



Caldwell Investment Management Ltd.

Independent Investment Managers

Annual Management Report of Fund Performance

For the Year Ended December 31, 2010

Caldwell Balanced Fund

This annual management report of fund performance contains financial highlights, but does not contain the complete annual financial statements of the investment fund. You may obtain a copy of the 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, Toronto, ON M5H 1J9 or by visiting our website at www.caldwellinvestment.com or SEDAR at 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 Caldwell Balanced Fund (the “Fund”) is to provide long-term capital appreciation in a balanced fund while emphasizing overall preservation of capital.

Investments in the Fund are in three basic categories: (1) approved core equities; (2) income investments; and (3) special situations. The balance between these categories is based on economic and market conditions.

The Fund is designed to take advantage of every aspect of the work that the team at Caldwell Investment Management Ltd. (the “Manager” or “CIM”) puts into the investment process. The Fund holds a mixture of government guaranteed bonds, Canadian equities and a global strategy that includes ownership in the world’s leading securities exchanges. This enables the Fund’s investors to diversify while participating in the same investment process available to Caldwell’s institutional accounts.

Every few years the financial world plunges into its latest crisis and our firm’s strict focus on government guaranteed securities for the fixed income component makes renewed sense. This portion of the Fund’s portfolio is designed to provide stable returns and reliable income and we believe that this can only be achieved through vehicles that are not subject to any credit risk.

The Canadian equity portion of the portfolio is built for growth and income. The Fund concentrates on those companies that are dominant in their industry and pay significant dividends and distributions. We combine technical and fundamental analysis with an overall view of how economics and politics are likely to impact markets.

The international component combines some of the best growth companies in America with our firm’s unique expertise investing in private and public securities exchanges around the world. Our thesis is that the best way to participate in the growth of a nation’s economy is to own a part of its stock exchange. As a method of achieving excellent returns from global growth and the rising demand for commodities, owning the exchanges that trade financial and real assets has proven to be very successful.

The portfolio manager for the Fund is Brendan T. N. Caldwell, who has been with the Manager since its inception.



Results of Operations

After a difficult market to start 2010, the Fund recovered to generate a positive 2.02% return for the year. This compares to a return of 11.12% for the Fund's benchmark. The unit value rose from \$7.08 to \$7.19 while assets declined from \$38 million to \$33.8 million.

Positive contributors to the Fund's performance include a greater allocation to Canadian versus U.S. equities. Specific stocks that had a positive impact on the Fund's performance were Apple Inc., Barrick Gold, NYSE Euronext, Cognizant Tech Solutions and Major Drilling; these were offset primarily by CBOE Holdings, Inc.

Recent Developments

In the first 2.5 months of 2011, assets recovered to \$35.5 million and the Fund's unit value has risen over 8% to \$7.85.

The Fund invests in management's best ideas across the spectrum of Canadian fixed income, Canadian, U.S. and international equities.

The percentage in Canadian equities had risen to almost 48% as a result of the strength of Canada's economy and stock market relative to the rest of the world. Management has been selling some equities to keep the Fund's fixed income component close to 30%.

The strong performance of the material sector - and the spectacular performance of some of the Fund's mining and exploration positions in particular - have increased this sector's importance in the portfolio while significantly boosting the Fund's overall return.

Financial services, however, remains the Fund's most significant weighting. Its largest holding is its shares in CBOE Holdings, Inc. ("CBOE"). The recent wave of merger announcements involving the New York Stock Exchange ("NYSE") and the Toronto Stock Exchange ("TSX") (both holdings in the Fund) have boosted the CBOE's share price also. Meanwhile, the Canadian banks, whose shares also comprise a significant component of the Fund, posted record earnings that were stronger than analysts' expectations.

In its fixed income component, the Fund only invests in bonds guaranteed by the Government of Canada or the Province of Ontario. Management does this to protect the Fund's investors against credit and liquidity risk. At present, the Fund owns a mixture of Canada treasury bills as well as 5 and 10 year bonds.

In the technology sector, the Fund profited in 2010 from the largest tech names including Apple, eBay and Google. These companies alone have over \$100 billion in cash with which to potentially make acquisitions. Consequently, the Fund exchanged these stocks for shares in likely acquisition targets like Broadcom ("BRCM") and Cirrus Logic ("CRUS").



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 now 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 H. Clifford Hatch Jr. (Chair), Robert Guilday and Sharon Kent.

Changeover to International Financial Reporting Standards

The Manager has developed a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants (“CICA”) for changeover to International Financial Reporting Standards (“IFRS”). The key elements of the plan include disclosures of the qualitative impact in the annual financial statements, the disclosures of the quantitative impact, if any, in the 2010 financial statements and the preparation of the 2011 financial statements in accordance with IFRS with comparatives. The Manager has presently determined that there will be no impact to net asset value per unit from the changeover to IFRS.

In September 2010, the Canadian Accounting Standards Board (“AcSB”) approved a one year deferral of adoption of IFRS for investment companies currently applying Accounting Guideline 18, Investment Companies, which include investment funds. In January 2011, the AcSB made a decision to extend the deferral of IFRS adoption by investment companies for an additional year to January 2013. This results in a two year deferral of IFRS adoption by investment companies compared to other publicly accountable entities. The AcSB noted in its Decision Summary that the deferral is a result of the delay in the International Accounting Standards Board’s (“IASB”) investment company project and that a final standard would likely not be issued before January 2012, the previous mandatory IFRS changeover date for investment companies in Canada.



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. The Manager is paid an annual fee up to 2% based on the net asset value of the Fund for its administrative services, trustee fees, asset allocation, security selection, ongoing monitoring and related services.

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

The Manager may choose to execute a portion or all of the Fund's portfolio transactions with Caldwell Securities Ltd. on terms as favourable or more favourable to the Fund as those available through other broker or dealers. In 2010 the Fund paid \$185,765 in commissions to Caldwell Securities Ltd.



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), (transactional NAV) per Unit as at December 31. (unaudited)

	2010	2009	2008	2007	2006
Net Assets, beginning of year	7.08	6.01	8.62	8.02	6.03
Increase (decrease) from operations:					
Total Revenue	0.18	0.14	0.18	0.17	0.19
Total Expenses	(0.21)	(0.21)	(0.23)	(0.24)	0.18
Realized gains (losses) for the period	0.14	(0.15)	0.21	0.65	0.24
Unrealized gains (losses) for the period	(0.03)	1.31	(2.77)	0.02	1.75
Total increase (decrease) from operations ⁽¹⁾	0.08	1.05	(2.61)	0.60	2.00
Distributions:					
From Income (excluding dividends)	0.00	0.00	0.00	0.00	(0.02)
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
Total Annual Distributions ⁽²⁾	0.00	0.00	0.00	0.00	(0.02)
Net Assets at December 31 of year shown	7.19	7.08	6.01	8.62	8.02

⁽¹⁾ 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.

⁽²⁾ Distributions were paid in cash or reinvested in additional units of the Fund.



Ratios and Supplemental Data (unaudited)

	2010	2009	2008	2007	2006
Net asset value (000's) ⁽¹⁾	33,805	37,968	35,161	52,861	48,140
Number of units outstanding ⁽¹⁾	4,689,080	5,368,634	5,839,618	6,135,849	6,005,409
Management expense ratio ⁽²⁾	2.81%	2.84%	2.72%	2.76%	2.73%
Management expense ratio before waivers or absorptions	2.81%	2.87%	2.75%	2.92%	2.87%
Portfolio turnover rate ⁽³⁾	115.91%	126.61%	96.44%	41.63%	206.9%
Trading Expense ratio ⁽⁴⁾	0.56%	0.31%	0.36%	0.85%	1.26%

⁽¹⁾ This information is provided as at December 31 of the year shown.

⁽²⁾ Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

⁽³⁾ 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 a fund.

⁽⁴⁾ 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 2% of the average net asset value 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	29 %
Management and Portfolio Adviser Services	71 %
Waivers and Absorption of Fund Expenses	0%

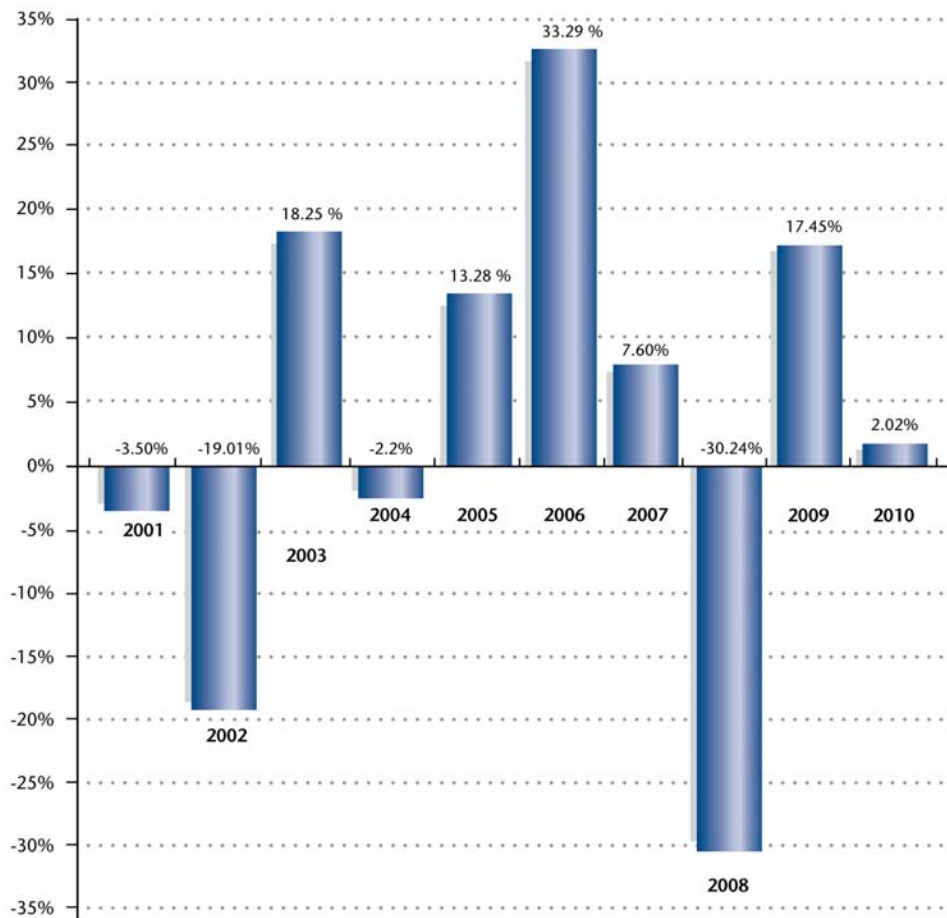


Past Performance

The following chart 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 chart 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 that year.



Caldwell Balanced Fund

For the years ended December 31



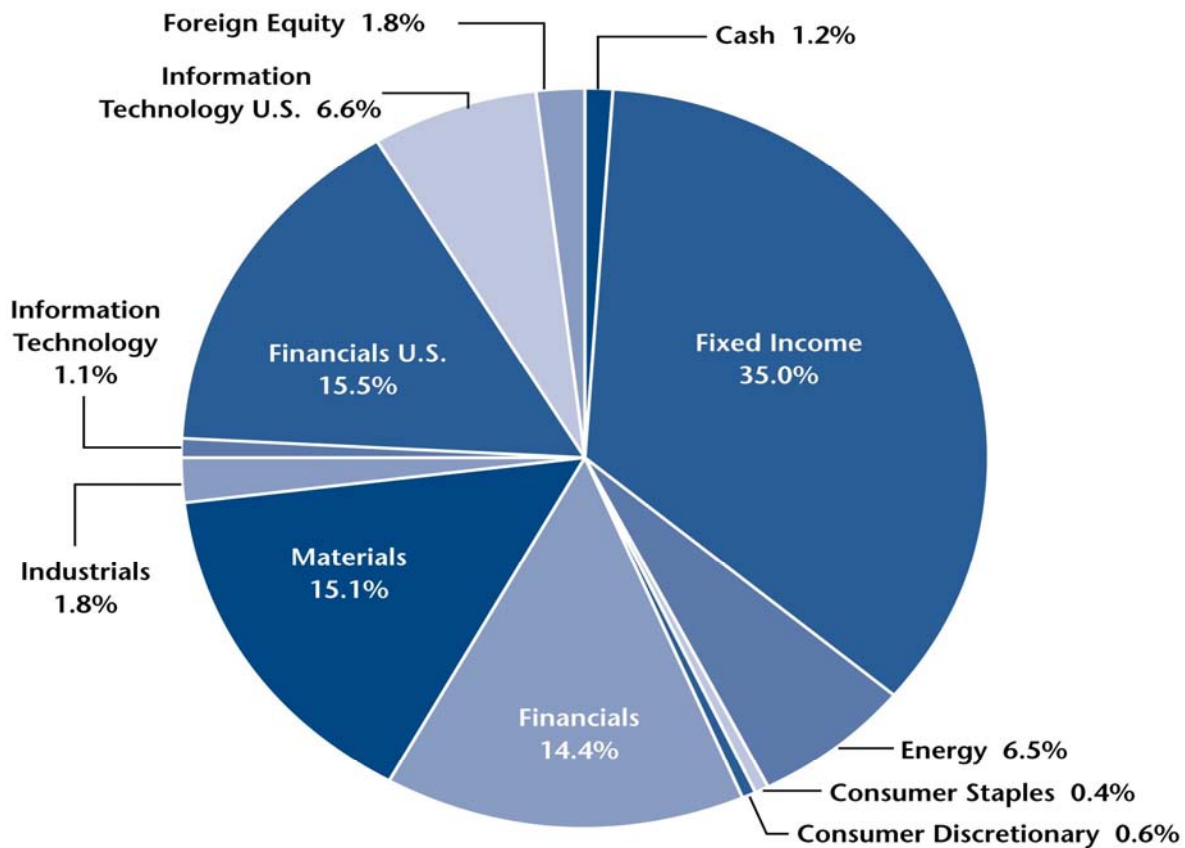
Annual Compound Returns

The table shows the Fund's historical annual compound total return for each period since inception of the Fund, compared with the Fund benchmark. The benchmark is: (45% S&P/TSX Total Return, 20% S&P 500 Total Return, 35% equally distributed between Dex Gov Mid Term, Dex Gov SHT Term & Dex 91 Day T-Bill Index.)

Annualized Compound Returns	1 Year	3 Years	5 Years	10 Years
Fund	2.02%	(5.78%)	3.71%	2.07%
Index	11.12%	1.98%	4.27%	4.10%

Summary of Investment Portfolio

Portfolio Breakdown



Caldwell Balanced Fund



Top 25 Holdings (unaudited)

SECURITY	Percentage of Net Assets
Government of Canada 1.00% 01Sep2011	17.8%
Canada Housing Trust 3.35% 15Dec2020	11.8%
CBOE Holdings, Inc.	10.6%
Canada Housing Trust 2.45% 15Dec2015	8.8%
TMX Group Inc.	3.0%
Suncor Energy Inc.	2.8%
Agrium Inc.	2.7%
Goldcorp Inc.	2.6%
Barrick Gold Corp.	2.4%
Major Drilling Group International Inc.	2.3%
Citigroup Inc.	2.2%
NYSE Euronext	2.1%
Trilogy Energy Corp.	2.0%
Hong Kong Exchanges & Clearing Ltd.	2.0%
Mastercard Inc.	2.0%
Canadian National Railway Co.	2.0%
Apple Computer Inc.	1.9%
Bank of Montreal	1.9%
Toronto-Dominion Bank	1.9%
Bank of Nova Scotia	1.8%
Royal Bank of Canada	1.8%
Detour Gold Corp.	1.7%
Osisko Mining Corp.	1.7%
Google Inc.	1.7%
Manulife Financial Corp.	1.7%
Top 25 Holdings	93.2%

The summary of investment portfolio may change. A quarterly update is available at www.caldwellinvestment.com.