

Financial Statements of

CALDWELL MUTUAL FUNDS

December 31, 2019 and 2018

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited financial statements have been prepared by **Caldwell Investment Management Ltd.** in its capacity as the Trustee of the Trust. The Trust's Trustee is responsible for the information and representations contained in these audited financial statements.

The Trustee maintains appropriate processes to ensure that relevant and reliable financial information is produced. The audited financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments made by the Trustee. The significant accounting policies which the Trustee believes are appropriate for the Trust are described in Note 3 to the audited financial statements.

A handwritten signature in black ink, appearing to read "Brendan O'Sullivan". The signature is written in a cursive style with a large initial 'B'.

On behalf of the Trustee

Date: March 26, 2020

Independent Auditor's Report

To the Unitholders of
Caldwell Balanced Fund
Tactical Sovereign Bond Fund
(each individually, the "Fund")

Opinion

We have audited the financial statements of the Fund, which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Management Report of Fund Performance.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for Deloitte LLP, featuring the word "Deloitte" in a cursive script followed by "LLP" in a clean, sans-serif font.

Chartered Professional Accountants
Licensed Public Accountants
March 26, 2020

CALDWELL MUTUAL FUNDS

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CALDWELL BALANCED FUND

Statements of Financial Position As at December 31, 2019 and 2018

	December 31, 2019	December 31, 2018
ASSETS		
Current assets		
Financial assets at fair value through profit or loss (Note 5)	\$ 37,492,379	\$ 40,535,849
Foreign currencies	2,882,658	83,109
Cash	1,582,244	779,257
Subscription receivable	1,909	50
Dividends receivable	36,506	49,052
Due from Manager	4,922	6,600
Interest receivable	11,467	26,575
Forward contracts (Note 5)	99,804	–
Prepaid expense	14,709	9,133
	<u>42,126,598</u>	<u>41,489,625</u>
LIABILITIES		
Current liabilities		
Management fee payable (Note 6)	79,670	77,507
Redemption payable	6,263	1,596
Accrued liabilities	73,429	60,783
Forward contracts (Note 5)	39,645	–
	<u>199,007</u>	<u>139,886</u>
Net Assets Attributable to Holders of Redeemable Units	<u>\$ 41,927,591</u>	<u>\$ 41,349,739</u>
Net Assets Attributable to Holders of Redeemable Units per Series		
Series A	\$ 40,501,561	\$ 38,746,297
Series F	1,304,298	2,510,443
Series M	121,732	92,999
	<u>\$ 41,927,591</u>	<u>\$ 41,349,739</u>
Number of Redeemable Units Outstanding (Note 8)		
Series A	3,606,662	3,862,522
Series F	108,802	237,061
Series M	10,650	9,237
Net Assets Attributable to Holders of Redeemable Units per Unit		
Series A	\$ 11.23	\$ 10.03
Series F	11.99	10.59
Series M	11.43	10.07

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



Brendan T.N. Caldwell, President

CALDWELL BALANCED FUND

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

	2019	2018
Income		
Dividends	\$ 541,354	\$ 621,036
Interest income for distribution purposes	281,554	141,244
Exchange (loss) gain on foreign currencies and other net assets	(56,826)	91,161
Realized gain on sale of investments and forward contracts	1,493,187	2,362,429
Change in unrealized appreciation (depreciation) on investments and foreign currency	3,835,735	(5,411,129)
	<u>6,095,004</u>	<u>(2,195,259)</u>
Expenses		
Management fee (Note 6)	955,040	1,071,588
Administrative fee	77,302	95,848
Securityholder reporting costs	54,198	60,051
Withholding taxes	41,240	34,992
Audit fee	40,641	45,902
Transaction costs (Note 7)	28,585	110,763
Legal fee	27,126	26,401
Custodial fee	18,437	23,768
Filing fee	7,814	22,375
Independent review committee fee	6,308	7,827
	<u>1,256,691</u>	<u>1,499,515</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>\$ 4,838,313</u>	<u>\$ (3,694,774)</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Series		
Series A	\$ 4,516,332	\$ (3,482,100)
Series F	309,170	(197,794)
Series M	12,811	(14,880)
	<u>\$ 4,838,313</u>	<u>\$ (3,694,774)</u>
Weighted Average of Redeemable Units Outstanding During the Year		
Series A	3,748,397	4,193,839
Series F	158,079	241,849
Series M	10,074	12,071
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Series A	\$ 1.20	\$ (0.83)
Series F	1.96	(0.82)
Series M	1.27	(1.23)

CALDWELL BALANCED FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

For the years ended December 31, 2019 and 2018

	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, 2019					
Series A	\$ 38,746,297	\$ 4,516,332	\$ 4,513,234	\$ (7,274,302)	40,501,561
Series F	2,510,443	309,170	79,906	(1,595,221)	1,304,298
Series M	92,999	12,811	17,803	(1,881)	121,732
	<u>\$ 41,349,739</u>	<u>\$ 4,838,313</u>	<u>\$ 4,610,943</u>	<u>\$ (8,871,404)</u>	<u>41,927,591</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	Net assets attributable to holders of redeemable units, end of year
December 31, 2018					
Series A	\$ 50,866,327	\$ (3,482,100)	\$ 2,399,996	\$ (11,037,926)	38,746,297
Series F	2,890,994	(197,794)	320,045	(502,802)	2,510,443
Series M	90,725	(14,880)	92,774	(75,620)	92,999
	<u>\$ 53,848,046</u>	<u>\$ (3,694,774)</u>	<u>\$ 2,812,815</u>	<u>\$ (11,616,348)</u>	<u>41,349,739</u>

CALDWELL BALANCED FUND

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

	2019	2018
Cash provided by (used in):		
Operating Activities		
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	\$ 4,838,313	\$ (3,694,774)
Adjustments for		
Transaction costs	28,585	110,763
Exchange loss (gain) on foreign currencies and other net assets	56,826	(91,161)
Realized gain on sale of investments and forward contracts	(1,493,187)	(2,362,429)
Change in unrealized (appreciation) depreciation on investments and foreign currency	(3,835,735)	5,411,129
Increase in subscription receivable	(1,859)	-
Decrease in dividends receivable	12,546	13,201
Decrease in due from Manager	1,678	56,579
Decrease (increase) in interest receivable	15,108	(12,127)
Increase in prepaid expense	(5,576)	(9,133)
Increase (decrease) in management fee payable	2,163	(24,623)
Increase (decrease) in redemption payable	4,667	(13,634)
Decrease in due to Manager	-	(174)
Increase in accrued liabilities	12,646	39,052
Decrease in performance fee payable	-	(655)
Proceeds from sale of investments	54,942,184	197,945,813
Purchase of investments	(46,658,536)	(188,205,747)
Cash provided by operating activities	<u>7,919,823</u>	<u>9,162,080</u>
Financing Activities		
Proceeds from redeemable units issued	3,098,881	2,711,088
Amount paid on redemption of redeemable units	(7,359,342)	(11,514,621)
Cash used in financing activities	<u>(4,260,461)</u>	<u>(8,803,533)</u>
Increase in cash during the year	3,659,362	358,547
Foreign exchange (loss) gain on cash	(56,826)	91,161
Cash, beginning of year	862,366	412,658
Cash (including foreign currencies), end of year	<u>\$ 4,464,902</u>	<u>\$ 862,366</u>
Supplemental information*		
Interest paid	\$ 1,086	\$ 4,121
Interest received	278,878	125,447
Dividends received, net of withholding taxes	512,659	599,245

*Included as a part of cash flows from operating activities

CALDWELL BALANCED FUND

Schedule of Investment Portfolio As at December 31, 2019

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
Canadian equities				
160,260	Bird Construction Inc.	\$ 1,583,565	\$ 1,145,859	2.73
8,560	CGI Inc.	501,381	930,215	2.22
27,170	Parkland Fuel Corp.	538,294	1,296,281	3.09
12,600	Premium Brands Holdings Corp.	962,357	1,146,096	2.73
47,200	ShawCor Ltd.	1,729,097	591,416	1.41
23,990	Suncor Energy Inc.	793,908	1,021,014	2.44
125,900	Tricon Capital Group Inc.	1,106,334	1,338,317	3.19
		<u>7,214,936</u>	<u>7,469,198</u>	<u>17.81</u>
Canadian fixed income				
4,500,000	Canadian Government Bond 2% 01JUN28	4,603,050	4,597,808	10.97
2,200,000	Canadian Government Bond 2.25% 01JUN29	2,341,415	2,304,797	5.50
		<u>6,944,465</u>	<u>6,902,605</u>	<u>16.47</u>
U.S. equities				
11,100	Amdocs Ltd.	550,347	1,038,696	2.48
9,790	AmerisourceBergen Corp.	1,072,453	1,078,928	2.57
3,500	ANSYS Inc.	852,997	1,167,837	2.79
2,450	Anthem Inc.	962,924	959,191	2.29
14,200	Berry Global Group Inc.	1,029,018	874,137	2.08
7,000	Broadridge Financial Solutions Inc.	594,156	1,120,971	2.67
15,690	Cisco Systems Inc.	383,587	975,418	2.33
15,400	Cognizant Technology Solutions Corp.	1,043,295	1,238,059	2.95
5,000	IPG Photonics Corp.	1,022,801	939,263	2.24
5,000	iShares 20+ Year Treasury Bond ETF	940,812	878,080	2.09
6,705	Johnson & Johnson	1,166,045	1,267,808	3.02
8,065	Keysight Technologies Inc.	456,157	1,072,920	2.56
26,200	KKR & Co LP	554,561	990,664	2.36
4,150	Motorola Solutions Inc.	888,303	866,843	2.07
15,000	Oracle Corp.	996,115	1,030,130	2.46
8,700	Quest Diagnostics Inc.	1,133,288	1,204,311	2.87
3,800	Raytheon Co.	917,645	1,082,384	2.58
2,880	S&P Global Inc.	764,624	1,019,350	2.43
8,900	TE Connectivity Ltd.	1,097,942	1,105,670	2.64
7,650	The Middleby Corp.	1,111,047	1,086,035	2.59
10,000	Tyson Foods Inc.	868,555	1,180,106	2.81
12,280	US Bancorp/MN	831,287	943,775	2.25
		<u>19,237,959</u>	<u>23,120,576</u>	<u>55.13</u>

CALDWELL BALANCED FUND

Schedule of Investment Portfolio (Continued)

As at December 31, 2019

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
	Total investments owned	\$ 33,397,360	\$ 37,492,379	89.41
	Commissions and other portfolio transaction costs	<u>(6,008)</u>	<u>—</u>	<u>—</u>
	Net investments owned	<u>\$ 33,391,352</u>	37,492,379	89.41
	Unrealized gain, foreign exchange forward contracts (Schedule 1)		60,159	0.14
	Other assets, net		<u>4,375,053</u>	<u>10.45</u>
	Net Assets Attributable to Holders of Redeemable Units		<u>\$ 41,927,591</u>	<u>100.00</u>

CALDWELL BALANCED FUND

Schedule of Investment Portfolio (Continued)

As at December 31, 2019

Schedule 1 - Foreign Exchange Forward Contracts

Settlement Date	Currency Sold	Currency Bought	Counterparty	Forward Rates	Contract Price	Fair Value	Unrealized Gain (Loss)
January 6, 2020	USD	CAD	BNY Mellon	1.296212	(3,988,440)	(3,888,636)	\$ 99,804
							99,804
January 6, 2020	CAD	USD	BNY Mellon	1.296212	1,854,342	1,814,697	(39,645)
							(39,645)
Total unrealized gain on foreign exchange forward contracts							\$ 60,159

CALDWELL BALANCED FUND

Discussion of Financial Risk Management (Note 10)

December 31, 2019 and 2018

FINANCIAL RISK MANAGEMENT

The Fund's financial instruments consist of cash, foreign currencies, investments, receivables and payables. 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:

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.

As at December 31, 2019, if the market value of the Fund's investments increased or decreased by 10%, with all other variables being constant, net asset value would have increased or decreased by approximately \$3,058,977 (December 31, 2018: \$2,783,586). Actual results may be materially different from this analysis.

Liquidity Risk

Liquidity risk is defined as the risk that the Fund may not be able to settle or meet its obligation on time or at a reasonable price.

The Fund's exposure to liquidity risk is concentrated in the periodic cash redemptions of units. The Fund invests primarily in securities that are traded in active markets and as such market positions can be closed out readily, if required, in order for the Fund to meet its liquidity requirements.

All financial liabilities are due between one and three months.

Currency risk

The Fund invests in securities denominated in currencies other than its reporting currency. Consequently, the Fund is exposed to risks that the exchange rate of the reporting currency relative to the other currencies may change in a manner which has an adverse effect on the reported value of that portion of the Fund's assets.

The table below summarizes the Fund's exposure to currency risks. Amounts shown are based on the carrying value of monetary and non-monetary assets.

Currency	Exposure			Impact if CAD strengthened or weakened by 1% in relation to other currencies		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
December 31, 2019						
U.S. Dollar	\$ 808,719	\$ 23,120,576	\$ 23,929,295	\$ 8,087	\$ 231,206	\$ 239,293
	\$ 808,719	\$ 23,120,576	\$ 23,929,295	\$ 8,087	\$ 231,206	\$ 239,293
% of Net Assets						
Attributable to Holders						
of Redeemable Units	1.93	55.14	57.07	0.02	0.55	0.57

CALDWELL BALANCED FUND

Discussion of Financial Risk Management (Note 10)

December 31, 2019 and 2018

Currency risk (Continued)

Currency	Exposure			Impact if CAD strengthened or weakened by 1% in relation to other currencies		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
December 31, 2018						
U.S. Dollar	\$ 83,109	\$ 18,708,259	\$ 18,791,368	\$ 831	\$ 187,083	\$ 187,914
	\$ 83,109	\$ 18,708,259	\$ 18,791,368	\$ 831	\$ 187,083	\$ 187,914
% of Net Assets						
Attributable to Holders						
of Redeemable Units	0.20	45.24	45.44	0.00	0.45	0.45

As at December 31, 2019, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net asset value would have decreased or increased, respectively, by approximately \$239,293 (December 31, 2018: \$187,916). Actual results may 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.

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, 2019)	-	-	6,902,605	6,902,605
Interest Rate exposure (December 31, 2018)	3,408,483	2,010,430	1,304,251	6,723,164

At December 31, 2019, 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 \$137,599 (December 31, 2018 - \$69,234). Actual results may differ from this sensitivity analysis and the difference could be material.

CALDWELL BALANCED FUND

Discussion of Financial Risk Management (Note 10)

December 31, 2019 and 2018

Credit risk

Credit risk represents the potential loss that the Fund would incur if the counterparties failed to perform in accordance with the terms of their obligations to the Fund. The Fund maintains all of its cash and cash equivalents at its custodian or in overnight deposits with a Canadian chartered bank. All transactions in listed securities are settled/paid for 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 may invest in financial assets that are private placements and as such, are not rated by Dominion Bond Rating Services, S&P Global and Moody's. Ratings for securities that subject the portfolio to credit risk at December 31, 2019 and 2018 is noted below:

Portfolio by rating category

Rating	December 31, 2019	December 31, 2018
	As a % of net asset value	As a % of net asset value
AAA	16.47 %	30.71 %
Total	16.47 %	30.71 %

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.

Investment concentration risk

The following table classifies the Fund's investments by economic sector concentrations as a percent of net assets as at December 31, 2019 and 2018.

	December 31, 2019		December 31, 2018	
	Percent of net assets	Fair value	Percent of net assets	Fair value
	%	CAD\$	%	CAD\$
Information Technology	27.4%	11,486,022	25.8%	10,680,471
Health Care	10.8%	4,510,238	4.8%	1,999,979
Financials	9.1%	3,831,869	8.1%	3,332,978
Industrials	7.9%	3,314,278	6.9%	2,848,037
Energy	6.9%	2,908,711	9.3%	3,858,362
Consumer Staples	5.5%	2,326,202	2.5%	1,020,025
Real Estate	3.2%	1,338,317	3.1%	1,279,080
Materials	2.1%	874,137	0.0%	–
Consumer Cyclical	0.0%	–	6.8%	2,816,929
Total equities	73.0%	30,589,774	67.3%	27,835,861
Fixed Government Income	16.4%	6,902,605	30.7%	12,699,988
Other assets less liabilities	10.6%	4,435,212	2.0%	813,890
Total net assets value	100.0%	41,927,591	100.0%	41,349,739

TACTICAL SOVEREIGN BOND FUND (FORMERLY, CALDWELL INCOME FUND)

Statements of Financial Position As at December 31, 2019 and 2018

	December 31, 2019	December 31, 2018
ASSETS		
Current assets		
Financial assets at fair value through profit or loss (Note 5)	\$ 8,804,494	\$ 15,309,204
Cash	698,750	1,206,147
Foreign currencies	5,090,543	—
Due from Manager	413	13
Interest receivable	28,693	37,808
Prepaid expense	—	1,616
Subscription receivable	69,588	—
Forward contracts (Note 5)	106,458	—
	<u>14,798,939</u>	<u>16,554,788</u>
LIABILITIES		
Current liabilities		
Accrued liabilities	92,077	58,834
Management fee payable (Note 6)	5,393	5,877
Redemption payable	141,514	30,309
	<u>238,984</u>	<u>95,020</u>
Net Assets Attributable to Holders of Redeemable Units	<u>\$ 14,559,955</u>	<u>\$ 16,459,768</u>
Net Assets Attributable to Holders of Redeemable Units per Series		
Series A	\$ 3,991,118	\$ 4,182,506
Series F	<u>10,568,837</u>	<u>12,277,262</u>
	<u>\$ 14,559,955</u>	<u>\$ 16,459,768</u>
Number of Redeemable Units Outstanding (Note 8)		
Series A	873,570	926,902
Series F	1,084,534	1,281,258
Net Assets Attributable to Holders of Redeemable Units per Unit		
Series A	\$ 4.57	\$ 4.51
Series F	9.75	9.58

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



Brendan T.N. Caldwell, President

TACTICAL SOVEREIGN BOND FUND (FORMERLY, CALDWELL INCOME FUND)

Statements of Comprehensive Income For the years ended December 31, 2019 and 2018

	2019	2018
Income		
Interest income for distribution purposes	\$ 193,459	\$ 274,076
Exchange (loss) gain on foreign currencies and other net assets	(269,800)	109,538
Realized gain (loss) on sale of investments and forward contracts	609,320	(1,526,461)
Change in unrealized appreciation on investments and foreign currency	7,272	859,445
Dividends	30,808	–
	<u>571,059</u>	<u>(283,402)</u>
Expenses		
Administrative fee	79,439	74,351
Transaction costs (Note 7)	65,796	54,150
Management fee (Note 6)	63,805	109,627
Audit fee	45,318	54,658
Legal fee	36,043	50,669
Securityholder reporting costs	24,750	43,019
Filing fee	9,767	18,002
Custodial fee	9,006	22,845
Withholding taxes	4,621	–
Independent review committee fee	3,523	4,508
Bank charges	1,772	2,163
	<u>343,840</u>	<u>433,992</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>\$ 227,219</u>	<u>\$ (717,394)</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Series		
Series A	\$ 53,722	\$ (123,102)
Series F	–	(16,066)
Series F (formerly Series I)*	173,497	(544,805)
Series M	–	(33,421)
	<u>\$ 227,219</u>	<u>\$ (717,394)</u>
Weighted Average of Redeemable Units Outstanding During the Year		
Series A	894,936	980,903
Series F	–	191,197
Series F (formerly Series I)*	1,074,307	2,199,802
Series M	–	281,231
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Series A	\$ 0.06	\$ (0.13)
Series F	–	(0.08)
Series F (formerly Series I)*	0.16	(0.25)
Series M	–	(0.12)

*As at July 17, 2018, existing Series F and Series M units were exchanged for Series I units and Series I units were redesignated as Series F.

**TACTICAL SOVEREIGN BOND FUND
(FORMERLY, CALDWELL INCOME FUND)**

**Statements of Changes in Net Assets Attributable to Holders of Redeemable Units
For the years ended December 31, 2019 and 2018**

	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	Distribution to unitholders	Reinvestments of distributions to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year
December 31, 2019							
Series A	\$ 4,182,506	\$ 53,722	\$ 374,500	\$ (619,610)	\$ —	\$ —	3,991,118
Series F (formerly Series I)*	12,277,262	173,497	3,107,734	(4,985,220)	(13,229)	8,793	10,568,837
	<u>\$ 16,459,768</u>	<u>\$ 227,219</u>	<u>\$ 3,482,234</u>	<u>\$ (5,604,830)</u>	<u>\$ (13,229)</u>	<u>\$ 8,793</u>	<u>\$ 14,559,955</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 of distributions to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year
December 31, 2018							
Series A	\$ 4,820,542	\$ (123,102)	\$ 460,432	\$ (975,366)	\$ —	\$ —	4,182,506
Series F	1,011,781	(16,066)	710,864	(1,706,579)	—	—	—
Series F (formerly Series I)*	32,803,518	(544,805)	7,438,664	(27,420,115)	—	—	12,277,262
Series M	2,821,457	(33,421)	85,085	(2,873,121)	—	—	—
	<u>\$ 41,457,298</u>	<u>\$ (717,394)</u>	<u>\$ 8,695,045</u>	<u>\$ (32,975,181)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 16,459,768</u>

*As at July 17, 2018, existing Series F and Series M units were exchanged for Series I units and Series I units were redesignated as Series F.

TACTICAL SOVEREIGN BOND FUND (FORMERLY, CALDWELL INCOME FUND)

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

	2019	2018
Cash provided by (used in):		
Operating Activities		
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	\$ 227,219	\$ (717,394)
Adjustments for		
Transaction costs	65,796	54,150
Exchange loss (gain) on foreign currencies and other net assets	269,800	(109,538)
Realized (gain) loss on sale of investments and forward contracts	(609,320)	1,526,461
Change in unrealized appreciation on investments and foreign currency	(7,272)	(859,445)
(Increase) decrease in due from Manager	(400)	32,627
Decrease in interest receivable	9,115	1,178
Decrease (increase) in prepaid expense	1,616	(1,616)
Increase in subscription receivable	(69,588)	-
Increase in accrued liabilities	33,243	34,109
Decrease in management fee payable	(484)	(7,752)
Decrease in performance fee payable	-	(4,467)
Increase in redemption payable	111,205	25,369
Proceeds from sale of investments	251,628,470	368,892,362
Purchase of investments	<u>(244,679,422)</u>	<u>(352,539,713)</u>
Cash provided by operating activities	<u>6,979,978</u>	<u>16,326,331</u>
Financing Activities		
Proceeds from redeemable units issued	3,482,234	5,287,808
Amount paid on redemption of redeemable units	(5,604,830)	(29,567,944)
Distribution paid	<u>(4,436)</u>	<u>-</u>
Cash used in financing activities	<u>(2,127,032)</u>	<u>(24,280,136)</u>
Increase (decrease) in cash during the year	4,852,946	(7,953,805)
Foreign exchange (loss) gain on cash	(269,800)	109,538
Cash, beginning of year	<u>1,206,147</u>	<u>9,050,414</u>
Cash (including foreign currencies), end of year	<u>\$ 5,789,293</u>	<u>\$ 1,206,147</u>
Supplemental information*		
Interest paid	\$ 3,440	\$ 347
Interest received	202,574	275,254
Dividends received, net of withholding taxes	26,187	-

*Included as a part of cash flows from operating activities

TACTICAL SOVEREIGN BOND FUND (FORMERLY, CALDWELL INCOME FUND)

Schedule of Investment Portfolio As at December 31, 2019

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
	Canadian fixed income			
2,000,000	Canadian Government Bond 1.50% 01AUG21	\$ 2,003,780	\$ 1,993,370	13.69
3,000,000	Canadian Government Bond 2.75% 01JUN22	3,119,490	3,075,015	21.12
		<u>5,123,270</u>	<u>5,068,385</u>	<u>34.81</u>
	U.S. equity			
5,000	iShares 20+ Year Treasury Bond ETF	950,210	878,080	6.03
	U.S. fixed income			
2,000,000	United States Treasury Note/Bond 2.875% 15MAY49	2,812,213	2,858,029	19.63
	Total investments owned	8,885,693	8,804,494	60.47
	Commissions and other portfolio transaction costs	(884)	—	—
	Net investments owned	<u>\$ 8,884,809</u>	8,804,494	60.47
	Unrealized gain, foreign exchange forward contracts (Schedule 1)		106,458	0.73
	Other assets, net		<u>5,649,003</u>	<u>38.80</u>
	Net Assets Attributable to Holders of Redeemable Units		<u>\$ 14,559,955</u>	<u>100.00</u>

**TACTICAL SOVEREIGN BOND FUND
(FORMERLY, CALDWELL INCOME FUND)**

**Schedule of Investment Portfolio (Continued)
As at December 31, 2019**

Schedule 1 - Foreign Exchange Forward Contracts

Settlement Date	Currency Sold	Currency Bought	Counterparty	Forward Rates	Contract Price	Fair Value	Unrealized Gain
January 6, 2020	USD	CAD	BNY Mellon	1.2962120	(4,254,336)	(4,147,878)	\$ 106,458
Total unrealized gain on foreign exchange forward contracts							\$ 106,458

TACTICAL SOVEREIGN BOND FUND (FORMERLY, CALDWELL INCOME FUND) Discussion of Financial Risk Management (Note 10)

December 31, 2019 and 2018

FINANCIAL RISK MANAGEMENT

The Fund's financial instruments consist of cash, investments, receivables and payables. 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:

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.

As at December 31, 2019, if the market value of the Fund's investments increased or decreased by 10%, with all other variables being constant, net asset value would have increased or decreased by approximately \$87,808. Actual results may be materially different from this analysis. As at December 31, 2018, the Fund did not have significant price risk on its investments.

Liquidity Risk

Liquidity risk is defined as the risk that the Fund may not be able to settle or meet its obligation on time or at a reasonable price.

The Fund's exposure to liquidity risk is concentrated in the periodic cash redemptions of units. The Fund invests primarily in securities that are traded in active markets and as such market positions can be closed out readily, if required, in order for the Fund to meet its liquidity requirements.

All financial liabilities are due between one and three months.

Currency risk

The Fund invests in securities denominated in currencies other than its reporting currency. Consequently, the Fund is exposed to risks that the exchange rate of the reporting currency relative to the other currencies may change in a manner which has an adverse effect on the reported value of that portion of the Fund's assets.

The table below summarizes the Fund's exposure to currency risks. Amounts shown are based on the carrying value of monetary and non-monetary assets.

Currency	Exposure			Impact if CAD strengthened or weakened by 1% in relation to other currencies		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
December 31, 2019						
U.S. Dollar	\$ 942,665	\$ 3,736,109	\$ 4,678,774	\$ 9,427	\$ 37,361	\$ 46,788
	\$ 942,665	\$ 3,736,109	\$ 4,678,774	\$ 9,427	\$ 37,361	\$ 46,788
% of Net Assets						
Attributable to Holders						
of Redeemable Units	6.47	25.66	32.13	0.06	0.26	0.32

As at December 31, 2019, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net asset value would have decreased or increased, respectively, by approximately \$46,788. Actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2018, The Fund held 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, 2018.

TACTICAL SOVEREIGN BOND FUND (FORMERLY, CALDWELL INCOME FUND)

Discussion of Financial Risk Management (Note 10)

December 31, 2019 and 2018

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.

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, 2019)	5,068,385	-	2,858,029	7,926,414
Interest Rate exposure (December 31, 2018)	4,611,477	3,015,645	1,705,559	9,332,681

At December 31, 2019, 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 \$170,258 (December 31, 2018 - \$94,533). 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 DBRS Morningstar, S&P Global and Moody's. Ratings for securities that subject the portfolio to credit risk at December 31, 2019 and 2018 are noted below:

Portfolio by rating category

	December 31, 2019 As a % of net assets attributable to holders of redeemable units	December 31, 2018 As a % of net assets attributable to holders of redeemable units
Rating		
AAA	54.44 %	93.01 %
Total	54.44 %	93.01 %

Investment concentration risk

The Fund invests only in Canadian and U.S. government debt securities, and does not invest in corporate debt. The Fund is not subject to economic sector risk.

CALDWELL MUTUAL FUNDS

Notes to the Financial Statements

December 31, 2019 and 2018

1. FORMATION OF FUNDS

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

Caldwell Balanced Fund	March 1, 1990
Tactical Sovereign Bond Fund (formerly, 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 declarations of trust made by Caldwell Investment Management Ltd. (the "Manager" and the "Trustee"). The Manager is a wholly-owned subsidiary of Caldwell Financial Ltd.

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

These financial statements reflect only the assets, liabilities, revenues and expenses of the Fund and do not include any assets, liabilities, revenues or expenses of the Manager.

The Declaration of Trust governing the Caldwell Balanced and Tactical Sovereign Bond Fund (formerly, Caldwell Income Fund) 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, and 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 Tactical Sovereign Bond Fund (formerly, Caldwell Income Fund).

On August 27, 2018, the Caldwell Balanced Fund and the Tactical Sovereign Bond Fund Declaration of Trust was amended and restated to, among other things, rename the Tactical Sovereign Bond Fund, to rename the Series F units, and change the fundamental investment objective and investment strategies. The tactical Sovereign Bond Fund was formerly known as Caldwell Income Fund. Series F units of Tactical Sovereign Bond Fund were formerly known as Series I units.

Prior to August 27, 2018, Tactical Sovereign Bond Fund offered four Series of units, being Series A units, Series F units, Series I units and Series M units. Effective August 27, 2018, Tactical Sovereign Bond Fund no longer offers Series M units, or the units previously referred to as Series F units. Accordingly, effective August 27, 2018, only two Series of units are offered, being Series A units and Series F units (formerly known as Series I units).

On July 19, 2019 the Funds began offering Series D units intended for investors purchasing through discount broker services.

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.

The fundamental investment objective of the Caldwell Balanced 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 fundamental investment objective of the Tactical Sovereign Bond Fund (formerly, Caldwell Income Fund) is to generate attractive total returns, while placing an emphasis on capital preservation, by investing primarily in a portfolio of government guaranteed bonds.

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, 2019.

CALDWELL MUTUAL FUNDS

Notes to the Financial Statements

December 31, 2019 and 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

From January 1, 2018, the Funds classify their investments in debt, equity securities and derivatives as financial assets and financial liabilities at FVTPL.

The Funds classify their investments at FVTPL based on the Funds' business model for managing those financial assets in accordance with the Funds' documented investment strategies. The portfolio of investments is managed and performance is evaluated on a fair value basis and the portfolio of investments is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Funds are primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

The Funds recognize financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Regular purchases and sales of financial assets are recognized at their trade date. The Funds' investments have been classified as 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 financial liabilities are classified as subsequently measured at amortized cost. Under this method, financial assets and financial liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. A financial asset is classified as subsequently measured at amortized cost only if both of the following criteria are met:

- i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows, and
- ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Funds' accounting policies for measuring their net asset values ("NAVs") for transactions with unitholders are 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.

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.

CALDWELL MUTUAL FUNDS

Notes to the Financial Statements

December 31, 2019 and 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 forward contracts" 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

The Funds distribute their net investment income and realized gains to unitholders on an annual basis. Such distributions will be automatically reinvested, unless a written notice to the contrary is received from the unitholder, by the Manager, prior to reinvestment.

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.

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. 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.

CALDWELL MUTUAL FUNDS

Notes to the Financial Statements

December 31, 2019 and 2018

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 is to manage its portfolio of investments and evaluate performance on a fair value basis and that the portfolio of investments is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The most significant judgments made include assessing and determining the appropriate business model that enables the decision that the Funds' investments are classified as FVTPL.

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, 2019 and 2018, 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, 2019			
	Level 1	Level 2	Level 3	Total
Caldwell Balanced Fund				
Equities	30,589,774	–	–	30,589,774
Fixed income	–	6,902,605	–	6,902,605
Forward contracts	–	99,804	–	99,804
	30,589,774	7,002,409	–	37,592,183
Liabilities				
Forward contracts	–	39,645	–	39,645
	–	39,645	–	39,645

CALDWELL MUTUAL FUNDS

Notes to the Financial Statements

December 31, 2019 and 2018

5. FAIR VALUE DISCLOSURES (CONTINUED)

	Financial Assets at fair value as at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Caldwell Balanced Fund				
Equities	27,835,861	–	–	27,835,861
Fixed income	–	6,723,164	–	6,723,164
Treasury bills	–	5,976,824	–	5,976,824
	<u>27,835,861</u>	<u>12,699,988</u>	<u>–</u>	<u>40,535,849</u>

	Financial Assets at fair value as at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Tactical Sovereign Bond Fund (formerly, Caldwell Income Fund)				
Equity	878,080	–	–	878,080
Fixed income	–	7,926,414	–	7,926,414
Forward contracts	–	106,458	–	106,458
	<u>878,080</u>	<u>8,032,872</u>	<u>–</u>	<u>8,910,952</u>

	Financial Assets at fair value as at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Tactical Sovereign Bond Fund (formerly, Caldwell Income Fund)				
Fixed income	–	9,332,681	–	9,332,681
Treasury bills	–	5,976,523	–	5,976,523
	<u>–</u>	<u>15,309,204</u>	<u>–</u>	<u>15,309,204</u>

For the years ended December 31, 2019 and 2018, there were no transfers between levels.

6. MANAGEMENT FEES, PERFORMANCE FEES AND OPERATING EXPENSES

Management fees

As compensation for management services, the Funds pay a management fee (the "Management Fee") to the Manager in respect of each Series of redeemable units of the Funds. The Management Fee is calculated and accrued daily and payable monthly in arrears.

The annual Management Fee is equal to 2.00% for Series A, 1.25% for Series D, 1.00% for Series F and 0.75% for Series M of the average net asset value of the Caldwell Balanced Fund and 0.75% for Series A (1.25% prior to July 11, 2018), 0.50% for Series D and 0.25% for Series F (0.75% prior to July 11, 2018) of the Tactical Sovereign Bond Fund (formerly, Caldwell Income Fund).

For the year ended December 31, 2019, Caldwell Balanced Fund incurred a management fee of \$955,040 (December 31, 2018: \$1,071,588), Tactical Sovereign Bond Fund (formerly, Caldwell Income Fund) incurred a management fee of \$63,805 (December 31, 2018: \$109,627).

As at December 31, 2019, Caldwell Balanced Fund accrued management fees payable fee of \$79,670 (December 31, 2018: \$77,507), Tactical Sovereign Bond Fund (formerly, Caldwell Income Fund) accrued management fees payable of \$5,393 (December 31, 2018: \$5,877).

CALDWELL MUTUAL FUNDS

Notes to the Financial Statements

December 31, 2019 and 2018

6. MANAGEMENT FEES, PERFORMANCE FEES AND OPERATING EXPENSES (CONTINUED)

Performance fees

The Manager is entitled to receive 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 Tactical Sovereign Bond Fund (formerly, Caldwell Income Fund) consists of 100% S&P Canada Sovereign Bond Index. Performance Fees are calculated and accrued daily and paid annually on the last Valuation Date of the year, plus applicable taxes.

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.

Upon the redemption of redeemable units of a particular series, the accrued portion of the Performance Fee allocated to the redeemed units for that series will be payable by the Funds upon the redemption of such redeemable units.

For the year ended December 31, 2019, Caldwell Balanced Fund incurred a performance fee of \$nil (December 31, 2018: \$nil).

As at December 31, 2019, Caldwell Balanced Fund accrued a performance fee payable of \$nil (December 31, 2018: \$nil),

Operating Expenses

The Funds are responsible for the payment of all expenses relating to the operation and the carrying on of its business including but not limited to legal, audit, trustee, custodial and safekeeping fees, taxes, brokerage commissions, regulatory filing fees, operating and administrative costs and investor servicing costs of financial and other reports.

The Manager at its discretion may waive and absorb a portion of the management fees and operating expenses otherwise payable by the Balanced and Tactical Sovereign Bond Fund. For the year ended December 31, 2019, Caldwell Balanced Fund has absorbed management fees of \$nil (December 31, 2018: \$nil). Tactical Sovereign Bond Fund (formerly, Caldwell Income Fund) has absorbed management fees of \$nil (December 31, 2018: \$nil). These waivers/absorptions may be terminated at any time by the Manager and at the Manager's discretion, or may be continued indefinitely.

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, 2019 and 2018, to Caldwell Securities Ltd.

	<u>2019</u>	<u>2018</u>
	\$	\$
Caldwell Balanced Fund	3,328	55,436
Tactical Sovereign Bond Fund (formerly, Caldwell Income Fund)	50,580	53,160

Commissions and other portfolio transactions are costs incurred to acquire, issue or dispose of financial assets or liabilities. Commissions may be paid to brokerage firms which provide (or pay for) certain services, other than order execution, which may include investment research, analysis and reports, and databases or software in support of these services. Where applicable and ascertainable, the value of third-party services that were paid for by brokers on behalf of Caldwell Balanced Fund for the year ended December 31, 2019 was \$nil (December 31, 2018: \$nil) and on behalf of Tactical Sovereign Bond Fund, for the year ended December 31, 2019 was \$nil (December 31, 2018: \$nil). The value of certain proprietary services provided by brokers cannot be reasonably estimated.

The Manager has earned Management fees and Performance Fees as disclosed in Note 6.

CALDWELL MUTUAL FUNDS

Notes to the Financial Statements

December 31, 2019 and 2018

8. REDEEMABLE UNITS OF THE FUNDS

The Funds are authorized to issue an unlimited number of redeemable units, issuable in an unlimited number of series, each of which represents an equal, undivided, beneficial interest in the net assets attributable to holders of redeemable units of the Funds. Each unit of each series entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Funds. Redeemable units of a series may be consolidated and/or sub-divided by the Manager.

Redeemable units of the Funds may be surrendered for redemption on a daily basis, for a redemption price per series per unit equal to the series Net Asset Value per unit calculated as at the close of business on the Redemption Date.

The following is a summary of the changes in the Funds' outstanding units during the years:

CALDWELL BALANCED FUND

	Redeemable units, beginning of year	Redeemable units issued	Redeemable units redeemed	Reinvestment of redeemable units	Redeemable units, end of year
2019					
Series A	3,862,522	406,790	(662,650)	–	3,606,662
Series F	237,061	6,874	(135,133)	–	108,802
Series M	9,237	1,581	(168)	–	10,650
2018					
Series A	4,644,411	205,116	(987,005)	–	3,862,522
Series F	252,869	27,407	(43,215)	–	237,061
Series M	8,369	8,302	(7,434)	–	9,237

TACTICAL SOVEREIGN BOND FUND (FORMERLY, CALDWELL INCOME FUND)

	Redeemable units, beginning of year	Redeemable units, issued	Redeemable units redeemed	Reinvestment of redeemable units	Redeemable units, end of year
2019					
Series A	926,902	81,741	(135,073)	–	873,570
Series F (formerly Series I)*	1,281,258	317,672	(515,285)	889	1,084,534
2018					
Series A	1,040,131	101,141	(214,370)	–	926,902
Series F	208,874	148,401	(357,275)	–	–
Series F (formerly Series I)*	3,352,015	768,936	(2,839,693)	–	1,281,258
Series M	290,871	8,870	(299,741)	–	–

*As at July 17, 2018, existing Series F and Series M units were exchanged for Series I units and Series I units were redesignated as Series F.

CALDWELL MUTUAL FUNDS

Notes to the Financial Statements

December 31, 2019 and 2018

8. REDEEMABLE UNITS OF THE FUNDS (CONTINUED)

Capital disclosure

The capital of the Funds is represented by issued redeemable units. The redeemable units are entitled to distributions, if any, and to payment of a proportionate share based on the Funds' Net Asset Value per series unit upon redemption. The Funds have no restrictions or specific capital requirements on the subscriptions and redemptions of redeemable units. The relevant movements are shown on the Statements of Changes in Net Assets Attributable to Holders of Redeemable Units. In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 10, the Funds endeavour to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments where necessary.

9. TAX STATUS

Taxation of open-ended mutual fund trusts

The Funds qualify as a mutual fund trust under the Income Tax Act (Canada). The Funds have a December 15 year-end for income tax purposes. The financial statements of the Funds do not include a provision for income taxes because any net investment income, including capital gains, is distributed throughout the year to unitholders or is distributable to unitholders and is taxable in their hands. Income tax on capital gains not paid to unitholders is recoverable pursuant to a formula based upon redemption of units of each Fund. Any tax losses are not deductible by the unitholders but may be carried forward by the Funds as permitted by the Income Tax Act (Canada). Withholding taxes on foreign dividend income are deducted at source.

Losses carried forward

Net realized capital losses of the Funds may be carried forward indefinitely to reduce future net realized capital gains. Gross capital losses for the Funds at each year end are as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Caldwell Balanced Fund	5,057,715	5,060,225
Tactical Sovereign Bond Fund (formerly, Caldwell Income Fund)	1,989,104	2,298,555

Non-capital losses may be carried forward to reduce taxable income for up to twenty years. Non-capital losses for the Funds at each year end are as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Caldwell Balanced Fund	nil	nil
Tactical Sovereign Bond Fund (formerly, Caldwell Income Fund)	nil	136,826

10. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS RISK

Capital Management

Each of the Funds define its capital as its net assets or equity, which is primarily composed of its investments. Each Fund manages its investments in line with its investment objectives and none of the Funds have any externally imposed capital requirements.

Financial risk management

Each of the Funds' investment activities expose it to various types of risks associated with financial instruments and markets in which it invests directly. The Manager seeks to minimize potential adverse effects of these risks on a Funds' performance by employing professional, experienced portfolio advisors, daily monitoring of the Funds' holdings and market events, and diversifying the investment portfolio within the constraints of the investment objectives.

To assist in managing risks, the Manager also uses internal guidelines to oversee the Funds' investment activities and monitors compliance with the Funds' investment strategy. The following is a summary of the main risks:

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.

CALDWELL MUTUAL FUNDS

Notes to the Financial Statements

December 31, 2019 and 2018

10. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS RISK (CONTINUED)

Liquidity risk

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

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.

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.

Concentration risk

Concentration indicates the relative sensitivity of the Funds' 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 Funds have 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 Funds' 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.

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

11. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

There have been no significant events in the Caldwell Balanced Fund and the Tactical Sovereign Bond Fund 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.

12. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Manager and Trustee and authorized for issue on March 26, 2020.