



# Caldwell Investment Management Ltd.

*Independent Investment Managers*

## **Annual Management Report of Fund Performance**

For the Year Ended December 31, 2019

# **Caldwell Canadian Value Momentum 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](http://www.caldwellinvestment.com) or SEDAR at [www.sedar.com](http://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 generate capital growth by investing in a concentrated basket of Canadian equities which show the highest potential for capital gains over a moderate holding period.

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

The Fund gained 15.1% in 2019 versus a gain of 22.9% for the Index. While the Fund's absolute return was its 2nd highest annual return over the last six years, the Fund struggled to keep pace with the very strong Index return. Looking at the performance attribution, a few things stick out:

- i) The Fund lost 560 bps relative to the Index in January 2019, when the Fund entered the new year with over 50% in cash. While the Fund's sell discipline added considerable value by significantly insulating the portfolio from the sizeable market decline in Q4-18, the Index's V-shaped pattern (sharp decline at the end of 2018 followed by a sharp recovery in Q1-19), was tough on the strategy.
- ii) The big 6 banks and the utilities sector added 320 bps and 150 bps to the Index return, respectively. Banks and utilities typically don't screen well in the Fund's model.
- iii) Shopify alone added 160 bps to the Index return. The stock was the 3rd strongest performer on the TSX, gaining 174% in 2019. While Shopify is showing strong growth and momentum and has an exciting story, a valuation anchored on revenue growth has kept us on the sidelines.

### Recent Developments

One stock was added to the portfolio in December: Equitable Bank ("EQB"). The company calls itself "Canada's Challenger Bank" and is currently the country's ninth largest independent Schedule I Bank. It has a strong history of ROE generation and prudent lending and is seeing attractive growth in customers and assets. EQB is also diversifying its funding sources and product categories, which are driven by its digital platform capabilities. The company is targeting a \$4/share dividend by 2024 (vs \$1.40/share today), which works out to a 20-25% dividend growth CAGR.

Recent unprecedented developments associated with the spread of COVID-19 and the international efforts to stop its spread with a plethora of restrictions have affected financial markets and various economies. The reaction of financial markets to the economic implications are highly uncertain and cannot be predicted. Ongoing volatility in the financial markets may affect the financial performance of the Fund's investments in a manner and for a period that cannot reasonably be predicted.



## **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 Jerry Beniuk, Ann Harris and Supriya Kapoor.

## **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 1.0% based on the net asset value of Series F units of the Fund and up to 1.5% based on the net asset value of Series O 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 Arrangements*

The purchase and sale of portfolio securities is arranged by the Manager through registered brokers or dealers. The Manager has a regulatory obligation to make reasonable efforts to achieve best execution of those portfolio trades when acting for the Fund. Best execution refers to the most advantageous execution terms reasonably available under the circumstances.

The Manager may choose to execute a portion of the Fund's portfolio transactions with Caldwell Securities Ltd., an affiliate of the Manager. The Manager applies its best execution policy in respect of both affiliated and non-affiliated dealers. Specifically, any trade allocation to an affiliated dealer is based on an assessment of the same best execution criteria.

Because Caldwell Securities Ltd. is an affiliate of the Manager and the interrelationship of their businesses, a conflict of interest exists that has the potential of influencing the Manager's choice of Caldwell Securities Ltd. to execute Fund portfolio transactions. The Manager addresses this conflict of interest by applying its best execution policy and by following best execution standing instructions issued by the Fund's independent review committee.

The Fund pays Caldwell Securities Ltd. an annual brokerage fee of 0.50% of the net asset value as compensation for portfolio transactions executed by Caldwell Securities Ltd. Portfolio transactions executed by brokers other than Caldwell Securities Ltd. will be subject to those broker's customary commissions, taxes and fees.

In 2019 the Fund has paid \$245,590 in brokerage fees to Caldwell Securities Ltd. and in 2018, the Fund paid \$229,391.



## 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 (formerly Series O\*), as at December 31.

	2019	2018	2017	2016	2015
Net Assets, beginning of year	13.58	14.45	13.48	11.71	10.85
<b>Increase (decrease) from operations:</b>					
Total Revenue	0.14	0.16	0.24	0.21	0.19
Total Expenses	(0.33)	(0.32)	(0.53)	(0.31)	(0.38)
Realized gains (losses) for the period	0.40	(0.58)	1.40	0.62	0.06
Unrealized gains (losses) for the period	1.83	(0.27)	0.65	1.71	1.10
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	2.04	(1.01)	1.76	2.23	0.97
<b>Distributions:</b>					
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	(0.89)	(0.53)	0.00
Return of Capital	0.00	0.00	0.00	0.00	0.00
<b>Total Annual Distributions <sup>(2)</sup></b>	0.00	0.00	(0.89)	(0.53)	0.00
<b>Net Assets at December 31 of year shown</b>	15.62	13.58	14.45	13.48	11.71

<sup>(1)</sup> 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.

<sup>(2)</sup> Distributions were paid in cash or reinvested in additional units of the Fund.

\* Series O units were redesignated as Series A units on July 19, 2019 to be consistent with other units with similar attributes in other Caldwell mutual funds.



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

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net Assets, beginning of year	15.74	16.67	15.31	13.67	12.39
<b>Increase (decrease) from operations:</b>					
Total Revenue	0.16	0.19	0.24	0.24	0.22
Total Expenses	(0.28)	(0.27)	(0.71)	(0.83)	(0.17)
Realized gains (losses) for the period	0.45	(0.73)	1.52	0.65	0.06
Unrealized gains (losses) for the period	2.21	(0.56)	1.48	1.79	1.23
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	<b>2.54</b>	<b>(1.38)</b>	<b>2.53</b>	<b>1.85</b>	<b>1.34</b>
<b>Distributions:</b>					
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	(0.63)	(0.51)	0.00
Return of Capital	0.00	0.00	(0.03)	0.00	0.00
<b>Total Annual Distributions <sup>(2)</sup></b>	<b>0.00</b>	<b>0.00</b>	<b>(0.66)</b>	<b>(0.51)</b>	<b>0.00</b>
<b>Net Assets at December 31 of year shown</b>	<b>18.21</b>	<b>15.74</b>	<b>16.67</b>	<b>15.31</b>	<b>13.67</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> Distributions were paid in cash or reinvested in additional units of the Fund.



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

	<b>2019</b>
Net Assets, beginning of period*	15.82
<b>Increase (decrease) from operations:</b>	
Total Revenue	0.00
Total Expenses	(0.01)
Realized gains (losses) for the period	0.00
Unrealized gains (losses) for the period	(0.18)
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	<b>(0.19)</b>
<b>Distributions:</b>	
From Income (excluding dividends)	0.00
From Dividends	0.00
From Capital Gains	0.00
Return of Capital	0.00
<b>Total Annual Distributions <sup>(2)</sup></b>	<b>0.00</b>
<b>Net Assets at December 31 of year shown</b>	<b>15.60</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> Distributions were paid in cash or reinvested in additional units of the Fund.

\* Series D units commenced on December 23, 2019

**Ratios and Supplemental Data - Series A (formerly Series O\*)**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net asset value (000's) <sup>(1)</sup>	19,630	16,657	11,595	8,212	4,090
Number of units outstanding <sup>(1)</sup>	1,256,679	1,226,779	802,402	609,208	349,196
Management expense ratio <sup>(2)</sup>	1.61%	1.65%	3.72%	2.21%	2.80%
Management expense ratio before waivers or absorptions	1.71%	1.73%	4.07%	3.28%	4.22%
Portfolio turnover rate <sup>(3)</sup>	74.76%	161.77%	136.17%	81.34%	149.67%
Trading Expense ratio <sup>(4)</sup>	0.56%	0.58%	0.52%	0.50%	0.50%



### Ratios and Supplemental Data - Series F

	2019	2018	2017	2016	2015
Net asset value (000's) <sup>(1)</sup>	33,831	32,206	15,860	952	466
Number of units outstanding <sup>(1)</sup>	1,857,538	2,046,514	951,655	62,178	34,094
Management expense ratio <sup>(2)</sup>	1.04%	1.05%	4.03%	1.91%	0.82%
Management expense ratio before waivers or absorptions	1.14%	1.14%	4.24%	2.97%	2.24%
Portfolio turnover rate <sup>(3)</sup>	74.76	161.77%	136.17%	81.34%	149.67%
Trading Expense ratio <sup>(4)</sup>	0.56%	0.58%	0.52%	0.50%	0.50%

### Ratios and Supplemental Data - Series D\*\*

	2019	2018	2017	2016	2015
Net asset value (000's) <sup>(1)</sup>	140	32,206	15,860	952	466
Number of units outstanding <sup>(1)</sup>	8,952	2,046,514	951,655	62,178	34,094
Management expense ratio <sup>(2)</sup>	1.37%	1.05%	4.03%	1.91%	0.82%
Management expense ratio before waivers or absorptions	1.82%	1.14%	4.24%	2.97%	2.24%
Portfolio turnover rate <sup>(3)</sup>	74.76%	161.77%	136.17%	81.34%	149.67%
Trading Expense ratio <sup>(4)</sup>	0.56%	0.58%	0.52%	0.50%	0.50%

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

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.

\* Series O units were redesignated as Series A units on July 19, 2019 to be consistent with other units with similar attributes in other Caldwell mutual funds.

\*\* Series D units commenced on December 23, 2019.





## **Management Fees**

As compensation for managing the Fund, the Manager can receive an annual fee up to 1.0% of the average net asset value of the Fund in respect of Series F units and 1.5% in respect of Series O units. 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	42%
Management and Portfolio Adviser Services	47%
Waivers and Absorption of Fund Expenses	11%

## **Past Performance**

The following charts show 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.

## **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: S&P/TSX Composite Total Return.

<b>Annualized Compound Returns</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
<b>Fund - Series A (formerly Series O)</b>	15.05%	7.15%	9.61%	n/a
<b>Fund – Series D</b>	n/a	n/a	n/a	n/a
<b>Fund - Series F</b>	15.73%	7.34%	10.01%	n/a
<b>Index</b>	22.88%	6.89%	6.28%	6.90%



## Year-by-Year Returns

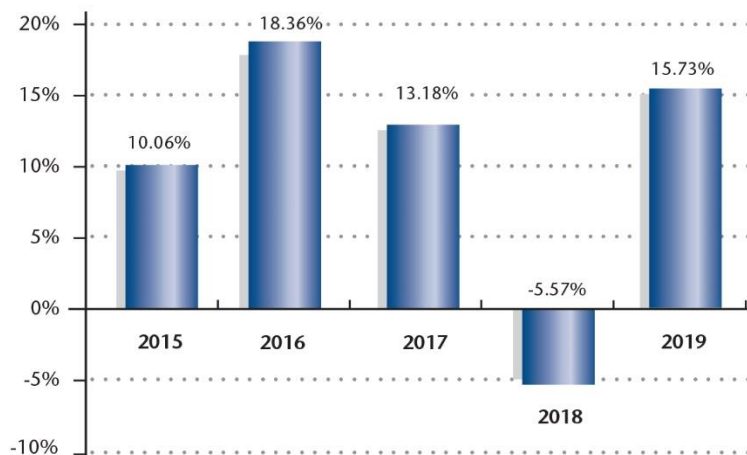
The bar charts show how the Fund's annual past performance has varied from year to year for each of the years shown. It shows in percentage terms how an investment made on January 1 would have increased or decreased by December 31 for that year.

### For the years ended December 31



Caldwell Canadian Value Momentum Fund - Series A

### For the years ended December 31

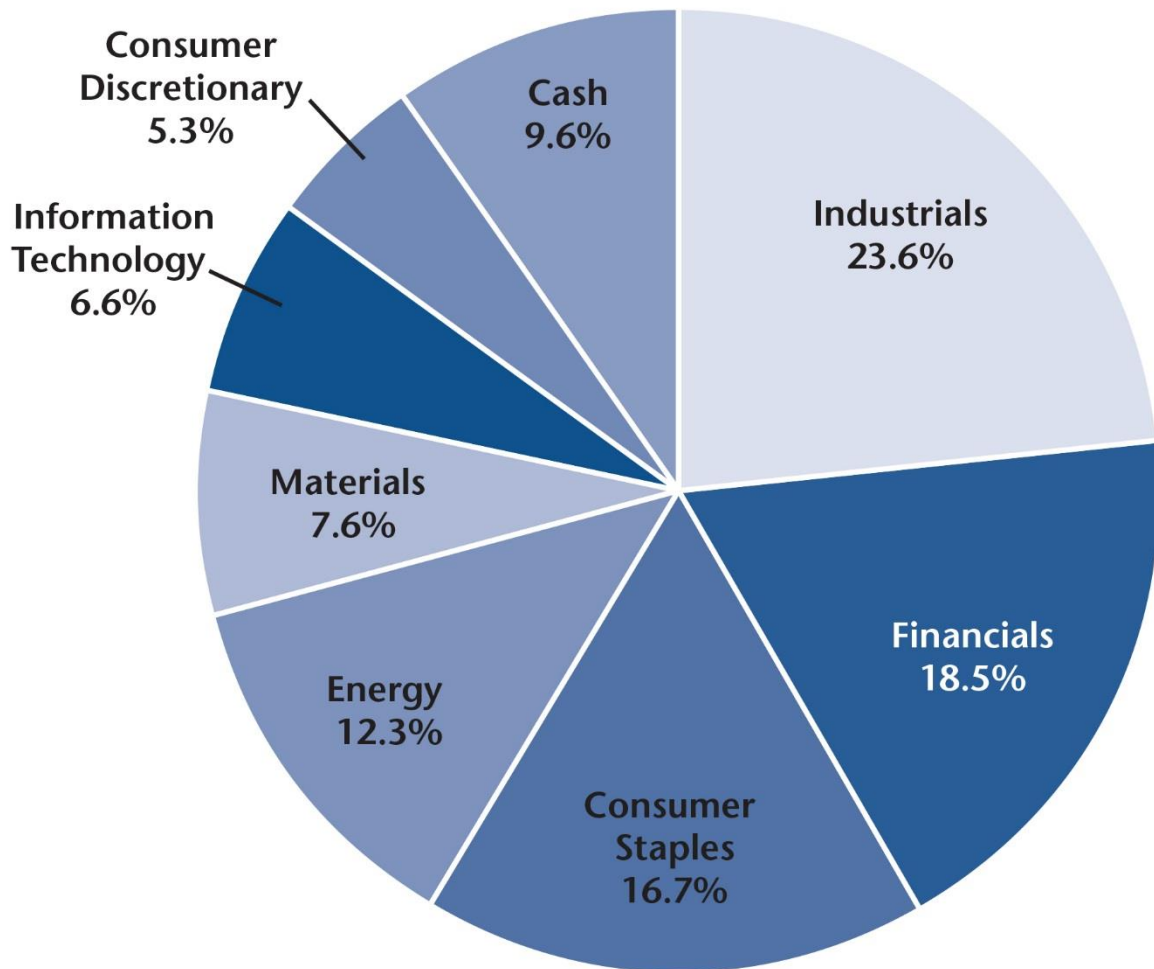


Caldwell Canadian Value Momentum Fund - Series F



## Summary of Investment Portfolio

Portfolio Breakdown as at December 31, 2019



## Caldwell Canadian Value Momentum Fund



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## Summary of Investment Portfolio Top 25 Holdings As at December 31, 2019

<b>SECURITY</b>	<b>Percentage of Net Assets</b>
Cash & Cash Equivalents	9.45%
Parkland Fuel Corp.	6.94%
CGI Inc.	6.65%
Air Canada	6.64%
Brookfield Asset Management Inc.	6.55%
Alimentation Couche-Tard Inc.	6.35%
Boyd Group Income Fund	6.11%
Cargojet Inc.	6.08%
Element Fleet Management Corp.	5.85%
Metro Inc.	5.72%
North American Construction Group Ltd	5.34%
Real Matters Inc.	5.26%
Equitable Group Inc.	4.81%
Aecon Group Inc.	4.74%
Empire Co., Ltd	4.64%
Wesdome Gold Mines Ltd	3.27%
Kirkland Lake Gold Ltd	3.11%
goeasy Ltd	1.27%
Major Drilling Group International Inc.	1.22%

**\*All holdings. Fund has less than 25 holdings.**

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<b>Top 25 Holdings</b>	<b>100.00%</b>
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The summary of investment portfolio may change. A quarterly update is available at [www.caldwellinvestment.com](http://www.caldwellinvestment.com).