CALDWELL
U.S. Dividend
Advantage Fund

January 2016 Management Update
TMX: UDA.UN

Dear Investor,

The first month of 2016 was marked by heightened volatility. In the first week alone, the S&P 500, in the United States, was down almost -8.0%. The United States (S&P 500) fought back, finishing down -5.0% for the month of January. Canada (S&P/TSX Composite Index) ended down -1.4% as one of the strongest markets internationally. Outside of North America, returns were as bad or worse to our American counterpart. Japan (Nikkei 225) was down -8.0%, Europe (Euro Stoxx 50) -6.8%, and Emerging Markets (MSCI EEM) -5.3%. The U.S. Dollar ("USD") strengthened 1.0% to CDN$0.715 after reaching a ten year high of CDN$0.683. Oil ("WTI") closed down -9.2% at $33.62.

Talk of recession and the end of the credit cycle this upcoming year has sparked this volatility. The famous line that "Wall Street has correctly predicted 9 of the last 5 recessions" is worth repeating before accepting this concern as certainty. It is true that the U.S. is seeing a contraction in its oil patch. WTI has fallen over 70%, since its highs of 2014, making much of the shale oil reserves discovered over the last decade uneconomical. This has caused the U.S. Rig Count to fall by 60% in the last twelve months from 1,543 a year ago to 619 today. While this reduction has taken place, the predicted cascade effects of low oil prices on other sectors of the expanded economy is not visible. Even with WTI's decline, monthly Non-Farm Payrolls in 2016 are expected to rise in the 150,000 range causing unemployment to fall to 4.8% from its current 5% level by the end of the year.

The real question is how this will affect the consumer? Consumption comprises two-thirds of U.S. Gross Domestic Product ("GDP") and sustained momentum in consumption will be the engine of American growth. Consumption is highly dependent on both wage growth and price levels. Upward wage pressure should continue in 2016 because of the shortage of labour from a declining unemployment rate. Over 50% of the member companies of the National Association of Business Economics plan to raise wages in 2016, the highest level since 2005. Even better, the low oil price gives consumers a tax break at the pump that should translate to increased spending in 2016. The low oil price of 2015 is estimated to have given consumers USD $200 Billion of savings. This did not have the effect on spending (in 2015) that economists predicted because USD $100 Billion was used to pay down debt and increase personal savings rather than go into retail sales. It is possible consumers did not believe that this reduction in oil prices was sustainable and used this perceived onetime event as an opportune time to pay down debt or cushion their savings accounts. With improved consumer

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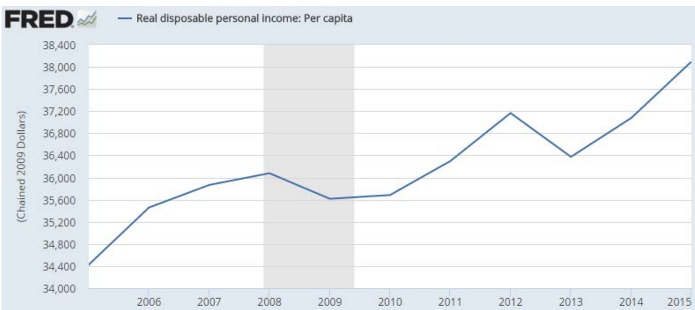
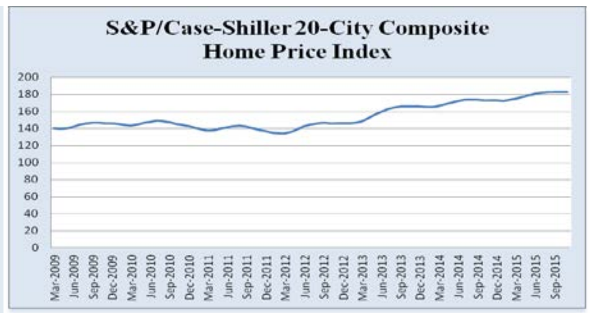
balance sheets, a robust job market, and adjusted expectations of expenditures, the motivation for this type of conservatism is decreasing.

Consumer confidence is strong in the autos and housing sectors. U.S. Autos posted their best January sales rate since 2001. Even with a record snowstorm that covered the eastern seaboard for a week of January, consumers would not stay away. The industry is a major benefactor of low interest rates, cheap gasoline and low unemployment. On the housing front, the S&P Case-Shiller 20-City Home Price Index is now up 5.8% year over year ("YoY") and all twenty of the metropolitan regions in the index have experienced price appreciation over the trailing twelve months. This general rise in housing assets has helped the consumer balance sheet and brings with it a wealth effect that increases consumer confidence. The U.S. consumer appears to have all the qualities necessary to keep the economic expansion alive and well. The fears of recession appear to be over blown and could prove quite disappointing for the bear camp over the coming twelve months.



Source: Federal Reserve



Source: Standard and Poors

In Canada, the outlook is not as positive as our neighbour to the south but there is reason for optimism. The weakening of the Canadian dollar means that non-resource companies are receiving considerable more stimulus than rate cuts could ever hope to achieve. Increasing capacity and production in manufacturing will take time as the ten years of high commodity prices have hurt the industry but a future with lower oil prices will make this sector robust again. The managers of the U.S. Dividend Advantage Fund ("the Fund") have identified good solid Canadian firms that are winners in this low dollar environment and have increased our exposure in Canada to 14%. We still prefer the fundamentals of the U.S. economy but the rapid depreciation of the Canadian dollar and increased volatility in equity markets have presented opportunities to purchase excellent businesses at fair prices.

The Fund continues to focus on companies that possess high margins, strong growing dividends, and business models that have moats around their revenues. Symantec ("SYMC") exemplifies these qualities. SYMC is a global leader in cyber security which operates one of the world's largest cyber intelligence networks. SYMC helps governments, companies and individuals around the globe secure digital information. There is a large pipeline of foreseeable growth for SYMC as more of our collective lives are lived out on social media and sensitive information is stored on shared cloud networks. SYMC operates the popular brand Norton which protects everything from home computers to company enterprise servers to website point-of-sale systems. SYMC recently sold its data storage business, Veritas, to solely focus on digital security. This market is still in the early innings and SYMC is well positioned to grow with it. With the Veritas divesture, SYMC solidified its balance sheet and raised their quarterly dividend. The company also issued a special $4.00 dividend, and initiated a share buyback program as part of a USD $5.5 Billion capital return program which highlights their commitment to rewarding shareholders. End point security breaches is a major concern for all businesses whether Fortune 500 firms or new startups. SYMC is well positioned to grow in this market over the next several years with new product development, targeted investments, and select acquisitions to drive results.

Source: Symantac Corporation

The Fund believes SYMC will be a strong performer in this market setting. Fundamentals continue to support the U.S. economy and we believe U.S. dividend-paying equity securities that possess a combination of low volatility and high profitability will significantly and disproportionately benefit from the continued U.S. economic expansion.

Unitholders are reminded that the Caldwell U.S. Dividend Advantage Fund offers a Distribution Reinvestment Plan ("DRIP") which provides Unitholders with the ability to automatically reinvest distributions and realize the benefits of compounded growth. Unitholders can enroll in the DRIP program by contacting their Investment Advisor.

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