



# Caldwell Investment Management Ltd.

*Independent Investment Managers*

## **Annual Management Report of Fund Performance**

For the Year Ended December 31, 2010

## **Caldwell Meisels Canada 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](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 investment objective of the Caldwell Meisels Canada Fund (the “Fund”) is to provide long-term capital growth by investing in the most timely of the 100 largest, by market capitalization, Canadian companies listed on the TSX.

The holdings in the Fund will be based on research provided by our research consultant, Ron Meisels, President of Phases & Cycles Inc., a Montreal-based equity research firm. Mr. Meisels is a prominent Canadian technical analyst.

Based on his research, the Fund will be over-weight in the most timely sectors of the stock market and invest in the best performing companies in that sector.

The Fund is also allowed to manage the cash balance of the Fund depending on the outlook for the market and to invest in bear Exchange Traded Funds (“ETFs”) and derivatives if appropriate.

The Fund’s benchmark is the S&P/TSX Composite Index.

Brendan T. N. Caldwell, President of Caldwell Investment Management Ltd., (the “Manager”) is the portfolio manager.

### **Results of Operations**

The Fund was up 38.08 % in 2010. The unit value increased from \$3.19 to \$4.31. The total net assets increased from \$3.11 million to \$3.98 million, despite a net reduction in units issued, from 977,512 at the end of 2009 to 924,160 at the end of 2010. The Fund’s performance exceeded its benchmark index, the S&P/TSX Composite Index, by over 20%. This was achieved by substantially over-weighting Industrials, Golds and Utilities and at the same time, the Fund substantially under-weighted Energy, Financials and Information Technology. Investment decisions are based on the research advice made by an independent research consultant, Ron Meisels, of Phases & Cycles Ltd.

### **Recent Developments**

The Fund, effective March 15, 2010, hired Ron Meisels, President of Montreal-based Phases & Cycles Inc., as a research consultant. To the best of our knowledge, the Fund is the only Canadian equity fund managed on the basis of technical analysis. The portfolio has been almost totally turned, so that the Fund’s holdings are consistent with Mr. Meisels’ research.



## **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 \$18,546 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	3.19	2.56	5.84	5.45	3.64
<b>Increase (decrease) from operations:</b>					
Total Revenue	0.07	(0.01)	0.05	0.04	0.07
Total Expenses	(0.10)	(0.15)	(0.27)	(0.25)	0.12
Realized gains (losses) for the period	1.17	(0.98)	(1.07)	0.00	0.98
Unrealized gains (losses) for the period	(0.03)	1.82	(2.01)	0.49	0.94
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	1.11	0.58	(3.30)	0.29	1.88
<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>	0.00	0.00	0.00	0.00	0.00
<b>Net Assets at December 31 of year shown</b>	4.31	3.19	2.56	5.84	5.45

<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.



## Ratios and Supplemental Data (unaudited)

	2010	2009	2008	2007	2006
Net asset value (000's) <sup>(1)</sup>	3,996	3,060	3,213	8,071	4,992
Number of units outstanding <sup>(1)</sup>	924,160	977,512	1,243,591	1,381,501	915,143
Management expense ratio <sup>(2)</sup>	2.83%	2.90%	2.81%	2.83%	2.75%
Management expense ratio before waivers or absorptions	5.38%	7.98%	3.23%	3.50%	3.87%
Portfolio turnover rate <sup>(3)</sup>	88.55%	130.50%	162.67%	136.63%	152.40%
Trading Expense ratio <sup>(4)</sup>	0.85%	1.90%	3.05%	5.39%	3.20%

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

<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 assets during the period.

<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 a 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 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	42 %
Management and Portfolio Adviser Services	(70) %
Waivers and Absorption of Fund Expenses	128 %

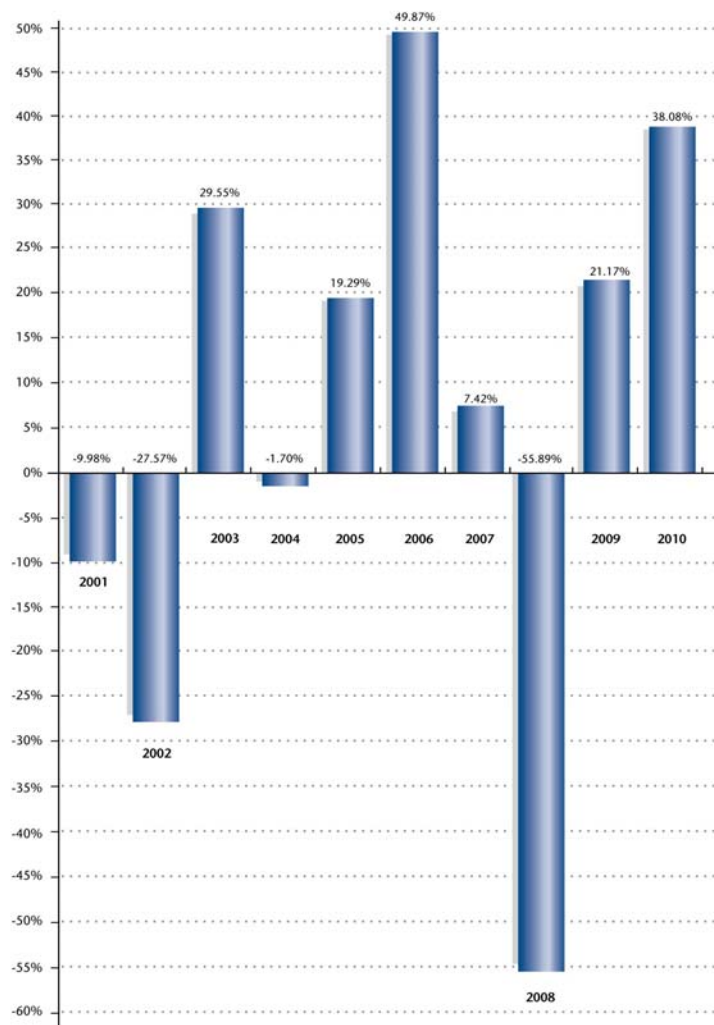


## Past Performance

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 January 1 would have increased or decreased by December 31 for each year.



Caldwell Meisels Canada Fund

For the years ended December 31



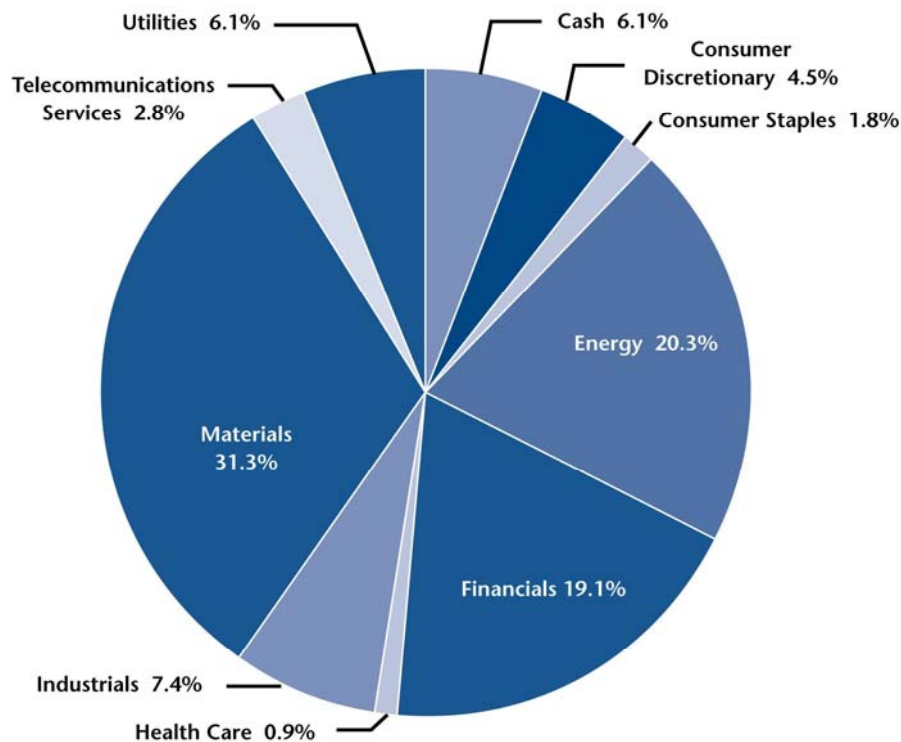
## Annual Compound Returns

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
<b>Fund</b>	38.08%	(9.66%)	3.49%	1.62%
<b>Index</b>	17.61%	2.09%	6.51%	6.57%

## Summary of Investment Portfolio

### Portfolio Breakdown



Caldwell Meisels Fund



## Top 25 Holdings (unaudited)

<b>SECURITY</b>	<b>Percentage of Net Assets</b>
CASH	6.1%
Suncor Energy Inc.	5.1%
Toronto-Dominion Bank	5.0%
Bank of Nova Scotia	4.6%
Alamos Gold Inc.	4.3%
Canadian Natural Resources Ltd.	4.3%
Barrick Gold Corp.	3.4%
Ivanhoe Mines Ltd.	2.8%
Osisko Mining Corp.	2.6%
Canadian National Railway Co.	2.5%
IAMGOLD Corp.	2.5%
Centerra Gold Inc.	2.4%
Cenovus Energy Inc.	2.1%
Teck Resources Ltd.	2.1%
Emera Inc.	2.0%
Eldorado Gold Corp.	2.0%
Brookfield Asset Management Inc.	2.0%
Enbridge Inc.	1.9%
ATCO Ltd.	1.9%
Newmont Mining Corp.	1.7%
Canadian Imperial Bank of Commerce	1.7%
Baytex Energy Trust	1.6%
Rogers Communications Inc.	1.5%
CAE Inc.	1.4%
Bank of Montreal	1.4%
<b>Top 25 Holdings</b>	<b>68.9%</b>

The summary of investment portfolio may change. A quarterly update is available at [www.caldwellinvestment.com](http://www.caldwellinvestment.com).