



Caldwell Investment Management Ltd.

Independent Investment Managers

Annual Management Report of Fund Performance

For the Year Ended December 31, 2010

Caldwell High Income Equity 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, P.O. Box 46, 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 High Income Equity Fund (the “Fund”) is to generate a high level of income and long-term capital growth by investing in equity and fixed income securities according to market conditions. The Fund seeks to generate income by investing primarily in high yielding income producing equity securities of issuers with a market capitalization which ranges from \$50 million to over \$5 billion.

Equity investments will include primarily common shares and preferred shares of global issuers. Fixed income securities may include primarily high yield bonds, debentures, notes, convertible bonds, payment-in-kind bonds, discounted debt instruments, restructured debt securities, loan assignments, loan participations, high yield lower rated debt securities and foreign government fixed income securities. The Fund may also invest in debt securities of distressed issuers or issuers involved in a corporate reorganization.

The term to maturity will vary between very short-term investment and ten years. When interest rates are rising, we endeavour to own shorter maturities in order to take advantage of rising rates. In a declining interest rate environment, we will seek to lock up higher rates by investing in longer bonds.

The portfolio manager for the Fund is John R. Kinsey, who has over forty years of investment experience, which includes portfolio management, research and trading.

Results of Operations

During Year 2010, the Fund rose 19.01% which compares to the 17.61% increase in the Fund’s benchmark, the S&P /TSX Composite Index and the 8.40% increase in the Dow Jones Industrial Total Return CAD.

At December 31, 2010, in a difficult investment climate, the Fund has grown to over \$7.2 million and while it has a cash and cash equivalent balance of over 8% it still yields approximately 2% more than 10 year government of Canada or Provincial bonds.

The focus on large capitalized blue chip stocks with good management, good balance sheets and that pay dividends was a major contributor to the Fund’s performance for the year ended December 31, 2010. The major portion of the Fund, 85.7%, was invested in Canadian equities, mainly to take advantage of the dividend tax credit available to Canadian investors.

Major contributors to the Fund’s performance were Inter Pipeline Fund, Pembina Pipeline Corp., Potash Corporation of Saskatchewan Inc., Westshore Terminals Income Fund, Penn West Energy Trust, Enerplus Resources Fund, and Crescent Point Energy Corp.



Recent Developments

The Government of Canada has changed the taxation of income trusts effective January 1, 2011. We anticipate that this will result in many of the trusts converting back to regular corporations. This should present opportunities for the Fund if we are able to select trusts that will maintain their same distribution, only in the form of a dividend. For taxable accounts, this will result in the after-tax return actually being higher, because of the dividend tax credit.

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 Caldwell Investment Management Ltd. (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 Fund paid \$36,165 in commissions to Caldwell Securities Ltd. or 100 % of total commissions paid.



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. 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
Net Assets, beginning April 22, 2009 *	10.40	10.00
Increase (decrease) from operations:		
Total Revenue	0.52	0.29
Total Expenses	(0.31)	(0.54)
Realized gains (losses) for the period	0.01	0.04
Unrealized gains (losses) for the period	1.98	0.97
Total increase (decrease) from operations ⁽¹⁾	2.20	0.76
Distributions:		
From Income (excluding dividends)	0.00	0.00
From Dividends	(0.16)	0.00
From Capital Gains	0.00	0.00
Return of Capital	0.00	0.00
Total Annual Distributions ⁽²⁾	(0.16)	0.00
Net Assets at December 31 of year shown	12.16	10.40

⁽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.

* The fund commenced on April 22, 2009



Ratios and Supplemental Data (unaudited)

	2010	2009
Net asset value (000's) ⁽¹⁾	7,290	2,716
Number of units outstanding ⁽¹⁾	597,731	260,977
Management expense ratio ⁽²⁾	2.37%	7.74%
Management expense ratio before waivers or absorptions	4.02%	20.25%
Portfolio turnover rate ⁽³⁾	9.50%	17.78%
Trading Expense ratio ⁽⁴⁾	0.73%	0.84%

⁽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 1.5% of the average net asset value of the Fund. Such fees are calculated daily and payable monthly. The Manager 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	32 %
Management and Portfolio Adviser Services	(73) %
Waivers and Absorption of Fund Expenses	141 %

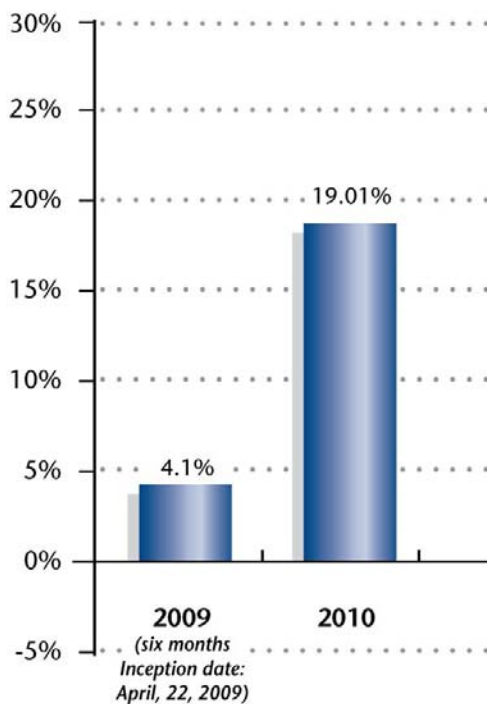


Past Performance

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 guarantees 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 April 22, 2009 would have increased or decreased by December 31 for each year.



Caldwell High Income Equity Fund

For the years ended December 31



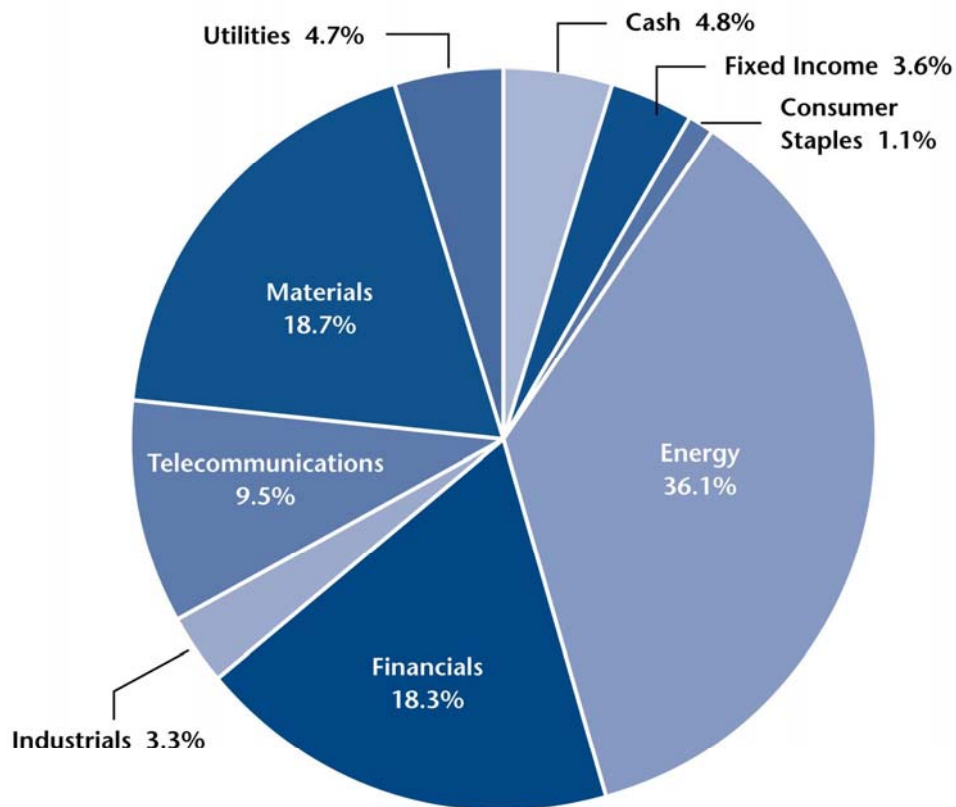
Annual Compound Returns

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 S&P/TSX Composite Index. The S&P/TSX Composite Index is a benchmark that is used to measure the price performance and total return of the broad Canadian equity market.

Annualized Compound Returns	1 Year	3 Years	5 Years	10 Years
Fund	19.01%	N/A	N/A	N/A
Index	17.61%	2.09%	6.51%	6.57%

Summary of Investment Portfolio

Portfolio Breakdown



Caldwell High Income Equity Fund



Top 25 Holdings (unaudited)

SECURITY	Percentage of Net Assets
CASH and CASH EQUIVANTS	8.4%
Crescent Point Energy Corp.	4.8%
Pembina Pipeline Corp.	3.6%
Enerplus Resources Fund	3.5%
Inter Pipeline Fund	3.5%
BCE Inc.	3.4%
Pengrowth Energy Trust	3.4%
Bank of Montreal	3.4%
Canadian Imperial Bank of Commerce	3.3%
Westshore Terminals Income Fund	3.3%
Freehold Royalty Trust	3.3%
Bonavista Energy Trust	3.3%
Sun Life Financial Inc.	3.1%
Newmont Mining Corp.	2.9%
Penn West Energy Trust	2.9%
RioCan Real Estate Investment Trust	2.9%
PetroBakken Energy Ltd.	2.8%
Power Financial Corp.	2.8%
Barrick Gold Corp.	2.7%
Potash Corporation of Saskatchewan Inc.	2.6%
Bell Aliant Regional Communications Income Fund	2.6%
Manulife Financial Corp.	2.6%
Capital Power Income LP	2.6%
Labrador Iron Ore Royalty Corp.	2.4%
Goldcorp Inc.	2.3%
Top 25 Holdings	82.4%

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