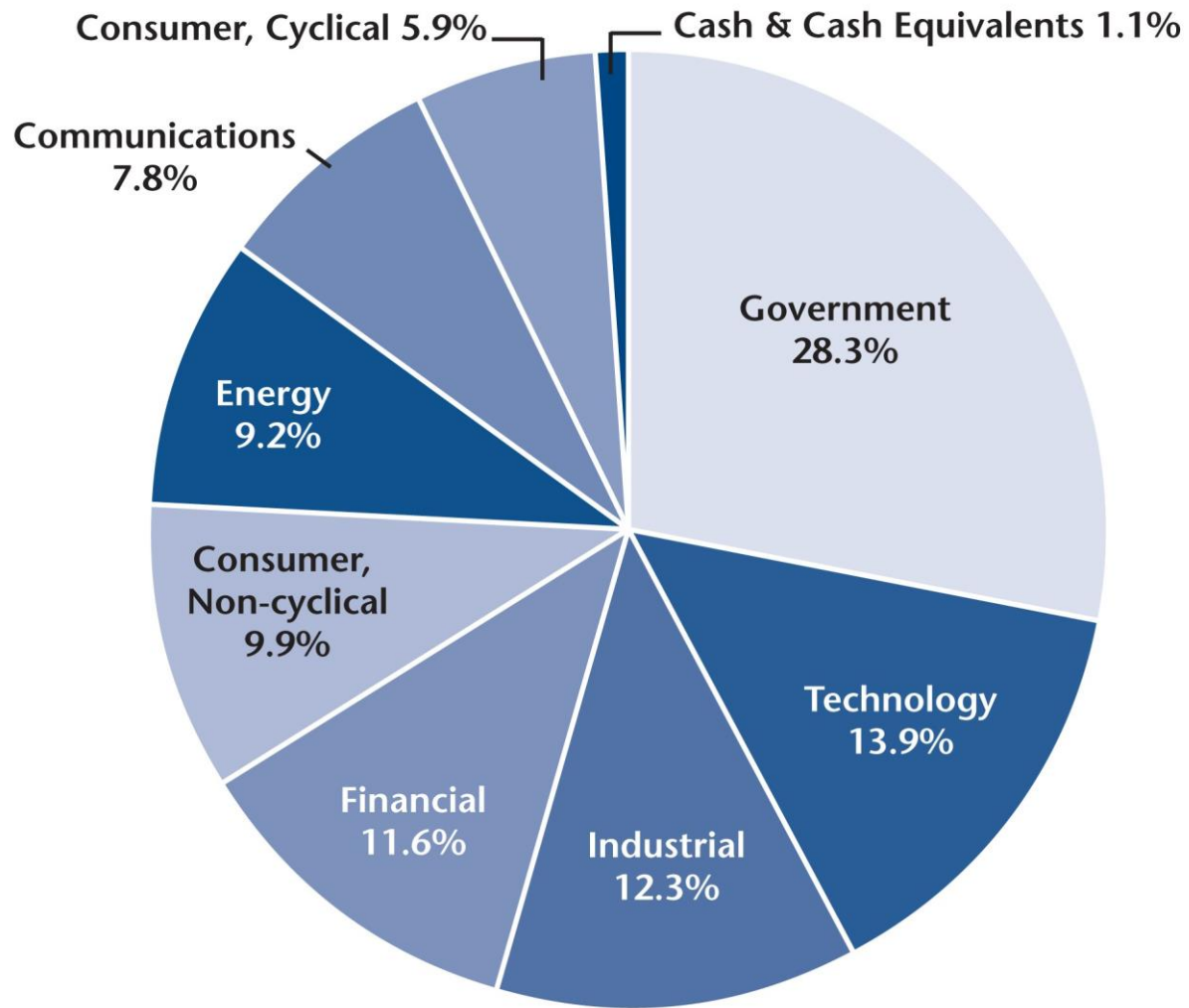
The table shows the Fund's historical annual compound total return for each period since inception of the Fund, compared with the Fund benchmark. The benchmark is: (45% S&P/TSX Total Return, 20% S&P 500 Total Return, 35% equally distributed between DEX Gov Mid Term, DEX Gov SHT Term & DEX 91 Day T-Bill Index.)

Annualized Compound Returns	1 Year	3 Years	5 Years	10 Years
Fund - Series A	6.51%	11.21%	2.57%	7.62%
Fund - Series F	7.71%	N/A	N/A	N/A
Index	11.31%	7.59%	8.63%	4.98%



Summary of Investment Portfolio

Portfolio Breakdown as at December 31, 2016



Caldwell Balanced Fund



Top 25 Holdings	
As at December 31, 2016	
	Percentage of Net
SECURITY	Assets
Canadian Government Bond 1.50% 01JUN2026	16.86%
Canadian Government Bond 1.50% 01JUN2023	11.41%
Cisco Systems Inc.	3.93%
Omnicom Group Inc.	3.85%
CCL Industries Inc.	3.74%
Bird Construction Inc.	3.73%
Amdocs Ltd	3.46%
Citigroup Inc.	3.27%
Cognizant Technology Solutions Corp.	3.20%
Whirlpool Corp.	3.16%
Broadridge Financial Solutions Inc.	3.15%
Robert Half International Inc.	3.13%
Parkland Fuel Corp.	2.89%
Celestica Inc.	2.82%
Kohl's Corp.	2.78%
Cardinal Health Inc.	2.74%
Tricon Capital Group Inc.	2.66%
KKR & Co LP	2.45%
Suncor Energy Inc.	2.45%
CGI Group Inc.	2.40%
STERIS PLC	2.36%
Apogee Enterprises Inc.	2.00%
ShawCor Ltd	1.73%
The Bank of Nova Scotia	1.72%
Accenture PLC	1.67%
Top 25 Holdings	93.55%

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