



Caldwell North American Fund Update

2021-Q1

Formerly Caldwell Balanced Fund

Market Commentary

Markets continued to grind higher in the first quarter of 2021 (“Q1”) as investors remained positive on re-accelerating economic growth off of pandemic lows, fueled by pent up demand and unprecedented government stimulus globally.

The Canadian market out-performed the U.S. market in Q1, driven by gains in the Energy sector as energy prices move higher on re-opening prospects and supply constraints following years of under-investment within the sector. The Cannabis space was also a strong performer as Democratic wins in the U.S. open up new growth markets. Defensive sectors like Consumer Staples, Utilities, and Gold under-performed on the combination of higher interest rates and the continued rotation by investors into more cyclically sensitive industries, given the above-mentioned re-accelerating economic growth thesis.

In the U.S., the Technology sector was a notable under-performer as investors locked in profits. Many companies that performed well during the pandemic now face tougher earnings growth comparisons and are therefore being sold in favour of companies that were harder hit during the pandemic and whose growth comparisons become easier as they lap depressed pandemic earnings.

The Financials sector also performed well in both Canada and the U.S. as higher interest rates and higher equity market valuations improve fees to banks.

Portfolio Commentary

Top performers in Q1 included KKR (“KKR”), Premium Brands (“PBH”) and Cisco (“CSCO”)*. Higher equity market valuations increased the value of KKR's balance sheet investments and generated higher fee income. PBH, whose customers include restaurants, navigated the pandemic well with best-in-class sales growth. It now faces easier earnings comparisons and is in a position to accelerate growth from acquisitions given a stronger balance sheet and liquidity position. CSCO is also seeing earnings growth re-accelerate as order rates improve, driven by the need for infrastructure spending and refreshes by enterprise customers.

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Looking Forward

The last 18 months have shown how quickly 'narratives' on the market can change. The current narrative is an optimistic one as investors look through ongoing pandemic-related challenges to a 'back to normal' environment where pent up demand is unleashed. The likelihood that this current narrative remains uninterrupted through the remainder of the year is low, in our view. As such, we expect markets to remain volatile and therefore stress the importance of having conversations with Investment Advisors around cash planning. In the meantime, we will continue to manage portfolios based on our investment principles of protecting and growing our investors' capital through discounted valuations, strong balance sheets, good management teams and attractive business environments.

*Current investments:

first purchased: PBH 4/25/2019, CSCO 10/19/2012,
first acquired: KKR 7/2/2018 (formerly held Hyperion).

All data is as of March 31, 2021 sourced from Capital IQ, unless otherwise specified.

Effective 11/16/2020, the fund no longer allocates fixed income as part of the investment strategy. Refer to the amendment #1 to the Simplified Prospectus dated 10/13/2020.

The information contained herein provides general information about the Fund at a point in time. Investors are strongly encouraged to consult with a financial advisor and review the Simplified Prospectus and Fund Facts documents carefully prior to making investment decisions about the Fund. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Rates of returns, unless otherwise indicated, are the historical annual compounded returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Mutual funds are not guaranteed; their values change frequently and past performance may not be repeated.

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