Financial Statements of

# CALDWELL U.S. DIVIDEND ADVANTAGE FUND

December 31, 2017 and 2016

# CALDWELL U.S. DIVIDEND ADVANTAGE FUND
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December 31, 2017

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# Independent Auditor's Report

To the Unitholders of
Caldwell U.S. Dividend Advantage Fund

We have audited the accompanying financial statements of Caldwell U.S. Dividend Advantage Fund, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Caldwell U.S. Dividend Advantage Fund as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 29, 2018

# CALDWELL U.S. DIVIDEND ADVANTAGE FUND
## Statement of Financial Position

As at, December 31

| | | December 31, 2017 | | December 31, 2016 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash | $ | 656,623 | $ | 528,439 |
| Foreign currencies | | 1,412,956 | | 921,040 |
| Investment portfolio, at fair value through profit or loss (Note 5) | | 65,983,404 | | 63,907,487 |
| Dividends receivable | | 245,077 | | 295,437 |
| **Total assets** | | 68,298,060 | | 65,652,403 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Forward contracts (Note 5) | | 663,756 | | 709,504 |
| Due to broker | | 11,585,402 | | 11,780,027 |
| Due to Manager | | – | | 19,070 |
| Management fees payable (Note 7) | | 10,164 | | 40,442 |
| Accrued liabilities | | 45,610 | | 48,452 |
| Distributions payable | | 258,074 | | 253,155 |
| **Total liabilities** | | 12,563,006 | | 12,850,650 |
| **Equity** | | | | |
| Share Capital | | 51,707,231 | | 50,704,273 |
| Retained Earnings | | 4,027,823 | | 2,097,480 |
| **Total equity** | | 55,735,054 | | 52,801,753 |
| **Total Liabilities and Equity** | $ | 68,298,060 | $ | 65,652,403 |
| Number of equity units outstanding (Note 6) | | 5,161,479 | | 5,063,100 |
| Net asset value per equity unit | $ | 10.80 | $ | 10.43 |

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

Brendan T.N Caldwell, President

# CALDWELL U.S. DIVIDEND ADVANTAGE FUND
## Statement of Comprehensive Income

For the years ended December 31

| | | 2017 | | 2016 |
|---|---|---|---|---|
| **Income** | | | | |
| Dividend income | $ | **2,851,812** | $ | 3,445,441 |
| Interest income for distribution purposes | | **81,565** | | 50,463 |
| Unrealized appreciation on value of investments and forward contracts | | **761,721** | | 4,464,684 |
| Net realized gain on sale of investments and forward contracts | | **3,532,196** | | 1,821,543 |
| | | **7,227,294** | | 9,782,131 |
| **Expenses** | | | | |
| Management fees (Note 7) | | **1,036,368** | | 927,085 |
| Investment transaction costs | | **363,792** | | 594,704 |
| Withholding taxes | | **358,420** | | 419,585 |
| Bank charges | | **240,117** | | 151,860 |
| Administrative fees | | **76,502** | | 79,546 |
| Securityholder reporting costs | | **31,809** | | 31,960 |
| Custodial fee | | **33,683** | | 25,001 |
| Filling fee | | **29,800** | | 45,270 |
| Audit fees | | **25,770** | | 25,001 |
| Independent review committee fees | | **7,823** | | 8,998 |
| Legal fees | | **2,640** | | 8,001 |
| | | **2,206,724** | | 2,317,011 |
| Net income | $ | **5,020,570** | $ | 7,465,120 |
| Increase in net income per equity unit (Note 11) | $ | **0.98** | $ | 1.51 |

See Accompanying Notes

# CALDWELL U.S. DIVIDEND ADVANTAGE FUND
## Statement of Changes in Equity

For the years ended December 31

| | Share Capital | Retained Earnings | Total |
|---|---|---|---|
| **Balance at January 1, 2017** | **$ 50,704,273** | **$ 2,097,480** | **$ 52,801,753** |
| **Net income** | **–** | **5,020,570** | **5,020,570** |
| **Sale of equity units** | **1,002,958** | **–** | **1,002,958** |
| **Distribution to unitholders of equity units** | **–** | **(3,090,227)** | **(3,090,227)** |
| **Balance at December 31, 2017** | **$ 51,707,231** | **$ 4,027,823** | **$ 55,735,054** |

| | Share Capital | Retained Earnings | Total |
|---|---|---|---|
| **Balance at January 1, 2016** | $ 50,603,943 | $ (2,396,745) | $ 48,207,198 |
| Net income | – | 7,465,120 | 7,465,120 |
| Sale of equity units | 2,379,170 | – | 2,379,170 |
| Redemption of equity units | (2,278,840) | – | (2,278,840) |
| Distribution to unitholders of equity units | – | (2,970,895) | (2,970,895) |
| **Balance at December 31, 2016** | $ 50,704,273 | $ 2,097,480 | $ 52,801,753 |

See Accompanying Notes

# CALDWELL U.S. DIVIDEND ADVANTAGE FUND
## Statement of Cash Flows

For the years ended December 31

| | 2017 | 2016 |
|---|---|---|
| Cash flow from (used in) operating activities | | |
| Net gain, for the year | $ 5,020,570 | $ 7,465,120 |
| Adjustments for non-cash items | | |
| Net realized gain on sale of investments and forward contracts | (3,532,196) | (1,821,543) |
| Change in unrealized appreciation in value of investments and forward contracts | (761,721) | (4,464,684) |
| Transaction costs | 363,792 | 594,704 |
| Change in non-cash balances | | |
| Decrease in receivable for investments sold | - | 16,569 |
| Decrease in dividends receivable | 50,360 | 81,073 |
| Decrease in management fees payable | (30,278) | (24,071) |
| Increase in distributions payable | 4,919 | 405 |
| (Decrease) increase in due to Manager | (19,070) | 5,030 |
| (Decrease) increase in accrued liabilities | (2,842) | 6,058 |
| Proceeds from sale of investments | 44,257,171 | 61,645,257 |
| Purchase of investments | (43,087,490) | (65,296,722) |
| Net cash flow from (used in) operating activities | 2,263,215 | (1,792,804) |
| Financing activities | | |
| Proceeds from issuance of equity units | 1,002,958 | 2,379,170 |
| Amount paid on redemption of equity units | - | (2,278,840) |
| Amount paid on distribution of equity units | (3,090,227) | (2,970,895) |
| Net cash flow used in financing activities | (2,087,269) | (2,870,565) |
| Foreign exchange gain on cash | 638,779 | 255,117 |
| Increase (decrease) in cash during the year | 814,725 | (4,408,252) |
| Cash (including foreign currencies), beginning of year | (10,330,548) | (5,922,296) |
| Cash (including foreign currencies), end of year | $ (9,515,823) | $ (10,330,548) |
| SUPPLEMENTAL INFORMATION* | | |
| Interest paid | $ 233,472 | $ 136,748 |
| Interest received | 81,565 | 50,463 |
| Dividends received, net of withholding taxes | 2,557,043 | 3,096,802 |

*Included as part of 'Cash flow from (used in) operating activities'

# CALDWELL U.S. DIVIDEND ADVANTAGE FUND
## Schedule of Investment Portfolio

As at December 31, 2017

| Investments Owned | No. of Shares/Units | Cost $ | Fair Value $ |
|---|---|---|---|
| **Canadian Equities** | | | |
| AltaGas Ltd. | 41,000 | 1,274,129 | 1,173,420 |
| AltaGas Ltd. Subscription Receipts | 35,000 | 1,038,254 | 992,950 |
| Canadian Natural Resources Ltd. | 50,000 | 1,913,000 | 2,246,000 |
| Crescent Point Energy Corp. | 150,000 | 1,449,440 | 1,437,000 |
| Labrador Iron Ore Royalty Corp. | 70,000 | 1,161,430 | 1,904,000 |
| Westshore Terminals Investment Corp. | 45,000 | 1,061,042 | 1,183,050 |
| | | 7,897,295 | 8,936,420 |
| **U.S. Equities** | | | |
| Air Products & Chemicals Inc. | 5,000 | 918,539 | 1,027,141 |
| Alcentra Capital Corp. | 140,000 | 1,953,939 | 1,470,599 |
| Amgen Inc. | 7,700 | 1,529,111 | 1,676,466 |
| Apollo Commercial Real Estate Finance Inc. | 65,000 | 1,398,055 | 1,501,461 |
| Apple Inc. | 10,000 | 1,595,299 | 2,118,760 |
| Ares Capital Corp. | 70,000 | 1,436,252 | 1,377,701 |
| AT&T Inc. | 26,000 | 1,294,075 | 1,265,622 |
| Automatic Data Processing Inc. | 10,500 | 1,383,851 | 1,540,580 |
| Bank of America Corp. | 73,000 | 2,208,458 | 2,698,010 |
| Blackstone Mortgage Trust Inc. | 40,000 | 1,430,161 | 1,611,574 |
| Bristol-Myers Squibb Co. | 22,000 | 1,665,570 | 1,687,896 |
| Cisco Systems Inc. | 24,000 | 962,097 | 1,150,838 |
| Citigroup Inc. | 30,200 | 2,350,579 | 2,813,472 |
| CSX Corp. | 14,000 | 1,000,887 | 964,215 |
| Eli Lilly & Co. | 15,000 | 1,674,556 | 1,586,159 |
| Energy Transfer Partners LP | 49,950 | 1,654,343 | 1,120,670 |
| Federal National Mortgage Association Preferred Shares 8.25% | 47,000 | 377,437 | 517,827 |
| Goldman Sachs BDC Inc. | 51,000 | 1,364,279 | 1,416,237 |
| Golub Capital BDC Inc. | 55,000 | 1,178,904 | 1,253,252 |
| Harris Corp. | 8,000 | 969,699 | 1,418,766 |
| International Business Machines Corp. | 7,000 | 1,391,356 | 1,344,573 |
| JPMorgan Chase & Co. | 16,300 | 1,590,519 | 2,182,389 |
| KB Home | 30,000 | 587,289 | 1,200,042 |
| Kinder Morgan Inc. | 25,000 | 618,083 | 565,591 |
| Lennar Corp. Class B | 270 | 16,591 | 17,470 |
| Lennar Corp. Class A | 16,000 | 1,121,214 | 1,266,824 |
| Macquarie Infrastructure Corp. | 15,000 | 1,505,520 | 1,205,676 |
| Microsoft Corp. | 18,200 | 1,448,269 | 1,949,149 |
| Norfolk Southern Corp. | 10,600 | 1,359,930 | 1,922,997 |
| Occidental Petroleum Corp. | 20,000 | 1,653,263 | 1,844,446 |
| Pioneer Natural Resources Co. | 4,000 | 804,208 | 865,633 |
| Royal Dutch Shell PLC | 16,500 | 1,215,081 | 1,410,735 |

# CALDWELL U.S. DIVIDEND ADVANTAGE FUND
## Schedule of Investment Portfolio (continued)

As at December 31, 2017

| Investments Owned | No. of Shares/Units | Cost $ | Fair Value $ |
|---|---|---|---|
| **U.S. Equities (Cont'd)** | | | |
| Starwood Property Trust Inc. | 47,000 | 1,332,601 | 1,256,319 |
| Symantec Corp. | 38,100 | 1,193,235 | 1,338,496 |
| The Williams Cos Inc. | 30,000 | 994,811 | 1,145,204 |
| TPG Specialty Lending Inc. | 50,000 | 1,103,989 | 1,239,480 |
| Union Pacific Corp. | 13,100 | 1,894,478 | 2,199,401 |
| Vulcan Materials Co. | 13,400 | 2,217,923 | 2,153,638 |
| Weyerhaeuser Co. | 39,000 | 1,550,682 | 1,721,675 |
| | | 51,945,133 | 57,046,984 |
| **Total Investments Owned** | | 59,842,428 | 65,983,404 |
| **Unrealized Loss, Foreign Exchange Forward Contracts** (Schedule 1) | | | (663,756) |
| **Other Net Liabilities** | | | (9,584,594) |
| **Net Asset Value** | | | 55,735,054 |

See Accompanying Notes

# CALDWELL U.S. DIVIDEND ADVANTAGE FUND
## Schedule of Investment Portfolio (continued)

As at December 31, 2017

Schedule 1 - Foreign Exchange Forward Contracts

| Settlement Date | Currency Bought/ Sold | Currency Bought/ Sold | Counterparty | Forward Rates | Contract Price | Fair Value | | Unrealized Gain (Loss) |
|---|---|---|---|---|---|---|---|---|
| March 6, 2018 | USD | CAD | BNY MELLON | 1.235750 | (12,357,500) | (12,509,680) | $ | (152,180) |
| March 6, 2018 | USD | CAD | BNY MELLON | 1.215400 | (12,154,000) | (12,509,680) | | (355,680) |
| March 6, 2018 | USD | CAD | BNY MELLON | 1.213600 | (6,068,000) | (6,254,840) | | (186,840) |
| March 6, 2018 | USD | CAD | BNY MELLON | 1.247100 | 9,976,800 | 10,007,744 | | 30,944 |
| Total unrealized loss on foreign exchange forward contracts | | | | | | | $ | (663,756) |

### 1. ORGANIZATION AND INVESTMENT OBJECTIVE

Caldwell U.S. Dividend Advantage Fund (the "Fund") is a closed-end investment fund established as a trust under the laws of the Province of Ontario pursuant to a declaration of trust (the "Declaration of Trust") dated as of May 28, 2015. Under the Declaration of Trust, the Fund may issue an unlimited number of units.

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

Caldwell Investment Management Ltd. ("Caldwell") is the manager ("Manager") and promoter of the Fund. AST Trust Company (Canada) is the trustee ("Trustee") of the Fund. Caldwell is wholly-owned by Caldwell Financial Ltd., ("CFL") a corporation incorporated under the laws of Ontario.

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 investment objective of the Fund is to provide the holders of the units with: (i) monthly cash distribution; and (ii) the potential for capital appreciation and enhanced long-term risk adjusted returns.

### 2. BASIS OF PRESENTATION

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS").

These financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities classified as fair value through profit or loss which are presented at fair value. The accounting policies applied in these financial statements are based on IFRS issued as of December 31, 2017.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### New Standards, Amendments and Interpretations Issued but Not Yet Effective

**IFRS 9 Financial Instruments ("IFRS 9")**

IFRS 9 issued in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. It is effective for annual periods beginning on or after January 1, 2018. The fund plans to adopt the new standard the date it becomes effective.

**Classification and measurement of financial assets and financial liabilities**

Under IFRS 9, classification and measurement of financial assets will be driven by the Fund's business model for managing them and their contractual cash flows. Classification and measurement categories under IFRS 9 are amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss("FVTPL").

IFRS 9 largely retains the existing requirements for classification and measurement of financial liabilities. However, unlike IAS 39 where all fair value changes of liabilities designated at fair value through profit or loss are recognized in profit or loss, under IFRS 9, fair value changes related to changes in the issuer's own credit risk will be presented in other comprehensive income.

Based on the Fund's initial assessment, IFRS 9 is not expected to have a material impact on classification and measurement of financial instruments, since the Fund makes decisions based on the assets' fair values and manages the assets to realize those fair values. As such the majority of the Fund's financial assets will continue to be measured at FVTPL. In addition, derivatives will continue to be measured at FVTPL.

**Impairment of financial assets**

IFRS 9 also introduces the expected credit loss ("ECL") model for impairment of financial assets measured at amortized cost and debt instruments measured at FVOCI. The ECL impairment model will not have a material impact to the Fund's financial assets given that the majority of the Fund's financial assets will continue to be measured at FVTPL.

**Hedge accounting**

The Fund does not apply hedge accounting, therefore, IFRS 9 hedge accounting related changes do not have an impact on the Fund's financial statements.

Based on the Fund's initial assessment, IFRS 9 is not expected to have a material impact to the Fund's financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial Assets and Financial Liabilities at Fair Value Through Profit and Loss

*Classification*

The Fund classifies its investments in debt, equity securities and derivatives as financial assets and financial liabilities at fair value through profit or loss ("FVTPL").

This category has two sub-categories: financial assets or financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

**(i) Financial assets and financial liabilities held for trading**
A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorized as held for trading. The Fund does not classify any derivatives as hedges in a hedging relationship.

**(ii) Financial assets and financial liabilities designated at fair value through profit or loss at inception**
Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund classifies all other investments as designated at fair value through profit and loss.

The Fund recognizes 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 Fund's investments have been designated at fair value through profit or loss and derivatives as held for trading ("HFT"). All other financial assets and financial liabilities are 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. The Fund's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its net asset value ("Trading NAV") for transactions with unitholders except those warrants not traded in an active market.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*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 Fund's Declaration of Trust, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions. For financial reporting purposes, the Fund uses 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 circumstance 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. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or ask price to the net open position, as appropriate.

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Valuation techniques used include the use of comparable recent arm's-length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Investments in private companies and other assets for which no published market exists are initially valued at cost and adjusted each reporting period, when appropriate, to reflect the most recent value at which such securities have been exchanged in an arm's-length transaction which approximates a trade effected in a published market, unless a different fair market value is otherwise determined to be appropriate by the Manager.

Investments in warrants that are liquid and traded on an active stock market have been measured at fair value. Warrants not on an active exchange are valued using a variety of methods using assumptions based on market conditions existing at each statement of financial position date.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Recognition/derecognition*

The Fund recognizes financial assets and financial liabilities at fair value through profit and loss when the Fund becomes party to the contractual provisions of the instrument. Recognition takes place 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 assets or liabilities are recognized in the Statement of Comprehensive Loss.

Other financial assets are derecognized only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Fund derecognizes financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or they expire.

### Other assets and liabilities

Dividends receivable are classified as loans and receivables and are initially recorded at fair value and are subsequently measured at amortized cost. Accrued liabilities, distributions payable, management fees payable are classified as other liabilities and are initially recorded at fair value, and subsequently measured at amortized cost. Financial liabilities are generally settled within three months of issuance. Other assets and liabilities are short-term in nature, and their carrying amounts approximate fair value.

### 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.

The interest on debt securities at fair value through profit and loss is accrued on a time-proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable.

### Transaction Costs

Transaction costs are expenses and are included in "transaction costs" in the Statements of Comprehensive Loss. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which includes 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement 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. In the normal course of business the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the Statement of Financial Position but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or termination of the contracts.

### Cash

Cash is comprised of cash on deposit and is classified as loans and receivable. Cash due to broker is a margin account representing cash loans with brokers and are secured by the underlying investments owned by the Fund.

### Redeemable units

The Fund is authorized to issue units which are redeemable at the holder's option, referred to as redeemable units ("Units"). The Units have met all the criteria for classification as equity in accordance with the requirements of International Accounting Standard 32, Financial Instruments: Presentation. (see Note 6).

### Valuation of fund units

The net asset value of the Fund is calculated after the close of business on each valuation date, which is the last business day in each month, or such other time as the Trustee deems appropriate. The net asset value is calculated on the valuation date by dividing the net asset value of the Fund by the total number of units outstanding.

### Distributions

The Fund will not have a fixed distribution but intends to pay monthly cash distributions based on, among other things, the actual and expected returns on the Portfolio. The Manager will at least annually determine an indicative distribution amount for the period based upon the prevailing market conditions and an estimate of distributable cash flow from the Portfolio for such period. The Fund intends to make monthly distributions to Unitholders of record on the last Business Day of each month. Distributions will be paid on a Business Day designated by the Manager that will be on or about the 15th day of the following month.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Increase in net income per equity unit

Increase in net income per equity unit is based on the increase in net income attributed to each class of units, divided by the weighted average number of units outstanding of that class during the year. Refer to Note 11 for the calculation.

### Foreign exchange

The functional and presentation currency of the Fund is the Canadian dollar. The fair value of foreign investments and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at 12:00 p.m. Eastern Time (the "noon rate") on each reporting date. Purchases and sales of foreign securities denominated in foreign currencies and the related income are translated into Canadian dollars at rates of exchange prevailing on the respective dates of such transactions.

### Income taxes

The Fund is taxable under the Income Tax Act (Canada) (the "Act") on all of its taxable income for the year (including net taxable capital gains), and is permitted a deduction in computing its income tax under the Act for all amounts which are paid or payable in the year to unitholders. As all such amounts are always payable to the unitholders, no tax will be payable on such amounts for the year.

Withholding taxes on foreign dividend income are deducted at the source.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with IFRS requires management to use accounting estimates and assumptions about the future. It also requires management to exercise its judgment in the process of applying the Fund's 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 Fund has made in preparing the financial statements:

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

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

The Fund holds financial instruments, including derivatives that are not quoted in active markets. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them.

The models used for private equity securities are based mainly on earnings multiples adjusted for a lack of marketability as appropriate.

Models use observable data, to the extent practicable. However, areas such as credit risk, volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 5 for further information about the fair value measurement of the Fund's financial instruments.

### Classification and measurement of investments and application of the fair value option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39. The most significant judgments made include the determination that certain investments are held for trading and that the fair value option can be applied to those which are not.

### Functional and presentation currency

The 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. The Fund's performance is evaluated and its liquidity is managed in Canadian dollars.

## 5. FAIR VALUE DISCLOSURE

Fair value measurement of investments is based on a three-level fair value hierarchy that reflects the significance of the inputs used in making the measurement. 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).

The Fund's total investment holdings as at December 31, 2017 and December 31, 2016 are classified into a three-level fair value hierarchy as follows:

| December 31, 2017 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Equities | $ 65,983,404 | $ – | $ – | $ 65,983,404 |
| | $ 65,983,404 | $ – | $ – | $ 65,983,404 |
| **Liabilities** | | | | |
| Forward contracts | $ – | $ 663,756 | $ – | $ 663,756 |
| | $ – | $ 663,756 | $ – | $ 663,756 |

| December 31, 2016 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Equities | $ 63,843,668 | $ – | $ – | $ 63,843,668 |
| Options | 63,819 | – | – | 63,819 |
| | $ 63,907,487 | $ – | $ – | $ 63,907,487 |
| **Liabilities** | | | | |
| Forward contracts | $ – | $ 709,504 | $ – | $ 709,504 |
| | $ – | $ 709,504 | $ – | $ 709,504 |

There were no transfers between levels during the years ended December 31, 2017 and 2016.

## 6. EQUITY UNITS OF THE FUND

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

| | 2017 | 2016 |
|---|---|---|
| Equity units, beginning of year | 5,063,100 | 5,055,000 |
| Equity units issued | 98,379 | 245,100 |
| Equity units redeemed | – | (237,000) |
| Equity units, end of year | 5,161,479 | 5,063,100 |

### Distributions

The Fund will not have a fixed distribution but in accordance with the Fund's investment objectives intends to pay monthly cash distributions based on, among other things, the actual and expected returns of the Portfolio. The Manager will at least annually determine an indicative distribution amount for the period based upon the prevailing market conditions and an estimate of distributable cash flow from the Portfolio for such period. The Fund intends to make monthly distributions to Unitholders of record on the last Business Day of each month (each, a "Distribution Record Date"). Distributions will be paid on a Business Day designated by the Manager that will be on or about the 15th day of the month following the Distribution Record Date.

### Redemptions of units

Commencing in 2018, Units may be surrendered annually for redemption during the period from October 1 until 5:00 p.m. (Toronto time) on the last Business Day in October of each year (the "Annual Redemption Notice Period") subject to the Fund's right to suspend redemptions in certain circumstances. Redeeming Unitholders will receive a redemption price per Unit equal to the applicable NAV per Unit on the Annual Redemption Date, less any costs and expenses incurred by the Fund in order to fund such redemption, including brokerage costs.

## 6. EQUITY UNITS OF THE FUND (CONTINUED)

In addition to the annual redemption right, Units may also be surrendered at any time for redemption on the second last Business Day of any month (other than the month of November) (a "Monthly Redemption Date"), subject to certain conditions. Unitholders surrendering a Unit for redemption on a Monthly Redemption Date will receive a redemption price per Unit equal to the lesser of (i) 95% of the Market Price of a Unit, and (ii) 100% of the Closing Market Price of a Unit on the applicable Monthly Redemption Date less, in each case, any costs and expenses incurred by the Fund in order to fund such redemption, including brokerage costs, provided that in no event shall the redemption price per Unit exceed 100% of the NAV per Unit on the Monthly Redemption Date (the "Monthly Redemption Amount").

A Unitholder who redeems a Unit on a Monthly Redemption Date will be required to pay the Manager a redemption fee (the "Redemption Fee") equal to 6.0% of the Monthly Redemption Amount. No redemption fee is payable by a Unitholder who redeems a Unit on an Annual Redemption Date.

## 7. MANAGEMENT FEES AND OPERATING EXPENSES

Under the terms of the Offering Memorandum, the Manager is entitled to an annual management fee of 1.75% of the Fund's gross asset value. The management fee for the year ended December 31, 2017 was $1,036,368 (December 31, 2016 - $927,085).

The management fee payable at December 31, 2017 was $10,164 (December 31, 2016 - $40,442).

The Fund is 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.

## 8. COMMISSIONS AND RELATED PARTY TRANSACTIONS

The Manager and Caldwell Securities Ltd. ("CSL"), a broker, are related parties as they are both wholly-owned subsidiaries of CFL. CSL has earned $437,363 as of December 31, 2017 (December 31, 2016 - $623,764) in brokerage commissions during the year, which is recorded in transaction costs.

The Manager has earned management fees during the year as disclosed in Note 7.

The Manager on behalf of the Fund received soft dollar commissions on the amount of $64,684 for 2017 to pay for third party research services.

### 9. FINANCIAL INSTRUMENTS RISK AND CAPITAL MANAGEMENT

**Capital management**

The Fund defines its capital as its net assets or equity, which is primarily composed of its investments. The Fund manages its investments in line with its investment objectives and the Fund does not have any externally imposed capital requirements.

**Financial risk management**

The Fund's 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 the Fund's performance by employing professional, experienced portfolio advisors, daily monitoring of the Fund's 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 Fund's investment activities and monitors compliance with the Fund's investment strategy. The following is a summary of the main risks:

*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, 2017, 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 $6,598,000 (December 31, 2016 - $6,391,000). Actual results may be materially different from this analysis.

*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.

## 9. FINANCIAL INSTRUMENTS RISK AND CAPITAL MANAGEMENT (CONTINUED)

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.

| December 31, 2017 | Exposure | | | 1% Impact on net asset value | | |
|---|---|---|---|---|---|---|
| **Currency** | **Monetary** | **Non-Monetary** | **Total** | **Monetary** | **Non-Monetary** | **Total** |
| United States Dollar | $ (31,438,902) | $ 57,046,984 | $ 25,608,082 | $ (314,389) | $ 570,470 | $ 256,081 |
| % of net asset value | (56.41) | 102.35 | 45.94 | (0.56) | 1.02 | 0.46 |

| December 31, 2016 | Exposure | | | 1% Impact on net asset value | | |
|---|---|---|---|---|---|---|
| **Currency** | **Monetary** | **Non-Monetary** | **Total** | **Monetary** | **Non-Monetary** | **Total** |
| United States Dollar | $ (41,020,991) | $ 49,693,606 | $ 8,672,615 | $ (410,210) | $ 496,936 | $ 86,726 |
| % of net asset value | (77.69) | 94.11 | 16.42 | (0.78) | 0.94 | 0.16 |

As at December 31, 2017, 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 $256,081 (December 31, 2016 - $86,726). Actual results may differ from this sensitivity analysis and the difference could be material.

*Liquidity risk*

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund maintains sufficient cash and marketable securities to meet its liquidity requirements. Current liabilities are generally due within 90 days. The Fund may also invest in securities that are not traded in an active market and may be illiquid. Such investments are identified as "Securities not traded in an active market" in the Schedule of Investment Portfolio. As at December 31, 2017 and December 31, 2016, the Fund does not hold any illiquid securities.

*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 assets and liabilities are short-term in nature and/or non-interest bearing. As a result, the Fund is not subject to a significant amount of interest rate risk due to fluctuations in the prevailing level of market interest rates.

## 9. FINANCIAL INSTRUMENTS RISK AND CAPITAL MANAGEMENT (CONTINUED)

*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, Standard & Poor's and Moody's. The Fund is at risk for the fair value of these assets should the credit worthiness of the counterparties decline, or they are unable to pay. As at December 31, 2017 and December 31, 2016, the Fund had no investment in any debt instruments, therefore is not exposed to credit risk.

## 10. TAXES

The Fund has gross net capital losses of $NIL (December 31, 2016 - $1,780,266) and non-capital losses of $NIL (December 31, 2016 - $NIL) which have not been recognized in these financial statements. Gross net capital losses do not expire.

## 11. INCREASE IN NET INCOME PER EQUITY UNIT

The increase in net income per equity unit for the years ended December 31, 2017 and 2016 is calculated as follows:

| | 2017 | 2016 |
|---|---|---|
| Increase in net income | $ 5,020,570 | $ 7,465,120 |
| Weighted average of equity units outstanding during the year | 5,147,689 | 4,952,374 |
| Increase in net income per equity unit | $ 0.98 | $ 1.51 |

## 12. NET GAIN FROM FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| Years ended December 31 | 2017 | 2016 |
|---|---|---|
| Net realized gain on financial assets and liabilities | | |
| Held for trading | $ (1,152,612) | $ 697,001 |
| Designated at fair value through profit and loss | 4,046,029 | 869,425 |
| | 2,893,417 | 1,566,426 |
| Net change in unrealized appreciation on financial assets and liabilities | | |
| Held for trading | 313,338 | (855,333) |
| Designated at fair value through profit and loss | 449,383 | 5,320,017 |
| | 762,721 | 4,464,684 |
| | $ 3,656,138 | $ 6,031,110 |

The realized gain from financial assets and liabilities at fair value through profit or loss represents the difference between the carrying amount of the financial asset and/or liabilities at the beginning of the reporting period, or the transaction price if it was purchased during the reporting period, and its sale or settlement price.

The unrealized appreciation represents the difference between the carrying amount of a financial asset and/or liability at the beginning of the reporting period, or the transaction price if it was purchased during the reporting period, and its carrying amount at the end of the reporting period.

## 13. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

There has been no significant event 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.

## 14. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Manager and Trustee of the Fund and authorized for issue on March 29, 2018.