

Financial Statements of

**CALDWELL MUTUAL FUNDS**

June 30, 2021

(Unaudited)

## **MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying unaudited interim 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 financial statements.

The Trustee maintains appropriate processes to ensure that relevant and reliable financial information is produced. The unaudited interim 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 unaudited interim financial statements.

**On behalf of the Trustee**

**Date: August 26, 2021**

## **NOTICE TO UNITHOLDERS**

The auditors of the Trusts have not reviewed these financial statements.

Caldwell Investment Management Ltd., the Trustee of the Trust, appoints an independent auditor to audit the Trust's annual financial statements.

# **CALDWELL MUTUAL FUNDS**

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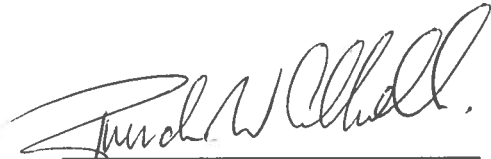
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**CALDWELL NORTH AMERICAN FUND  
(formerly CALDWELL BALANCED FUND)**

**Condensed Interim Statements of Financial Position  
As at June 30, 2021 and December 31, 2020 (Unaudited)**

	June 30, 2021	December 31, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Financial assets at fair value through profit or loss (Note 4)	\$ 46,132,257	\$ 39,996,989
Foreign currencies	928,129	293,285
Cash	223,817	5,058,612
Subscription receivable	51,038	14,000
Dividends receivable	66,664	61,399
Due from Manager	3,758	4,148
Forward contracts (Note 4)	-	133,053
Prepaid expense	2,717	2,897
	<u>47,408,380</u>	<u>45,564,383</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Management fee payable (Note 6)	81,073	74,434
Redemption payable	45,441	73,655
Accrued liabilities	89,583	79,084
	<u>216,097</u>	<u>227,173</u>
<b>Net Assets Attributable to Holders of Redeemable Units</b>	<u>\$ 47,192,283</u>	<u>\$ 45,337,210</u>
<b>Net Assets Attributable to Holders of Redeemable Units per Series</b>		
Series A	\$ 41,577,722	\$ 40,591,064
Series F	5,614,561	4,746,146
	<u>\$ 47,192,283</u>	<u>\$ 45,337,210</u>
<b>Number of Units Outstanding (Note 8)</b>		
Series A	3,142,034	3,392,542
Series F	390,787	367,397
<b>Net Assets Attributable to Holders of Redeemable Units per Unit</b>		
Series A	\$ 13.23	\$ 11.96
Series F	14.37	12.92

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

  
Brendan T.N. Caldwell, President

**CALDWELL NORTH AMERICAN FUND  
(formerly CALDWELL BALANCED FUND)**

**Condensed Interim Statements of Comprehensive Income  
For the six-months ended June 30, 2021 and 2020 (Unaudited)**

	2021	2020
<b>Income</b>		
Dividends	\$ 305,995	\$ 300,227
Interest income for distribution purposes	110	55,875
Exchange gain on foreign currencies and other net assets	18,355	27,375
Realized gain on sale of investments and forward contracts	1,039,765	619,955
Change in unrealized appreciation (depreciation) on investments and foreign currency	3,938,608	(1,490,430)
	<u>5,302,833</u>	<u>(486,998)</u>
<b>Expenses</b>		
Management fee (Note 6)	487,692	420,524
Administrative fee	45,231	40,749
Securityholder reporting costs	19,621	21,875
Withholding taxes	16,955	24,079
Audit fee	15,300	13,694
Legal fee	14,683	18,151
Transaction costs (Note 6)	12,775	43,789
Custodial fee	8,200	9,048
Filing fee	7,546	11,279
Independent review committee fee	3,415	2,476
	<u>631,418</u>	<u>605,664</u>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>	<u>\$ 4,671,415</u>	<u>\$ (1,092,662)</u>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Series</b>		
Series A	\$ 4,124,032	\$ (1,066,912)
Series F	547,383	(23,635)
Series M	-	(2,115)
	<u>\$ 4,671,415</u>	<u>\$ (1,092,662)</u>
<b>Weighted Average of Redeemable Units Outstanding During the Period</b>		
Series A	3,272,244	3,412,883
Series F	374,972	102,580
Series M	-	10,586
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit</b>		
Series A	\$ 1.26	\$ (0.31)
Series F	1.46	(0.23)
Series M	-	(0.20)

**CALDWELL NORTH AMERICAN FUND  
(formerly CALDWELL BALANCED FUND)**

**Condensed Interim Statements of Changes in Net Assets Attributable to Holders of Redeemable Units  
For the six-months ended June 30, 2021 and 2020 (Unaudited)**

	Net assets attributable to holders of redeemable units, beginning of period	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 period
<b>June 30, 2021</b>					
Series A	\$ 40,591,064	\$ 4,124,032	\$ 395,245	\$ (3,532,619)	\$ 41,577,722
Series F	4,746,146	547,383	575,746	(254,714)	5,614,561
	<u>\$ 45,337,210</u>	<u>\$ 4,671,415</u>	<u>\$ 970,991</u>	<u>\$ (3,787,333)</u>	<u>\$ 47,192,283</u>

	Net assets attributable to holders of redeemable units, beginning of period	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 period
<b>June 30, 2020</b>					
Series A	\$ 40,501,561	\$ (1,066,912)	\$ 300,761	\$ (4,054,209)	\$ 35,681,201
Series F	1,304,298	(23,635)	13,181	(174,643)	1,119,201
Series M	121,732	(2,115)	17	(1,077)	118,557
	<u>\$ 41,927,591</u>	<u>\$ (1,092,662)</u>	<u>\$ 313,959</u>	<u>\$ (4,229,929)</u>	<u>\$ 36,918,959</u>

See Accompanying Notes

**CALDWELL NORTH AMERICAN FUND**  
**(formerly CALDWELL BALANCED FUND)**

**Condensed Interim Statements of Cash Flows**  
**For the six-months ended June 30, 2021 and 2020 (Unaudited)**

	2021	2020
<b>Cash provided by (used in):</b>		
<b>Operating Activities</b>		
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	\$ 4,671,415	\$ (1,092,662)
Adjustments for non-cash items		
Transaction costs	12,775	43,789
Exchange gain on foreign currencies and other net assets	(18,355)	(27,375)
Realized gain on sale of investments	(1,039,765)	(619,955)
Change in unrealized (appreciation) depreciation on investments and foreign currency	(3,938,608)	1,490,430
Change in non-cash balances		
(Increase) decrease in subscription receivable	(37,038)	1,859
Increase in dividends receivable	(5,265)	(12,779)
Decrease (increase) in due from Manager	390	(304)
Increase in interest receivable	-	(6,503)
Decrease in prepaid expense	180	7,812
Increase (decrease) in management fee payable	6,639	(12,090)
(Decrease) increase in redemption payable	(28,214)	43,811
Increase (decrease) in accrued liabilities	10,499	(19,903)
Proceeds from sale of investments	3,481,811	53,976,888
Purchase of investments	(4,518,428)	(53,561,442)
Cash (used in) provided by operating activities	<u>(1,401,964)</u>	<u>211,576</u>
<b>Financing Activities</b>		
Proceeds from redeemable units issued	622,709	306,478
Amount paid on redemption of redeemable units	(3,439,051)	(4,222,448)
Cash used in financing activities	<u>(2,816,342)</u>	<u>(3,915,970)</u>
Decrease in cash and cash equivalents during the period	(4,218,306)	(3,704,394)
Foreign exchange gain on cash	18,355	27,375
Cash and cash equivalents, beginning of period	5,351,897	4,464,902
<b>Cash and cash equivalents, end of period</b>	<u>\$ 1,151,946</u>	<u>\$ 787,883</u>
<b>Supplemental information*</b>		
Interest paid	\$ 402	\$ 1,011
Interest received	110	48,694
Dividends received, net of withholding taxes	283,774	263,370

\*Included as a part of cash flows from operating activities

**CALDWELL NORTH AMERICAN FUND**  
**(formerly CALDWELL BALANCED FUND)**

**Condensed Interim Schedule of Investment Portfolio**  
**As at June 30, 2021 (Unaudited)**

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
	<b>Canadian equities</b>			
154,460	Bird Construction Inc.	\$ 1,526,254	\$ 1,363,882	2.89
22,410	CGI Inc.	1,772,637	2,518,660	5.34
161,200	Element Fleet Management Corp.	1,790,624	2,330,952	4.94
75,900	Parex Resources Inc.	1,664,334	1,571,130	3.33
26,470	Parkland Corp.	527,481	1,060,388	2.25
12,600	Premium Brands Holdings Corp.	962,357	1,586,718	3.36
35,200	Stantec Inc.	1,481,827	1,946,912	4.13
23,990	Suncor Energy Inc.	793,908	712,263	1.51
210,400	Tricon Residential Inc.	2,042,010	3,000,304	6.36
		<u>12,561,432</u>	<u>16,091,209</u>	<u>34.11</u>
	<b>U.S. equities</b>			
20,600	Amdocs Ltd.	1,374,662	1,976,800	4.19
3,860	ANSYS Inc.	1,036,247	1,661,771	3.52
28,800	Berry Global Group Inc.	2,054,583	2,329,982	4.94
41,900	Boston Scientific Corp.	1,938,624	2,222,445	4.71
10,000	Broadridge Financial Solutions Inc.	1,169,687	2,003,699	4.25
15,690	Cisco Systems Inc.	383,587	1,031,521	2.19
5,350	IPG Photonics Corp.	1,218,141	1,398,756	2.96
7,975	Johnson & Johnson	1,422,665	1,629,705	3.45
8,065	Keysight Technologies Inc.	668,806	1,544,753	3.27
15,660	KKR & Co LP	331,466	1,150,763	2.44
7,600	L3Harris Technologies Inc.	1,864,455	2,037,737	4.32
8,950	Motorola Solutions Inc.	2,000,074	2,407,475	5.10
14,100	Quest Diagnostics Inc.	1,980,272	2,308,201	4.89
2,880	S&P Global Inc.	764,624	1,466,331	3.11
4,960	UnitedHealth Group Inc.	1,882,769	2,463,760	5.22
8,300	Visa Inc.	2,167,397	2,407,349	5.10
		<u>22,258,059</u>	<u>30,041,048</u>	<u>63.66</u>
	<b>Total investments owned</b>	34,819,491	46,132,257	97.77
	Commissions and other portfolio transaction costs	(26,131)	-	-
	<b>Net investments owned</b>	<u>\$ 34,793,360</u>	46,132,257	97.77
	<b>Other assets, net</b>		<u>1,060,026</u>	<u>2.23</u>
	<b>Net Assets Attributable to Holders of Redeemable Units</b>		<u>\$ 47,192,283</u>	<u>100.00</u>



# CALDWELL NORTH AMERICAN FUND (FORMERLY, CALDWELL BALANCED FUND) Notes to Financial Statements- *Fund Specific Information (Unaudited)*

June 30, 2021

## Investment Objective

The fundamental investment objective of the Caldwell North American Fund (formerly Caldwell Balanced Fund) is to generate long-term capital appreciation by investing primarily in the equity securities of Canadian and international companies.

The benchmark for the fund, which was a blended benchmark of 45% S&P/TSX Total Return Index, 20% S&P 500 Total Return Index and 35% S&P Canadian Sovereign Bond Index, was changed to a blended benchmark of 50% S&P/TSX Total Return Index and 50% S&P 500 Total Return Index to reflect the change in investment objective and strategy. Refer to Note 1, Formation of Funds for information about changes.

## DISCUSSION OF FINANCIAL RISK MANAGEMENT (Note 5)

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:

### Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Partnership. Where the Partnership invests in debt instruments and derivatives (if any), this represents the main concentration of credit risk. The fair value of debt instruments and derivatives (if any) includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit risk exposure to the Fund.

All transactions executed by the Partnership 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. Additionally, the Prime Broker has a high credit rating. As of June 30, 2021 and December 31, 2020, the Fund did not have significant investments in debt instruments and/or derivatives.

### Concentration risk

The Fund's investments, classified by economic sector, expressed as a percent of net assets as at June 30, 2021 and December 31, 2020 is summarized in the table below.

Market segment	Percentage of net assets attributable to holders of redeemable units	
	June 30, 2021	December 31, 2020
<b>Investments owned</b>		
Communications	7.3	4.0
Consumer, Non-cyclical	29.7	27.5
Energy	7.1	3.5
Financial	13.9	12.5
Industrial	19.5	19.1
Technology	20.3	21.6
Total net investments	97.8	88.2
Cash and cash equivalents	2.4	11.8
Other assets and liabilities	(0.2)	—
	100.0	100.0

The comparative percentages changed due to a switch from GICS industry classification to BICS industry classification.

**CALDWELL NORTH AMERICAN FUND**  
**(FORMERLY, CALDWELL BALANCED FUND)**  
**Notes to Financial Statements- Fund Specific Information (Unaudited)**  
June 30, 2021

**Currency risk**

The amounts in the following tables are based on the fair value of the Fund's financial instruments (including cash and cash equivalents) as well as the underlying principal amounts for foreign exchange forward contracts, as applicable. Other financial assets and financial liabilities that are denominated in foreign currencies do not expose the Fund to significant currency risk.

Currency	Exposure			Impact if CAD strengthened or weakened by 1% in relation to other currencies		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
<b>June 30, 2021</b>						
U.S. Dollar	\$ 928,129	\$ 30,041,048	\$ 30,969,177	\$ 9,281	\$ 300,410	\$ 309,691
	\$ 928,129	\$ 30,041,048	\$ 30,969,177	\$ 9,281	\$ 300,410	\$ 309,691
<b>% of Net Assets</b>						
<b>Attributable to Holders</b>						
of Redeemable Units	1.97	63.66	65.63	0.02	0.64	0.66

Currency	Exposure			Impact if CAD strengthened or weakened by 1% in relation to other currencies		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
<b>December 31, 2020</b>						
U.S. Dollar	\$ (3,915,050)	\$ 27,917,912	\$ 24,002,862	\$ (39,150)	\$ 279,179	\$ 240,029
	\$ (3,915,050)	\$ 27,917,912	\$ 24,002,862	\$ (39,150)	\$ 279,179	\$ 240,029
<b>% of Net Assets</b>						
<b>Attributable to Holders</b>						
of Redeemable Units	(8.64)	61.58	52.94	(0.09)	0.62	0.53

As at June 30, 2021, 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 \$309,691 (December 31, 2020: \$240,029). 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.

At June 30, 2021 and December 31, 2020, the majority of the Fund's financial assets and liabilities are non-interest bearing. Accordingly, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

**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 within three months.

**CALDWELL NORTH AMERICAN FUND  
(FORMERLY, CALDWELL BALANCED FUND)  
Notes to Financial Statements- Fund Specific Information (Unaudited)  
June 30, 2021**

**Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to 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 June 30, 2021, 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 \$4,613,226 (December 31, 2020: \$3,999,699). Actual results may be materially different from this analysis.

**FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Note 4)**

The following table illustrates the classifications of the Fund's financial instruments within the fair value hierarchy as at June 30, 2021 and December 31, 2020.

	Financial Assets at fair value as at June 30, 2021			
	Level 1	Level 2	Level 3	Total
<b>Caldwell North American Fund (formerly, Caldwell Balanced Fund)</b>				
Equities	46,132,257	–	–	46,132,257
	<b>46,132,257</b>	<b>–</b>	<b>–</b>	<b>46,132,257</b>

	Financial Assets at fair value as at December 31, 2020			
	Level 1	Level 2	Level 3	Total
<b>Caldwell North American Fund (formerly, Caldwell Balanced Fund)</b>				
Equities	39,996,989	–	–	39,996,989
Forward contracts	–	133,053	–	133,053
	<b>39,996,989</b>	<b>133,053</b>	<b>–</b>	<b>40,130,042</b>

There were no transfers between levels during the periods ended June 30, 2021 and December 31, 2020.

**Reconciliation of Level 3 Fair Value Measurement (Note 4)**

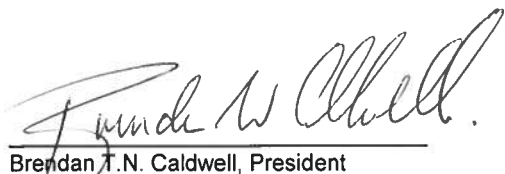
For the periods ended June 30, 2021 and December 31, 2020, the Fund did not hold financial instruments within level 3 of the fair value hierarchy.

# TACTICAL SOVEREIGN BOND FUND

## Condensed Interim Statements of Financial Position As at June 30, 2021 and December 31, 2020 (Unaudited)

	June 30, 2021	December 31, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Financial assets at fair value through profit or loss (Note 4)	\$ 10,699,868	\$ 12,791,487
Cash	844,286	246,067
Foreign currencies	670,449	130,871
Due from Manager	413	413
Interest receivable	21,388	24,268
Prepaid expense	10,379	8,919
Subscription receivable	72,251	39,889
Forward contracts (Note 4)	72,876	325,711
	<u>12,391,910</u>	<u>13,567,625</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accrued liabilities	89,496	59,497
Management fee payable (Note 6)	4,732	5,523
Redemption payable	2,435	4,879
	<u>96,663</u>	<u>69,899</u>
<b>Net Assets Attributable to Holders of Redeemable Units</b>	<u>\$ 12,295,247</u>	<u>\$ 13,497,726</u>
<b>Net Assets Attributable to Holders of Redeemable Units per Series</b>		
Series A	\$ 4,235,194	\$ 4,981,152
Series F	8,060,053	8,516,574
	<u>\$ 12,295,247</u>	<u>\$ 13,497,726</u>
<b>Number of Units Outstanding (Note 8)</b>		
Series A	933,516	1,057,596
Series F	834,062	851,299
<b>Net Assets Attributable to Holders of Redeemable Units per Unit</b>		
Series A	\$ 4.54	\$ 4.71
Series F	9.66	10.00

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



Brendan T.N. Caldwell, President

# TACTICAL SOVEREIGN BOND FUND

## Condensed Interim Statements of Comprehensive Income For the six-months ended June 30, 2021 and 2020 (Unaudited)

	2021	2020
<b>Income</b>		
Dividends	\$ 19,526	\$ 37,640
Interest income for distribution purposes	60,562	85,753
Exchange loss on foreign currencies and other net assets	(33,622)	(53,151)
Realized (loss) gain on sale of investments and forward contracts	(500,413)	684,057
Change in unrealized appreciation on investments and foreign currency	116,317	302,974
Other income	6,808	-
	<u>(330,822)</u>	<u>1,057,273</u>
<b>Expenses</b>		
Administrative fee	48,229	30,540
Management fee (Note 6)	30,165	33,560
Legal fee	19,072	7,541
Audit fee	17,916	9,652
Filing fee	12,663	3,252
Transaction costs (Note 6)	5,596	16,088
Securityholder reporting costs	4,165	3,922
Independent review committee fee	3,415	2,476
Custodial fee	2,646	1,119
Bank charges	1,075	1,153
Withholding taxes	-	5,646
	<u>144,942</u>	<u>114,949</u>
<b>(Decrease) Increase in Net Assets Attributable to Holders of Redeemable Units</b>	<u>\$ (475,764)</u>	<u>\$ 942,324</u>
<b>(Decrease) Increase in Net Assets Attributable to Holders of Redeemable Units per Series</b>		
Series A	\$ (186,151)	\$ 262,090
Series F	<u>(289,613)</u>	<u>680,234</u>
	<u>\$ (475,764)</u>	<u>\$ 942,324</u>
<b>Weighted Average of Redeemable Units Outstanding During the Period</b>		
Series A	1,006,495	906,246
Series F	827,199	1,060,832
<b>(Decrease) Increase in Net Assets Attributable to Holders of Redeemable Units per Unit</b>		
Series A	\$ (0.18)	\$ 0.29
Series F	(0.35)	0.64

## TACTICAL SOVEREIGN BOND FUND

### Condensed Interim Statements of Changes in Net Assets Attributable to Holders of Redeemable Units For the six-months ended June 30, 2021 and 2020 (Unaudited)

	Net assets attributable to holders of redeemable units, beginning of period	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 period
<b>June 30, 2021</b>					
Series A	\$ 4,981,152	\$ (186,151)	\$ 37,438	\$ (597,245)	\$ 4,235,194
Series F	8,516,574	(289,613)	599,296	(766,204)	8,060,053
	<u>\$ 13,497,726</u>	<u>\$ (475,764)</u>	<u>\$ 636,734</u>	<u>\$ (1,363,449)</u>	<u>\$ 12,295,247</u>
	Net assets attributable to holders of redeemable units, beginning of period	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 period
<b>June 30, 2020</b>					
Series A	\$ 3,991,118	\$ 262,090	\$ 725,147	\$ (273,042)	\$ 4,705,313
Series F	10,568,837	680,234	3,989,461	(3,239,176)	11,999,356
	<u>\$ 14,559,955</u>	<u>\$ 942,324</u>	<u>\$ 4,714,608</u>	<u>\$ (3,512,218)</u>	<u>\$ 16,704,669</u>

See Accompanying Notes

# TACTICAL SOVEREIGN BOND FUND

## Condensed Interim Statements of Cash Flows

For the six-months ended June 30, 2021 and 2020 (Unaudited)

	2021	2020
<b>Cash provided by (used in):</b>		
<b>Operating Activities</b>		
(Decrease) Increase in Net Assets Attributable to Holders of Redeemable Units	\$ (475,764)	\$ 942,324
Adjustments for non-cash items		
Transaction costs	5,596	16,088
Exchange loss on foreign currencies and other net assets	33,622	53,151
Realized loss (gain) on sale of investments	500,413	(684,057)
Change in unrealized appreciation on investments and foreign currency	(116,317)	(302,974)
Change in non-cash balances		
Increase in due from Manager	-	(240)
Decrease in interest receivable	2,880	4,508
Increase in prepaid expense	(1,460)	(7,275)
Increase in subscription receivable	(32,362)	(60,811)
Increase (decrease) in accrued liabilities	29,999	(38,009)
(Decrease) increase in management fee payable	(791)	636
Decrease in redemption payable	(2,444)	(141,514)
Proceeds from sale of investments	18,207,769	45,593,809
Purchase of investments	(16,253,007)	(50,639,816)
Cash provided by (used in) operating activities	<u>1,898,134</u>	<u>(5,264,180)</u>
<b>Financing Activities</b>		
Proceeds from redeemable units issued	539,004	4,714,608
Amount paid on redemption of redeemable units	(1,265,719)	(3,512,218)
Cash (used in) provided by financing activities	<u>(726,715)</u>	<u>1,202,390</u>
Increase (decrease) in cash and cash equivalents during the period	1,171,419	(4,061,790)
Foreign exchange loss on cash	(33,622)	(53,151)
Cash and cash equivalents, beginning of period	<u>376,938</u>	<u>5,789,293</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 1,514,735</u>	<u>\$ 1,674,352</u>
<b>Supplemental information*</b>		
Interest paid	\$ 164	\$ 655
Interest received	63,442	85,423
Dividends received, net of withholding taxes	26,334	31,994

\*Included as a part of cash flows from operating activities

## TACTICAL SOVEREIGN BOND FUND

### Condensed Interim Schedule of Investment Portfolio As at June 30, 2021 (Unaudited)

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
	<b>Canadian fixed income</b>			
2,000,000	Canadian Government Bond 1.50% 01AUG21	\$ 2,003,780	\$ 2,002,201	16.28
1,700,000	Canadian Government Bond 2.75% 01JUN22	1,767,711	1,738,743	14.14
		<u>3,771,491</u>	<u>3,740,944</u>	<u>30.42</u>
	<b>U.S. equities</b>			
13,000	iShares 1-3 Year Treasury Bond ETF	1,453,644	1,389,403	11.30
16,800	iShares 20+ Year Treasury Bond ETF	2,899,684	3,008,190	24.47
		<u>4,353,328</u>	<u>4,397,593</u>	<u>35.77</u>
	<b>U.S. fixed income</b>			
2,000,000	United States Treasury Note/Bond 1.75% 15NOV29	<u>2,595,461</u>	<u>2,561,331</u>	<u>20.83</u>
	<b>Total investments owned</b>	10,720,280	10,699,868	87.02
	Commissions and other portfolio transaction costs	<u>(1,983)</u>	<u>—</u>	<u>—</u>
	<b>Net investments owned</b>	<u>\$ 10,718,297</u>	10,699,868	87.02
	Unrealized gain, foreign exchange forward contracts (Schedule 1)		72,876	0.59
	<b>Other assets, net</b>		<u>1,522,503</u>	<u>12.39</u>
	<b>Net Assets Attributable to Holders of Redeemable Units</b>		<u>\$ 12,295,247</u>	<u>100.00</u>



# TACTICAL SOVEREIGN BOND FUND

## Condensed Interim Schedule of Investment Portfolio (Continued) As at June 30, 2021 (Unaudited)

### Schedule 1 - Foreign Exchange Forward Contracts

Settlement Date	Currency Sold	Currency Bought	Counterparty	Forward Rates	Contract Price	Fair Value	Unrealized Gain
July 22, 2021	USD	CAD	BNY Mellon	1.248440	(7,490,640)	(7,442,772)	\$ 47,868
July 22, 2021	CAD	USD	BNY Mellon	1.238000	2,476,000	2,480,924	4,924
July 22, 2021	CAD	USD	BNY Mellon	1.230420	2,460,840	2,480,924	20,084
Total unrealized gain on foreign exchange forward contracts							\$ 72,876

# TACTICAL SOVEREIGN BOND FUND

## Notes to Financial Statements- *Fund Specific Information (Unaudited)*

June 30, 2021

### Investment Objective

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

### DISCUSSION OF FINANCIAL RISK MANAGEMENT (Note 5)

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:

#### Credit risk

The Fund's maximum credit risk exposure is represented by its investments in fixed income 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. Ratings for securities that subject the portfolio to credit risk at June 30, 2021 and December 31, 2020 is noted below:

#### Portfolio by rating category

Rating	June 30, 2021	December 31, 2020
	As a % of net assets attributable to holders of redeemable units	As a % of net assets attributable to holders of redeemable units
AAA	51.25%	56.09 %
<b>Total</b>	<b>51.25%</b>	<b>56.09 %</b>

#### 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.

#### Currency risk

The amounts in the following tables are based on the fair value of the Fund's financial instruments (including cash and cash equivalents) as well as the underlying principal amounts for foreign exchange forward contracts, as applicable. Other financial assets and financial liabilities that are denominated in foreign currencies do not expose the Fund to significant currency risk.

Currency	Exposure			Impact if CAD strengthened or weakened by 1% in relation to other currencies		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
<b>June 30, 2021</b>						
U.S. Dollar	\$ (1,810,475)	\$ 6,958,924	\$ 5,148,449	\$ (18,105)	\$ 69,589	\$ 51,484
	\$ (1,810,475)	\$ 6,958,924	\$ 5,148,449	\$ (18,105)	\$ 69,589	\$ 51,484
% of Net Assets						
Attributable to Holders of Redeemable Units	(14.72)	56.60	41.88	(0.15)	0.57	0.42

# TACTICAL SOVEREIGN BOND FUND

## Notes to Financial Statements- Fund Specific Information (Unaudited)

June 30, 2021

Currency	Exposure			Impact if CAD strengthened or weakened by 1% in relation to other currencies		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
<b>December 31, 2020</b>						
U.S. Dollar	\$ (7,431,379)	\$ 7,976,860	\$ 545,481	\$ (74,314)	\$ 79,769	\$ 5,455
	\$ (7,431,379)	\$ 7,976,860	\$ 545,481	\$ (74,314)	\$ 79,769	\$ 5,455
<b>% of Net Assets</b>						
<b>Attributable to Holders</b>						
of Redeemable Units	(55.06)	59.10	4.04	(0.55)	0.59	0.04

As at June 30, 2021, 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 \$51,484 (December 31, 2020 - \$5,455). 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 (June 30, 2021)	3,740,944	-	2,561,331	6,302,275
Interest Rate exposure (December 31, 2020)	4,814,627	-	2,756,151	7,570,778

At June 30, 2021, 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 \$54,160 (December 31, 2020 - \$69,496). Actual results may differ from this sensitivity analysis and the difference could be material.

### 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 within three months.

### Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to 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 June 30, 2021, 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 \$439,759 (December 31, 2020 - \$522,071). Actual results may be materially different from this analysis.

# TACTICAL SOVEREIGN BOND FUND

## Notes to Financial Statements- *Fund Specific Information (Unaudited)*

June 30, 2021

### FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Note 4)

The following table illustrates the classifications of the Fund's financial instruments within the fair value hierarchy as at June 30, 2021 and December 31, 2020.

	Financial Assets at fair value as at June 30, 2021			Total
	Level 1	Level 2	Level 3	
<b>Tactical Sovereign Bond Fund</b>				
Equity	4,397,593	–	–	4,397,593
Fixed income	–	6,302,275	–	6,302,275
Forward contracts	–	72,876	–	72,876
	<b>4,397,593</b>	<b>6,375,151</b>	<b>–</b>	<b>10,772,744</b>

	Financial Assets at fair value as at December 31, 2020			Total
	Level 1	Level 2	Level 3	
<b>Tactical Sovereign Bond Fund</b>				
Equity	5,220,709	–	–	5,220,709
Fixed income	–	7,570,778	–	7,570,778
Forward contracts	–	325,711	–	325,711
	<b>5,220,709</b>	<b>7,896,489</b>	<b>–</b>	<b>13,117,198</b>

There were no transfers between levels during the periods ended June 30, 2021 and December 31, 2020.

### Reconciliation of Level 3 Fair Value Measurement (Note 4)

For the periods ended June 30, 2021 and the December 31, 2020, the Fund did not hold financial instruments within level 3 of the fair value hierarchy.

# Notes to Financial Statements (Unaudited)

June 30, 2021

## 1. FORMATION OF FUNDS

The Caldwell North American Fund (formerly, Caldwell Balanced Fund) and Tactical Sovereign Bond Fund (the "Funds") are open-ended mutual fund trusts established under the laws of the Province of Ontario and are governed by an Amended and Restated Declaration of Trust dated November 16, 2020, as amended from time to time. Caldwell Investment Management Ltd. is the Manager and the Trustee and is a wholly-owned subsidiary of Caldwell Financial Ltd. The Funds were established on:

<b>Caldwell North American Fund (formerly, Caldwell Balanced Fund)</b>	March 1, 1990
<b>Tactical Sovereign Bond Fund</b>	April 15, 1997

Effective November 16, 2020 following a special meeting of the unitholders to approve the changes, the Caldwell Balanced Fund was renamed to the Caldwell North American Fund. The name change was made to reflect the changes in the fundamental investment objective, also approved at the same meeting and as presented in the Notes to the Financial Statements- Fund Specific Information.

The investment objectives for each Fund are provided in the respective Fund's Notes to the Financial Statements – *Fund Specific Information*.

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

The financial statements were approved by the Manager and Trustee and authorized for issue on August 26, 2021 and are comprised of the Statements of Financial Position and Schedules of Investment Portfolio as at June 30, 2021 and the Statements of Comprehensive Income, Changes in Net Assets Attributable to Holders of Redeemable Units and Cash flows for the six months ended June 30, 2021.

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

## 2. SUMMARY OF ACCOUNTING POLICIES:

### Basis of Presentation

These interim financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") applicable to the preparation of financial statements, including International Accounting Standard 3 ("IAS") 34, *Interim Financial Reporting*. The Funds have consistently applied the accounting policies used in the preparation of the most recent audited annual financial statements for the year ended December 31, 2020. These interim financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities that have measured at fair value.

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summarized the significant policies of the Funds:

#### Financial Instruments

Financial instruments include financial assets and liabilities, such as investments, derivatives, cash and cash equivalents and other receivables and payables. The Funds classify and measure financial instruments in accordance with IFRS 9, *Financial Instruments* ("IFRS 9"). Upon initial recognition, financial instruments are classified as fair value through profit or loss ("FVTPL"). All financial assets and liabilities are recognized in the Statements of Financial Position when the fund becomes a party to the contractual requirements of the instrument and are derecognized when the right to receive cash flows from the instrument has expired or the fund has transferred substantially all the risks and rewards of ownership. Investment purchase and sale transactions are recorded as of the trade date.

# Notes to Financial Statements (Unaudited)

June 30, 2021

Financial assets and financial liabilities are subsequently measured at FVTPL with changes in fair value recognized in the Statements of Comprehensive Income.

The fair value of investments and derivatives are measured using accounting policies substantially similar to those used in the measurement of the Funds' net asset value ("NAV") for the processing of unitholder transactions in accordance with National Instrument 81-106 Investment Fund Continuous Disclosures. The NAV of a particular series is calculated based on that series' proportionate share of the assets and liabilities of the fund common to all series less the liabilities of the fund attributable only to that series. As of June 30, 2021, there were no differences between the Funds' NAV per unit and net assets attributable to holders of redeemable units per unit.

## Valuation of Investments

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is determined as follows:

- (a) Investments traded in an active market, through recognized organized exchanges and over-the-counter markets, are valued based on quoted market prices at the close of trading on the reporting date. 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.
- (b) Investments that are not traded in an active market are valued using valuation techniques. The Funds use a variety of methods and make assumptions that are based on market conditions existing at each reporting date and include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, option pricing models and other techniques commonly used by market participants and which make the maximum use of observable inputs.
- (c) Options are valued at the closing price of the principal exchange or over-the-counter market on which the contract is traded.
- (d) Foreign exchange contracts are valued based on the difference between the contractual forward rates and the mid forward rates for currency held (long or short) at the measurement date.

## Cash and cash equivalents

Cash and cash equivalents, which include deposits with financial institutions with an original maturity date of 90 days or less as of the date of purchase, are reported at fair value which closely approximates their amortized cost as a result of their being highly liquid and having short terms to maturity. Where in net bank overdraft positions, cash and cash equivalents are presented as current liabilities in the Statements of Financial Position.

## Portfolio transaction costs and commissions

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, and includes fees, and commissions paid to brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer duties and taxes. These costs are included in the Statements of Comprehensive Income as an expense.

## Cost of investments

The amount paid for each security, determined on an average cost basis excluding commissions and other portfolio transaction costs, represents the cost of investments, where applicable.

## Investment transactions and income

Investment transactions are accounted for on the trade date. Realized gains and losses on the sale of investments and unrealized appreciation and depreciation of investments are calculated on an average cost basis and are reported in the Statements of Comprehensive Income. Average cost does not include the amortization of premiums or discounts on debt instruments with the exception of zero coupon bonds.

Interest income for distribution purposes shown in the Statements of Comprehensive Income represent coupon interest on debt instruments accounted for on an accrual basis. The Funds do not amortize premiums paid or discounts received on the purchase of debt instruments except for zero coupon bonds which are amortized on a straight line basis and included in the Statements of Comprehensive Income. Interest receivable is shown in the Statements of Financial Position based on the debt instruments' stated rates of interest. Interest income is accrued daily.

Dividend income and distributions from investments, including exchange traded funds ("ETFs"), are recognized on the ex-dividend date.

# Notes to Financial Statements (Unaudited)

June 30, 2021

## Foreign exchange forward contracts and currency translation

The Funds may enter into foreign exchange forward contracts for economic hedging purpose or to establish exposure to a particular currency. Unrealized gains and losses on foreign exchange forward contracts are included in "Change in unrealized appreciation (depreciation) on investments and foreign currency" in the Statements of Comprehensive Income. Upon closing a contract, the gain or loss is included in "Realized gain on sale of investments and forward contracts". Outstanding settlement amounts on the close out of foreign exchange forward contracts are included in "Forward contracts" as a current asset or current liability in the Statements of Financial Position.

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 Statements of Financial Position. Non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred.

## Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Funds enter into various agreements that do not meet the criteria for offsetting in the Statements of Financial Position, but still allow for the amounts to be offset in certain circumstances, such as contract termination. Information on financial assets and liabilities that are subject to such arrangements is disclosed in the respective fund's Notes to Financial Statements – *Fund Specific Information*.

## Impairment of financial assets

Funds assess, at each reporting date, whether there exists objective evidence that a financial asset at amortized cost is impaired. To the extent such evidence exists, an impairment loss is recognized as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent periods if the loss amount decreases and the event giving rise to the decrease can objectively be related to an event occurring after the impairment was recognized.

## Valuation of Funds' redeemable units

The Funds' outstanding redeemable units are entitled to a distribution of any net income and net realized capital gains at least annually in addition to the ongoing redemption feature. In accordance with the requirements of IAS 32, *Financial Instruments: Presentation*, the Funds' outstanding redeemable units are classified as financial liabilities and measured at redemption amounts. Each Funds' redeemable units are issued and redeemed at their respective NAV per unit as determined on the Valuation Date (a day on which the Toronto Stock Exchange is open for business) less any applicable redemption fee.

## Allocation of income and expenses

Expenses directly attributable to a Series are charged directly to that Series. Income, realized and unrealized gains and losses from investment transactions and other expenses are allocated proportionately to each Series based on the relative NAV of each Series.

## Increase (decrease) in net assets attributable to holders of redeemable units from operations per unit

Increase (decrease) in net assets attributable to holders of redeemable units from operations per unit is based on the increase (decrease) in net assets attributable to holders of redeemable units from operations (excluding management fee distributions) divided by the weighted average number of units outstanding during the periods ended June 30, 2021 and 2020.

## 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.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions in applying accounting policies that may affect the reported amounts of assets, liabilities, income and expenses as at and during the period. 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:

# Notes to Financial Statements (Unaudited)

June 30, 2021

Since the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) a pandemic on March 11, 2020, governments around the world enacted emergency measures that resulted in business disruptions, volatility in markets and a global economic slowdown.

The duration and ongoing impact of the pandemic on businesses and markets is unknown at the reporting date and therefore it is not possible to reliably estimate the impact on the financial results and position of the Fund in future periods.

## **Fair value measurement of securities not quoted in an active market**

The Funds may hold financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined using valuation techniques which may use reputable pricing sources or indicative prices from market makers and other such sources. Such pricing sources are indicative and not executable or binding. As the Manager must use judgment in making such estimates, the fair values may differ from the values that would have been used had an active market existed.

## **Classification of financial instruments**

In classifying financial instruments held by the Funds, the Manager is required to make significant judgments in determining the most appropriate classification in accordance with IFRS 9. The Manager has assessed the Funds' business models, the manner in which all financial assets and financial liabilities are managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate classification of the Funds' financial instruments.

## **Functional and presentation currency**

Each Fund considers its functional and presentation currency to be the Canadian dollar, which is the currency of the primary economic environment in which it operates. Each Fund's performance is evaluated and its liquidity is managed in Canadian dollars.

## **4. FINANCIAL INSTRUMENTS**

### **Fair Value Measurement**

The fair value hierarch framework provides information to financial statement users about the relative observability of inputs to fair value measurements. The hierarchy has the following levels:

- 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).

The classification within the hierarch is based on the lowest level input that is significant to the fair value measurement. Refer to the Notes to Financial Statements – *Fund Specific Information* of each fund for the fair value measurement disclosure

## **5. MANAGEMENT OF FINANCIAL INSTRUMENT RISKS**

In the normal course of business, each fund may be exposed to a variety of financial 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.

The Manager has practices in place to monitor returns based on the risk profile of the Funds as well as monitoring ongoing compliance with investment restrictions to ensure each fund is being managed in accordance with their stated investment objectives, strategies and applicable securities regulation.

The following is a summary of the main risks:

### **Concentration risk**

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, asset type, industry sector, or counterparty exposure. The disclosure of concentration is provided in the Notes to Financial Statements – *Specific Fund Information* of each fund.



# Notes to Financial Statements (Unaudited)

June 30, 2021

## Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with a fund. Where a fund invests in debt instruments and derivatives, this represents the main concentration of credit risk. The fair value of debt instruments and derivatives includes consideration of the creditworthiness of the issuer and/or the counterparty. Certain funds invest in ETFs and may be exposed to indirect credit risk in the event that the ETFs invest in debt instruments and derivatives. Each fund is also exposed to counterparty credit risk on cash and cash equivalents, amounts due from brokers and other receivable balances. All transactions executed by a fund in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal as delivery of securities sold occurs only once the broker has received payment and 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.

References made to credit rating are obtained from Standard & Poor's ("S&P Global") and/or DBRS Morningstar ("DBRS"). The Fund may invest in financial assets that are private placements and as such, are not rated by DBRS and/or S&P Global.

## 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.

## Liquidity risk

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

## 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.

Refer to the Note to Financial Statements – *Specific Fund* Information for each Fund's specific risk disclosures.

## 6. RELATED PARTY TRANSACTIONS AND OPERATING EXPENSES

### Management fees

The Manager is responsible for the day-to-day business of the Funds, which includes providing key management personnel. The Manager act as the investment manager itself to manage the investment portfolio of each Fund. The Funds pay a management fee (the "Management Fee"), calculated and accrued daily, to the Manager in respect of each Series of redeemable units of the Funds, payable monthly in arrears.

The annual Management Fee is equal to the following percentages of the average NAV of each Fund:

	Series A	Series F	Series M
Caldwell North American Fund (formerly, Caldwell Balanced Fund)	2.00%	1.00%	0.75%
Tactical Sovereign Bond Fund	0.75%	0.25%	n/a

For the period ended June 30, 2021, Caldwell North American Fund (formerly, Caldwell Balanced Fund) incurred a management fee of \$487,692 (June 30, 2020: \$420,524), and Tactical Sovereign Bond Fund incurred a management fee of \$30,165 (June 30, 2020: \$33,560).

As at June 30, 2021, Caldwell North American Fund (formerly, Caldwell Balanced Fund) accrued management fees payable fee of \$81,073 (December 31, 2020: \$74,434), and Tactical Sovereign Bond Fund accrued management fees payable of \$4,732 (December 31, 2020: \$5,523).

# Notes to Financial Statements (Unaudited)

June 30, 2021

## Performance fees

The Manager is entitled to receive performance fees calculated at 20% of any growth over the benchmark hurdle for Caldwell North American Equity Fund (formerly Caldwell Balanced Fund) Series M. The benchmark hurdle for Caldwell North American Equity Fund (formerly 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. After the change of investment objective on November 16, 2020, the benchmark hurdle for the Caldwell North American Equity fund (formerly Caldwell Balanced Fund) was changed to 50% S&P/TSX Total Return Index + 50% S&P Total Return (\$CDN) Index.

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, such that 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.

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 period ended June 30, 2021, Caldwell North American Fund (formerly, Caldwell Balanced Fund) incurred a performance fee of \$nil (June 30, 2020: \$nil) and accrued a performance payable of \$nil (December 31, 2020: \$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 each of the Funds, and is summarized in the table below. These waivers/absorptions may be terminated at any time by the Manager and at the Manager's discretion, or may be continued indefinitely.

	Absorbed Management Fees	
	June 30, 2021	June 30, 2020
Caldwell North American Fund (formerly, Caldwell Balanced Fund)	\$nil	\$nil
Tactical Sovereign Bond Fund	\$nil	\$nil

## Commissions

Commissions and other portfolio transactions are costs incurred to acquire, issue or dispose of financial assets or liabilities. The Manager is related to Caldwell Securities Ltd. ("CSL"), a securities dealer, as both entities are wholly-owned subsidiaries of Caldwell Financial Ltd. The Funds have approved CSL as an executing broker for the purposes of purchases and sales of portfolio investments, subjective to the Manager's broker selection and best execution policies and procedures.

The following transaction costs were paid to CSL for the period ended June 30, 2021 and 2020.

	June 30, 2021	June 30, 2020
	\$	\$
Caldwell North American Fund (formerly, Caldwell Balanced Fund)	\$nil	20,206
Tactical Sovereign Bond Fund	\$nil	16,018

## Independent Review Committee ("IRC")

In accordance with National Instrument 81-107 *Independent Review Committee for Investment Funds*, the Manager has established an IRC for the Funds. The mandate of the IRC is to review and make recommendations with respect to, or in certain circumstances approve, conflicts of interest matters but only if such matters are brought to it by the Manager. Remuneration paid to the members of the IRC are charged to the Funds and the amounts are included in Independent review committee fee in the Statements of Comprehensive Income.

# Notes to Financial Statements (Unaudited)

June 30, 2021

## 7. SOFT DOLLAR COMMISSIONS

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 North American Fund (formerly, Caldwell Balanced Fund) for the period ended June 30, 2021 was \$5,302 (June 30, 2020: \$1,400) and on behalf of Tactical Sovereign Bond Fund, for the period ended June 30, 2021 was \$40 (June 30, 2020: \$nil). The value of certain proprietary services provided by brokers cannot be reasonably estimated.

## 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 periods presented:

### CALDWELL NORTH AMERICAN FUND (FORMERLY, CALDWELL BALANCED FUND)

	Redeemable units, beginning of period	Redeemable units issued	Redeemable units redeemed	Redeemable units, end of period
<b>June 30, 2021</b>				
<b>Series A</b>	<b>3,392,542</b>	<b>31,538</b>	<b>(282,046)</b>	<b>3,142,034</b>
<b>Series F</b>	<b>367,397</b>	<b>41,972</b>	<b>(18,582)</b>	<b>390,787</b>
<b>June 30, 2020</b>				
Series A	3,606,662	28,100	(379,465)	3,822,845
Series F	108,802	1,168	(14,854)	114,782
Series M	10,650	2	(100)	10,704

### TACTICAL SOVEREIGN BOND FUND

	Redeemable units, beginning of period	Redeemable units issued	Redeemable units redeemed	Redeemable units, end of period
<b>June 30, 2021</b>				
<b>Series A</b>	<b>1,057,596</b>	<b>8,286</b>	<b>(132,366)</b>	<b>933,516</b>
<b>Series F</b>	<b>851,299</b>	<b>62,117</b>	<b>(79,354)</b>	<b>834,062</b>
<b>June 30, 2020</b>				
Series A	873,570	147,684	(55,678)	965,576
Series F	1,084,534	382,220	(315,564)	1,151,190

# Notes to Financial Statements (Unaudited)

June 30, 2021

## 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, including risk management practices, the Funds endeavor 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>2020</u>	<u>2019</u>
	\$	\$
Caldwell North American Fund (formerly, Caldwell Balanced Fund)	5,806,749	5,057,715
Tactical Sovereign Bond Fund	1,651,234	1,989,104

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>2020</u>	<u>2019</u>
	\$	\$
Caldwell North American Fund (formerly, Caldwell Balanced Fund)	372,718	nil
Tactical Sovereign Bond Fund	nil	nil

## 10. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

There have been no significant events in the Caldwell North American Fund (formerly, 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.