



# Caldwell Investment Management Ltd.

*Independent Investment Managers*

## **Semi-Annual Management Report of Fund Performance** For the Period Ended June 30, 2021

# **Tactical Sovereign Bond Fund**

Note: The fund's auditor does not audit the Management Report of Fund Performance ("MRFP") but checks the figures to ensure they are consistent with the audited financial statements.

This semi-annual management report of fund performance contains financial highlights but does not contain the complete semi-annual financial statements of the investment fund. You may obtain a copy of the semi-annual financial statements at your request, free of charge, by calling 1-800-256-2441, by writing to us at Caldwell Investment Management Ltd., 150 King Street West, Suite 1702, P.O. Box 47, Toronto, ON M5H 1J9 or by visiting our website at [www.caldwellinvestment.com](http://www.caldwellinvestment.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us by using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.



## **Management Discussion of Fund Performance**

### **Investment Objective**

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

The investment objective of the Fund may only be changed with the approval of unitholders at a meeting called for that purpose.

### **Results of Operations**

The Fund’s Series A units declined from \$4.71 to \$4.54, a decrease of 3.61%. Assets in Series A decreased from \$4.98 million to \$4.23 million

The Fund’s Series F are intended for use in fee-based accounts and for discount brokers. These units fell from \$10.00 to \$9.66, a decrease of 3.40%. Assets in this series fell from \$8.52 million to \$8.06 million.

Overall, the Fund’s assets fell from \$13.5 million to \$12.3 million during the first six months of 2021.

### **Recent Developments**

Through the first half of 2021, the uptake in vaccinations against the coronavirus in the advanced economies, particularly in U.S. and Canada, enabled the reopening of the economies, and raised growth forecasts for the balance of 2021 and into 2022. Due to supply chain disruptions from lockdowns, shortages pushed prices of many intermediate products higher. The changes in behavioural patterns of the consumers also created new demand. These forces combined to drive inflation expectations to extremely high levels. The result was a rapid rise in longer-term interest rates, reversing almost all of the decline since the start of the pandemic in March 2020. Optimism in growth forecasts also brought prices of risk assets like stocks and commodities higher, and credit spreads narrower.

The Bank of Canada hinted in the spring that it would start reducing monetary stimulus soon, which helped drive the Canadian dollar higher in global foreign exchange markets, reaching its highest level versus the U.S. dollar (over 83.00 U.S. cents) in more than five years.

As the economies started to reopen, a new Delta variant created the third wave of infections and forced economies into rolling lockdowns again. Inflation expectations and growth forecasts were being revised lower as incoming economic data were at best mixed and at times disappointing. Longer-term interest rates started to fall again.



At the time of writing, both the U.S. Federal Reserve and the Bank of Canada are still keeping short-term interest rates close to zero, and keeping investors assured that monetary stimulus will continue as long as it is needed. The Federal Reserve kept the Fed funds rate range to 0.00% - 0.25%. The Bank of Canada also tagged the overnight policy rate to 0.25%, its official 'lower bound'.

It is increasingly clear that growth and inflation expectations will need to be revised further down. In response, commodity prices are moderating, some are in deep corrections, bringing the Canadian dollar down with them. The Manager has started to remove the currency hedges on U.S. dollar exposures in the Fund's U.S. Treasury holdings. The now unhedged U.S. dollar exposure was able to bring additional returns to the Fund as the Canadian dollar declined/U.S. dollar rallied.

### **Independent Review Committee**

Under the provisions of National Instrument 81-107 – *Independent Review Committee for Investment Funds* ("NI 81-107"), which came into force on November 1, 2006, it is required that all publicly offered investment funds, such as the Fund, establish an independent review committee ("IRC") to whom the manager is to refer all potential conflict of interest matters in order to obtain a recommendation or approval, as applicable. NI 81-107 further mandates that the IRC be composed of at least three independent members and requires that they conduct assessments and regularly report to the Manager and unitholders in respect of its duties.

The current members of the Manager's IRC are Supriya Kapoor, Ann Harris and Jerry Beniuk.

### **Forward-looking Statements**

Certain statements included in this report may constitute forward-looking statements, including those identified by the expressions "believe", "anticipate", "expect" or similar expressions to the extent they relate to the Fund, its Manager or its portfolio manager. Such forward-looking statements are not historical facts but reflect the Fund's, the Manager's or the portfolio manager's current expectations regarding future results or events. Such forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Readers are cautioned to consider these and other factors carefully when making decisions with respect to the Fund and not place undue reliance on forward-looking statements. Unless required by applicable law, the Fund does not undertake any obligation to update publicly or to revise any of such forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements included or incorporated by reference in this report include statements with respect to:

- Interest rates
- Change in accounting policy



## **Related Party Transactions**

### **Manager and Portfolio Adviser**

The Manager is a wholly owned subsidiary of Caldwell Financial Ltd. The Manager is also the portfolio adviser of the Fund. The Manager is responsible for the Fund's day-to-day operations, provides investment advice and portfolio management services to the Fund and appoints distributors for the Fund. For its administrative services, trustee fees, asset allocation, security selection, ongoing monitoring and related services, the Manager is paid an annual fee up to 0.75% based on the net asset value of Series A units of the Fund and up to 0.25% based on the net asset value of Series F units of the Fund.

### **Trustee**

The trustee of the Fund is Caldwell Investment Management Ltd.

### **Principal Distributor**

Caldwell Securities Ltd. is related to the Manager in that both are wholly-owned subsidiaries of Caldwell Financial Ltd. Caldwell Securities Ltd. markets units of the Fund directly to the public and receives sales commissions and trailer fees based on the total value of their clients' holdings in the Fund on the same basis as other dealers that distribute units to the public.

### **Brokerage Arrangements**

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

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

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

To date in 2021, the Fund has paid \$nil in commissions to Caldwell Securities Ltd. and for the similar period in 2020, the Fund paid \$16,047.



## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years. This information is derived from the Fund's audited annual financial statements.

The Fund's Net Asset Value (NAV), per Series A Unit, as at June 30, 2021 (unaudited) and December 31 of previous years:

|   | 2021          | 2020        | 2019        | 2018          | 2017          |
|---|---------------|-------------|-------------|---------------|---------------|
| Net Assets, beginning of year <sup>(1)</sup>                    | 4.71          | 4.57        | 4.51        | 4.63          | 4.69          |
| <b>Increase (decrease) from operations:</b>                     |               |             |             |               |               |
| Total Revenue   | 0.03          | 0.08        | 0.07        | 0.05          | 0.05          |
| Total Expenses  | (0.06)        | (0.09)      | (0.11)      | (0.09)        | (0.06)        |
| Realized gains (losses) for the period                          | (0.20)        | 0.21        | 0.11        | (0.21)        | (0.02)        |
| Unrealized gains (losses) for the period                        | 0.05          | (0.05)      | (0.01)      | 0.12          | (0.04)        |
| <b>Total increase (decrease) from operations <sup>(1)</sup></b> | <b>(0.18)</b> | <b>0.15</b> | <b>0.06</b> | <b>(0.13)</b> | <b>(0.07)</b> |
| From Income (excluding dividends)                               | 0.00          | 0.00        | 0.00        | 0.00          | 0.00          |
| From Dividends  | 0.00          | 0.00        | 0.00        | 0.00          | 0.00          |
| From Capital Gains  | 0.00          | 0.00        | 0.00        | 0.00          | 0.00          |
| Return of Capital   | 0.00          | 0.00        | 0.00        | 0.00          | 0.00          |
| <b>Total Annual Distributions <sup>(2)</sup></b>                | <b>0.00</b>   | <b>0.00</b> | <b>0.00</b> | <b>0.00</b>   | <b>0.00</b>   |
| <b>Net Assets at June 30 and December 31 of year shown</b>      | <b>4.53</b>   | <b>4.71</b> | <b>4.57</b> | <b>4.51</b>   | <b>4.63</b>   |

<sup>(1)</sup> Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

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



The Fund's Net Asset Value (NAV), per Series F Unit, as at June 30, 2021 (unaudited) and December 31 of previous years:

|   | 2021          | 2020         | 2019        | 2018          | 2017          |
|---|---------------|--------------|-------------|---------------|---------------|
| Net Assets, beginning of year <sup>(1)</sup>                    | 10.00         | 9.75         | 9.58        | 9.79          | 9.86          |
| <b>Increase (decrease) from operations:</b>                     |               |              |             |               |               |
| Total Revenue   | 0.06          | 0.16         | 0.15        | 0.10          | 0.10          |
| Total Expenses  | (0.09)        | (0.13)       | (0.17)      | (0.12)        | (0.07)        |
| Realized gains (losses) for the period                          | (0.41)        | 0.46         | 0.17        | (0.52)        | (0.04)        |
| Unrealized gains (losses) for the period                        | 0.09          | (0.34)       | 0.01        | 0.29          | (0.11)        |
| <b>Total increase (decrease) from operations <sup>(1)</sup></b> | <b>(0.35)</b> | <b>0.15</b>  | <b>0.16</b> | <b>(0.25)</b> | <b>(0.12)</b> |
| <b>Distributions:</b>   |               |              |             |               |               |
| From Income (excluding dividends)                               | 0.00          | 0.00         | 0.00        | 0.00          | 0.00          |
| From Dividends  | 0.00          | 0.00         | 0.00        | 0.00          | 0.00          |
| From Capital Gains  | 0.00          | 0.00         | 0.00        | 0.00          | 0.00          |
| Return of Capital   | 0.00          | 0.00         | 0.00        | 0.00          | 0.00          |
| <b>Total Annual Distributions <sup>(2)</sup></b>                | <b>0.00</b>   | <b>0.00</b>  | <b>0.00</b> | <b>0.00</b>   | <b>0.00</b>   |
| <b>Net Assets at June 30 and December 31 of year shown</b>      | <b>9.64</b>   | <b>10.00</b> | <b>9.75</b> | <b>9.58</b>   | <b>9.79</b>   |

<sup>(1)</sup> Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

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

#### Ratios and Supplemental Data - Series A

|  | 2021    | 2020      | 2019     | 2018      | 2017      |
|--|---------|-----------|----------|-----------|-----------|
| Net assets (000's) <sup>(1)</sup>                      | 4,235   | 4,981     | 3,991    | 4,183     | 4,821     |
| Number of units outstanding <sup>(1)</sup>             | 933,516 | 1,057,596 | 873,570  | 926,902   | 1,040,131 |
| Management expense ratio <sup>(2)</sup>                | 2.62%   | 1.81%     | 2.29%    | 1.87%     | 1.30%     |
| Management expense ratio before waivers or absorptions | 2.62%   | 1.81%     | 2.29%    | 1.87%     | 1.30%     |
| Portfolio turnover rate <sup>(3)</sup>                 | 146.96% | 380.98%   | 2302.19% | 1,533.98% | 720.40%   |
| Trading Expense ratio <sup>(4)</sup>                   | 0.08%   | 0.14%     | 0.45%    | 0.20%     | 0.11%     |



## Ratios and Supplemental Data - Series F

|  | 2021    | 2020    | 2019      | 2018      | 2017      |
|--|---------|---------|-----------|-----------|-----------|
| Net asset value (000's) <sup>(1)</sup>                 | 8,060   | 8,517   | 10,569    | 12,277    | 32,804    |
| Number of units outstanding <sup>(1)</sup>             | 834,062 | 851,299 | 1,084,534 | 1,281,258 | 3,352,015 |
| Management expense ratio <sup>(2)</sup>                | 2.05%   | 1.22%   | 1.71%     | 1.26%     | 0.66%     |
| Management expense ratio before waivers or absorptions | 2.05%   | 1.22%   | 1.71%     | 1.26%     | 0.73%     |
| Portfolio turnover rate <sup>(3)</sup>                 | 146.96% | 380.98% | 2302.19%  | 1,533.98% | 720.40%   |
| Trading Expense ratio <sup>(4)</sup>                   | 0.08%   | 0.14%   | 0.45%     | 0.20%     | 0.11%     |

<sup>(1)</sup> This information is provided as at June 30, 2021 (unaudited) and December 31 for previous years.

<sup>(2)</sup> Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the year.

<sup>(3)</sup> The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

<sup>(4)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

### Management Fees

As compensation for managing the Fund, the Manager can receive an annual fee up to 0.75% based on the net asset value of Series A units of the Fund and up to 0.25% based on the net asset value of Series F units of the Fund. Such fees are calculated daily and payable monthly. The Manager in turn is responsible for paying investment adviser fees, trustee fees, sales commissions, trailer fees and has chosen to absorb certain expenses for which the Fund is responsible.

|   |     |
|---|-----|
| Distribution                              | 46% |
| Management and Portfolio Adviser Services | 54% |
| Waivers and Absorption of Fund Expenses   | 0%  |



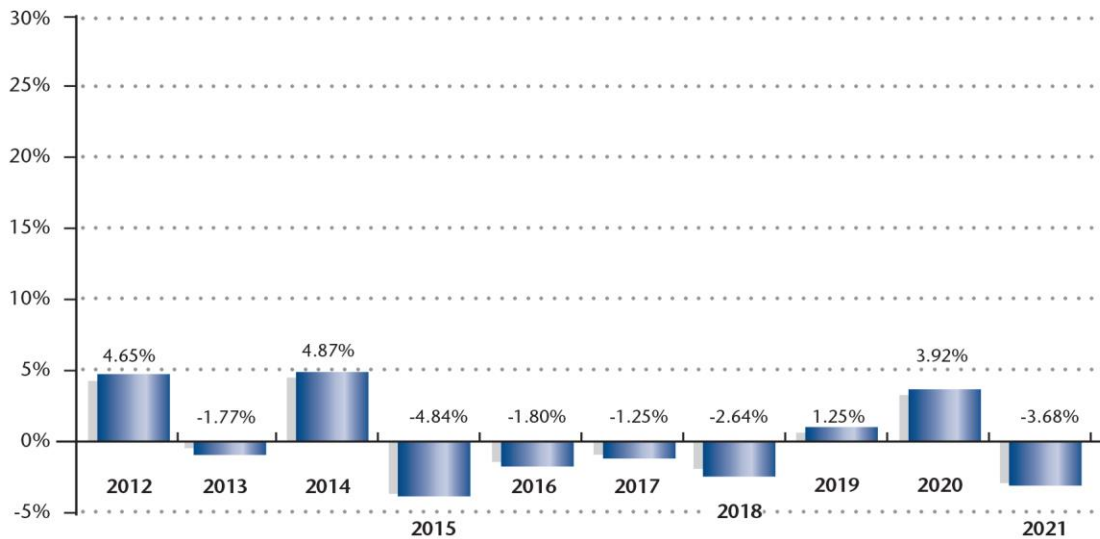
## Past Performance

The following charts shows how the Fund has performed in the past, and can help you understand the risks of investing in the Fund. These returns include the reinvestment of all distributions and would be lower if they did not. They don't include deduction of sales, switch, redemption, or other optional charges (which distributors may charge) or income taxes payable, and would be lower if they did. The Fund's past performance is no guarantee of how it will perform in the future.

### Year-by-Year Returns

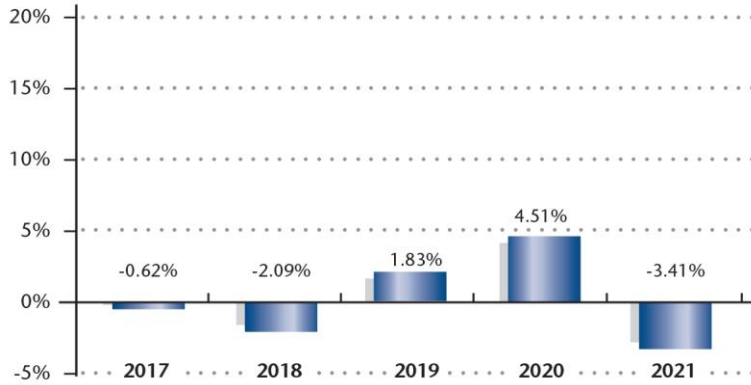
The bar charts shows how the Fund's annual past performance has varied from year to year for each of the years shown. It shows in percentage terms how an investment made on January 1 would have increased or decreased by December 31 for each year.

**For the years ended December 31 and the semi-annual period ending June 30**



**Tactical Sovereign Bond Fund - Series A**



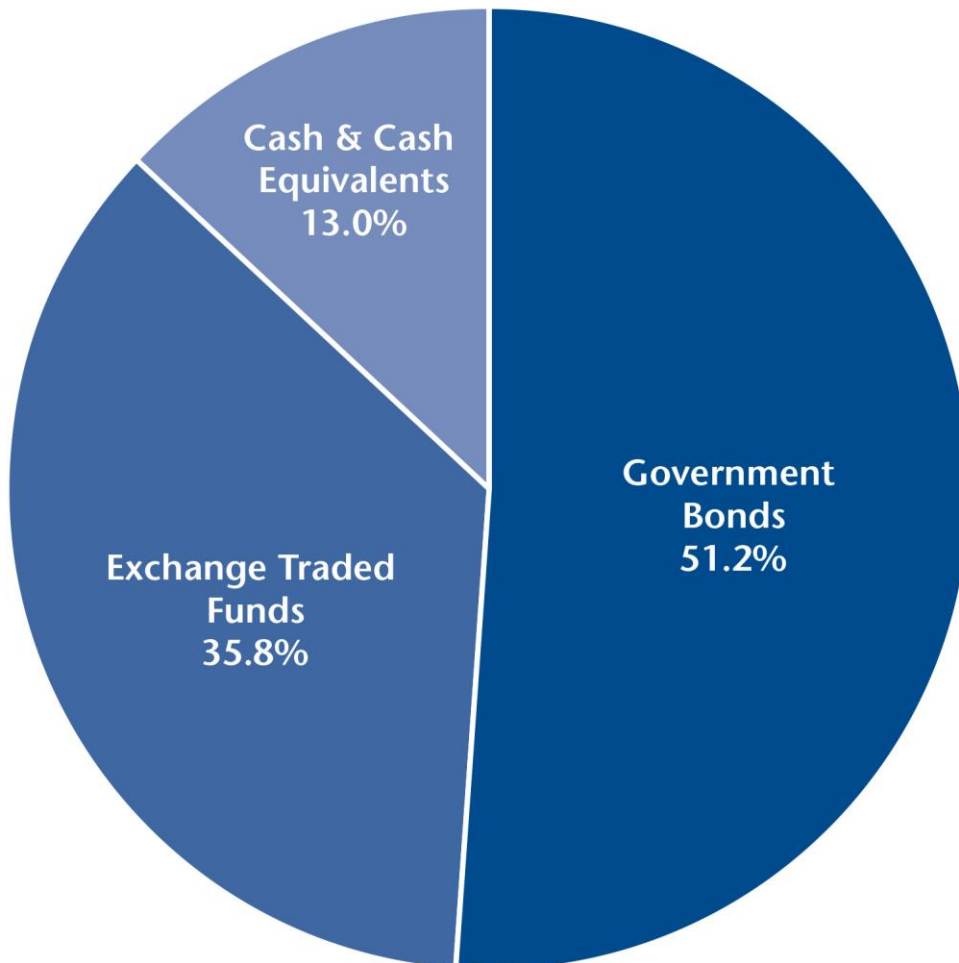


**Tactical Sovereign Bond Fund - Series F**



## Summary of Investment Portfolio

Portfolio Breakdown as at June 30, 2021



### Tactical Sovereign Bond Fund

