



Caldwell Investment Management Ltd.

Independent Investment Managers

Interim Management Report of Fund Performance

For the Period Ended June 30, 2010

Caldwell Income Fund

This interim management report of fund performance contains financial highlights but does not contain the complete interim financial statements of the investment fund. You may obtain a copy of the interim 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 Income Fund (the “Fund”) is to provide superior investment returns through income and growth securities while preserving capital and maintaining liquidity by investing in a diverse portfolio of Canadian government fixed income (federal, provincial and municipal) and corporate securities.

The Caldwell Income Fund is designed for people who want to see their money grow faster than putting it with the bank, but who do not want to worry about it.

The Fund maintains a balance of approximately 80% government guaranteed bonds and 20% senior, income paying equities. Over time, this blend of stocks and bonds has shown better performance, with less risk, than even bonds on their own.

For over twenty-five years, the Fund’s management team has been of the opinion that it makes more sense to own government guaranteed bonds than to take any risk with lesser credits for modest incremental return. To that end, the Caldwell Income Fund owns federal and provincial government and crown corporation bonds only.

It also makes sense to empower a portion of any portfolio with the ability to grow both its principal and income. That is the point of owning shares of dividend and distribution paying equities in the Fund.

Bonds have the advantage of having their income stream and redemption values fixed. Profitable companies raise their dividends regularly and this lifts their share price over time. Blending the best attributes of both bonds and stocks creates a potent combination for preserving and building wealth.

J. Dennis Freeman of Caldwell Investment Management Ltd. has been the portfolio manager of the Caldwell Income Fund since its inception.



Results of Operations

During the first six months of 2010, the Caldwell Income Fund maintained the strong performance shown in 2009. From the end of December 2009 to the end of June 2010, the Fund gained 19%; its total assets rose from \$13 million to \$15.5 million. Its net asset value ("NAV") per unit also increased from \$5.12 to \$5.24. In addition, the Fund paid its unitholders \$.05 per unit in distributions.

Recent Developments

The Caldwell Income Fund's asset mix of approximately 80% government guaranteed bonds and 20% dividend paying stocks issued by Canadian banks and other senior companies has worked very well over many years. As well as being consistently profitable, the Fund has shown a lower volatility than own either stocks or bonds on their own.

Early in 2010, the Fund moved between short-term treasury bills and longer-term bonds as interest rates moved up and down. The Fund only owns bonds guaranteed by the Government of Canada or the Province of Ontario. The Fund has tended to own more Ontario bonds recently because of their higher yield on an absolute and relative basis when compared to Canada bonds.

Towards the end of the spring and into the summer, the Fund has moved more into treasury bills, because interest rates are at historically low levels. This has been done in anticipation of higher yields and greater returns potentially being available in the autumn.



Related Party Transactions

Manager and Portfolio Adviser

Caldwell Investment Management Ltd. (“CIM”) is the manager (“Manager”) and portfolio advisor of the Fund. CIM is a wholly owned subsidiary of Caldwell Financial Ltd. CIM 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. CIM is paid an annual fee up to 1.25% 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 Caldwell 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

Caldwell 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 \$17,238 in commissions to Caldwell Securities Ltd. or 100 % of total commissions paid.

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:

- Yields
- Change in accounting policy



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 Manager appointed its three-person IRC on May 1, 2007, but was not required to be in full compliance with NI 81-107 until November 1, 2007. The Manager implemented the necessary policies and procedures to be fully compliant with NI 81-107 prior to November 1, 2007. The independent members of the Manager’s IRC are H. Clifford Hatch Jr. (Chair), Robert Guilday and Sharon Kent.

Changeover to International Financial Reporting Standards

At June 30, 2010 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 2008 and 2009 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.



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 Unit as at December 31.

	Six months ended June 30, 2010	2009	2008	2007	2006	2005
Net Assets, beginning of year	5.12	4.75	5.11	5.32	5.16	5.19
Increase (decrease) from operations:						
Total Revenue	0.09	0.13	0.20	0.21	0.20	0.18
Total Expenses	(0.04)	(0.08)	(0.09)	(0.11)	(0.08)	(0.08)
Realized gains (losses) for the period	0.14	0.05	0.12	0.14	0.11	(0.04)
Unrealized gains (losses) for the period	(0.01)	0.36	(0.33)	(0.20)	0.08	(0.03)
Total increase (decrease) from operations ⁽¹⁾	0.18	0.49	(0.10)	0.04	0.31	0.03
Distributions:						
From Income (excluding dividends)	(0.05)	0.01	0.13	0.12	0.12	0.03
From Dividends	0.00	0.05	0.00	0.00	0.00	0.03
From Capital Gains	0.00	0.06	0.13	0.13	0.03	0.00
Return of Capital	0.00	0.00	0.00	0.00	0.00	0.00
Total Annual Distributions ⁽²⁾	(0.05)	0.12	0.26	0.25	0.15	0.06
Net Assets at December 31 of year shown	5.24	5.12	4.75	5.11	5.32	5.16

⁽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 or both.



Ratios and Supplemental Data

	Six months ended June 30, 2010	2009	2008	2007	2006	2005
Net assets (000's) ⁽¹⁾	15,476	12,998	11,071	11,287	10,402	13,070
Number of units outstanding ⁽¹⁾	2,954,282	2,538,666	2,330,058	2,209,890	1,953,531	2,533,836
Management expense ratio ⁽²⁾	1.46%	1.50%	1.62%	1.56%	1.67%	1.50%
Management expense ratio before waivers or absorptions	1.91%	2.23%	2.37%	1.90%	2.35%	2.26% ⁽⁵⁾
Portfolio turnover rate ⁽³⁾	296.75%	582.19%	217.16%	226.95%	337.5%	352.8%
Trading Expense ratio ⁽⁴⁾	0.24%	0.30%	0.13%	1.73%	2.33%	0.92%

⁽¹⁾ This information is provided as at December 31 of the year shown, except for the June 30th interim date.

⁽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.

⁽⁵⁾ Revised.

Management Fees

As compensation for managing the Fund, CIM can receive an annual fee up to 1.25% of the average net asset value of the Fund. Such fees are calculated daily and payable monthly. CIM in turn is responsible for paying trustee fees, investment adviser fees, sales commissions and trailer fees to registered dealers who distribute the Fund's units, and general administration expenses. CIM may choose to absorb certain expenses for which the Fund is responsible. Outlined below is the percentage breakdown of the Fund's expenses for which CIM is responsible.

For the six months ending June 30, 2010:

Sales distribution / Dealer compensation	0%
Management and general administration services	0%
Waivers and absorption of Fund expenses	129%

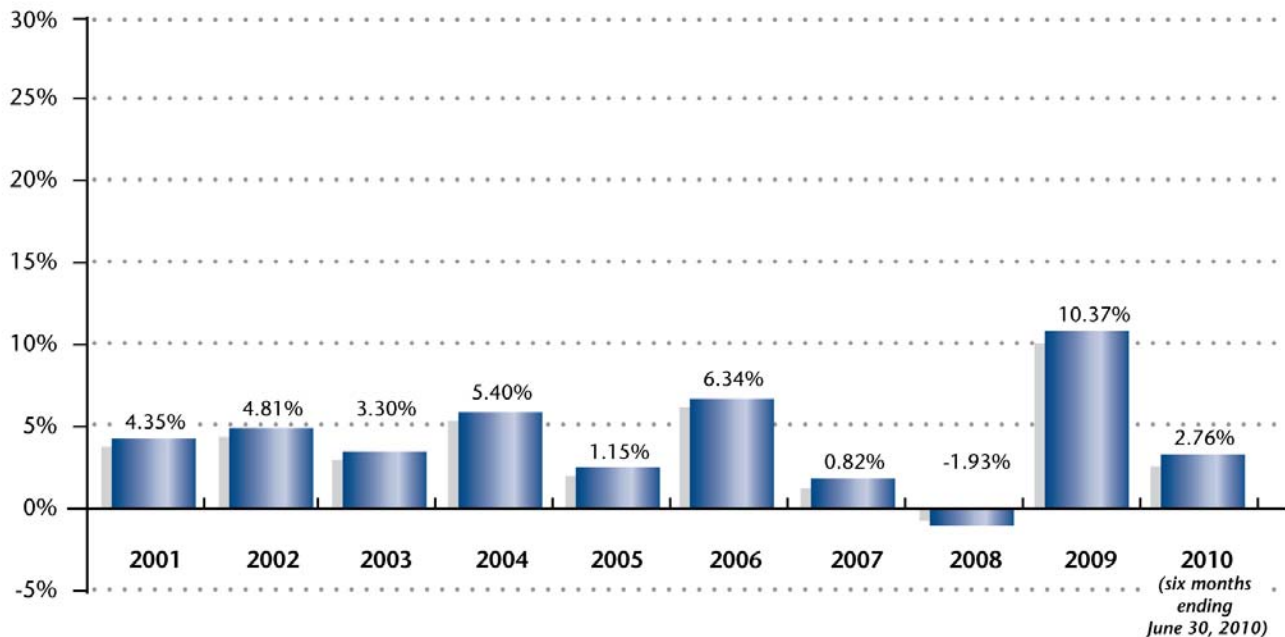


Past Performance

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 each year.



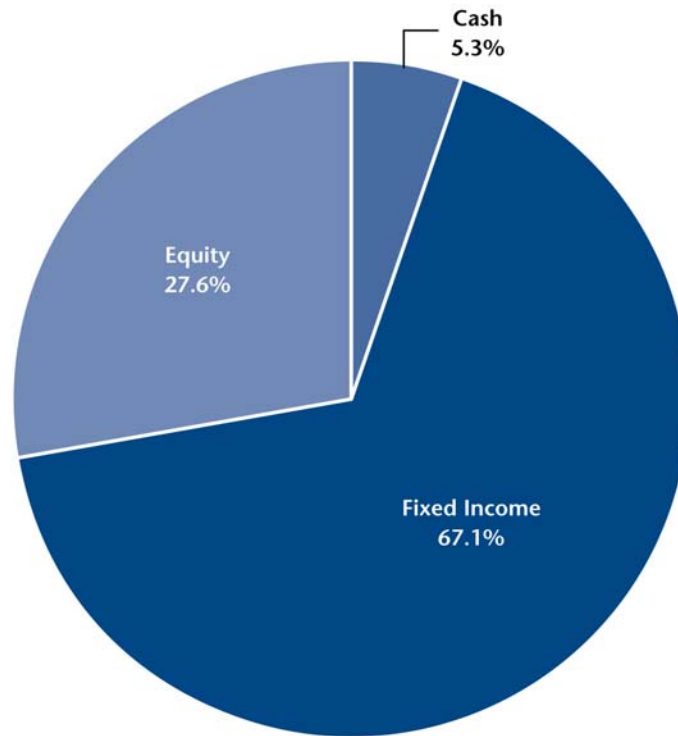
Caldwell Income Fund

For the years ended December 31



Summary of Investment Portfolio

Portfolio Breakdown as at June 30, 2010



Caldwell Income Fund

All Fund Holdings as at June 30, 2010

<u>SECURITY</u>	<u>Percentage of Net Assets</u>
Ontario Province 3.15% 08SEP2015	47.7%
Royal Bank of Canada	6.6%
Toronto Dominion Bank	4.9%
TMX Group Inc.	4.5%
Canadian Imperial Bank of Commerce	4.3%
CASH	3.8%
Canada Housing 2.75% 15DEC2014	1.2%
Canada Housing 3.75% 15MAR2020	0.1%
Ontario Province 4.20% 08MAR2018	0.1%
All Holdings	73.2%

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