

Financial Statements of

**LEITH WHEELER BALANCED FUND**

Years ended December 31, 2016 and 2015



Quiet Money.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Leith Wheeler Balanced Fund (the "Fund") have been prepared by the Manager, Leith Wheeler Investment Counsel Ltd. The Manager is responsible for the preparation and presentation of the Fund's financial statements and the development of internal controls over the financial reporting process.

The Board of Directors of the Manager is responsible for reviewing and approving the financial statements and for overseeing the Manager's performance of its financial reporting responsibilities. The Board of Directors has approved the accompanying financial statements of the Fund.

KPMG LLP, the external auditors of the Fund, were appointed by the Manager. As explained in their auditors' report, KPMG LLP have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their auditors' report is included in this Annual Report.

### Leith Wheeler Investment Counsel Ltd.

"James F. Gilliland"  
President and Chief Executive Officer

"Cecilia Wong"  
Chief Financial Officer

March 29, 2017



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## INDEPENDENT AUDITORS' REPORT

To the Unitholders of the Leith Wheeler Balanced Fund

We have audited the accompanying financial statements of the Leith Wheeler Balanced Fund, which comprise the statements of financial position as at December 31, 2016, and December 31, 2015, statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *The Manager's Responsibility for the Financial Statements*

The Manager 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 the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' 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 an 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 our 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, we consider 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 the Manager, 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 the Leith Wheeler Balanced Fund as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*KPMG LLP*

Chartered Professional Accountants

March 29, 2017  
Vancouver, Canada

# LEITH WHEELER BALANCED FUND

Statements of Financial Position

(Expressed in thousands of dollars except for per unit amounts)

December 31, 2016 and 2015

	Note	2016	2015
<b>Assets</b>			
Cash		\$ 322	\$ 114
Balances due from brokers		212	53
Interest and dividends receivable		263	246
Subscriptions receivable		19	11
Investments		101,973	90,777
		<u>102,789</u>	<u>91,201</u>
<b>Liabilities</b>			
Balances due to brokers		165	81
Management fees payable	1	183	169
Redemptions payable		147	68
		<u>495</u>	<u>318</u>
<b>Net assets</b> attributable to holders of redeemable units		\$ 102,294	\$ 90,883
Represented by:			
Series A		\$ 11,434	\$ 9,557
Series B		89,486	80,636
Series F		1,374	690
		<u>\$ 102,294</u>	<u>\$ 90,883</u>
Net assets attributable to holders of redeemable units per unit:			
Series A		\$ 24.34	\$ 23.15
Series B		24.84	23.59
Series F		23.79	22.66

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board of Directors of  
Leith Wheeler Investment Counsel Ltd.,  
in its capacity as Manager.

“James F. Gilliland” Director “Jonathon D. Palfrey” Director

# LEITH WHEELER BALANCED FUND

Statements of Comprehensive Income

(Expressed in thousands of dollars except for per unit amounts)

Years ended December 31, 2016 and 2015

	Note	2016	2015
<b>Revenue:</b>			
Interest income		\$ 915	\$ 991
Dividend income		1,806	1,440
Other income		192	462
Changes in fair value of investments:			
Net realized gain (loss)		4,827	2,297
Net change in unrealized appreciation (depreciation)		3,497	(2,441)
<b>Total revenue</b>		<b>11,237</b>	<b>2,749</b>
<b>Expenses:</b>			
Management fees	1	921	970
Withholding taxes	2	69	2
GST/HST		55	58
Commissions and transaction costs		36	32
<b>Total operating expenses</b>		<b>1,081</b>	<b>1,062</b>
Management fee distributions	1	(284)	(336)
<b>Net operating expenses</b>		<b>797</b>	<b>726</b>
Increase (decrease) in net assets attributable to holders of redeemable units from operations excluding distributions		10,440	2,023
Distributions to holders of redeemable units:			
From net investment income		(1,686)	(1,401)
From net realized gains on investments		(3,606)	(2,528)
Management fee distributions	1	(284)	(336)
		(5,576)	(4,265)
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>\$ 4,864</b>	<b>\$ (2,242)</b>
Increase (decrease) in net assets attributable to holders of redeemable units:			
Series A		\$ 489	\$ (254)
Series B		4,307	(1,953)
Series F		68	(35)
		\$ 4,864	\$ (2,242)
Increase (decrease) in net assets attributable to holders of redeemable units per unit (excluding distributions):			
Series A		\$ 2.80	\$ 0.82
Series B		2.65	0.49
Series F		2.95	0.11

The accompanying notes are an integral part of these financial statements.

# LEITH WHEELER BALANCED FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units  
(Expressed in thousands of dollars)

Years ended December 31, 2016 and 2015

Series A	Note	2016	2015
Balance, beginning of year		\$ 9,557	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units		489	(254)
Redeemable unit transactions:			
Issue of redeemable units		1,987	9,442
Reinvestment of distributions		692	517
Redemption of redeemable units		(1,291)	(148)
Net increase (decrease) from redeemable unit transactions		1,388	9,811
Balance, end of year		\$ 11,434	\$ 9,557

Series B	Note	2016	2015
Balance, beginning of year		\$ 80,636	\$ 84,799
Increase (decrease) in net assets attributable to holders of redeemable units		4,307	(1,953)
Redeemable unit transactions:			
Issue of redeemable units		8,419	102,373
Reinvestment of distributions		4,510	3,361
Redemption of redeemable units		(8,386)	(107,944)
Net increase (decrease) from redeemable unit transactions		4,543	(2,210)
Balance, end of year		\$ 89,486	\$ 80,636

Series F	Note	2016	2015
Balance, beginning of year		\$ 690	\$ -
Increase (decrease) in net assets attributable to holders of redeemable units		68	(35)
Redeemable unit transactions:			
Issue of redeemable units		675	691
Reinvestment of distributions		70	37
Redemption of redeemable units		(129)	(3)
Net increase (decrease) from redeemable unit transactions		616	725
Balance, end of year		\$ 1,374	\$ 690

The accompanying notes are an integral part of these financial statements.

# LEITH WHEELER BALANCED FUND

Statements of Cash Flows  
(Expressed in thousands of dollars)

Years ended December 31, 2016 and 2015

	Note	2016	2015
Cash provided by (used in):			
Operating activities:			
Increase (decrease) in net assets attributable to holders of redeemable units		\$ 4,864	\$ (2,242)
Adjustments for:			
Net realized (gain) loss from investments		(4,827)	(2,297)
Net change in unrealized (appreciation) depreciation from investments		(3,497)	2,441
Balances due from brokers		(159)	163
Interest income		(915)	(991)
Dividend income		(1,806)	(1,440)
Payable to brokers		84	13
Management fees payable		14	7
Redemptions payable		79	28
Subscriptions receivable		(8)	206
Proceeds from sale of investments		82,836	51,989
Purchases of investments		(85,708)	(58,618)
Interest received		910	984
Dividends received		1,794	1,439
		(6,339)	(8,318)
Financing activities:			
Proceeds from issue of redeemable units		11,081	112,506
Payments on redemption of redeemable units		(9,806)	(108,095)
Reinvestment of distributions		5,272	3,915
		6,547	8,326
Net increase (decrease) in cash		208	8
Cash, beginning of year		114	106
Cash, end of year		\$ 322	\$ 114

The accompanying notes are an integral part of these financial statements.



# LEITH WHEELER BALANCED FUND

Schedule of Investment Portfolio  
(Expressed in thousands of dollars)

December 31, 2016

Security	Coupon Rate %	Maturity	Par Value	Cost	Fair Value	% of Net Assets
<b>BONDS AND GUARANTEES</b>						
<b>Corporate Bonds and Guarantees:</b>						
407 International Inc.	5.960	03-Dec-35	\$ 84	\$ 119	\$ 111	
Alliance Pipeline Limited Partnership	5.546	31-Dec-23	101	105	107	
Alliance Pipeline Limited Partnership	7.181	30-Jun-23	50	57	57	
Allied Properties Reit	3.750	13-May-20	30	30	31	
AltaLink LP	2.978	28-Nov-22	101	108	106	
AltaLink LP	3.717	03-Dec-46	50	50	49	
AltaLink LP	4.922	17-Sep-43	38	48	45	
American Express Canada Credit Corp.	2.310	29-Mar-18	365	369	370	
Arrow Lakes Power	5.516	05-Apr-41	60	60	68	
Bank of Montreal	1.610	28-Oct-21	102	100	100	
Bank of Montreal	1.880	31-Mar-21	250	251	250	
Bank of Montreal	2.100	06-Oct-20	44	44	44	
Bank of Montreal	2.240	11-Dec-17	307	312	310	
Bank of Montreal	3.210	13-Sep-18	262	277	270	
Bank of Montreal	1.330	01-May-18	556	557	557	
Bank of Nova Scotia	1.900	02-Dec-21	107	107	106	
Bank of Nova Scotia	2.250	13-Jan-20	76	77	77	
Bell Canada	2.000	01-Oct-21	35	35	35	
Bell Canada	2.900	12-Aug-26	40	40	39	
Bell Canada	3.050	03-Oct-22	77	77	79	
Bell Canada	3.150	29-Sep-21	177	184	184	
Bell Canada	3.350	18-Jun-19	78	80	81	
Bell Canada	3.550	02-Mar-26	100	101	102	
Bell Canada	4.950	19-May-21	14	16	16	
Blackbird Infrastructure 407 General Partnership	1.710	08-Jan-20	84	83	83	
BMW Canada Inc	1.780	19-Oct-20	91	91	91	
BMW Canada Inc.	1.690	24-Feb-17	65	65	65	
BMW Canada Auto Trust	1.373	20-Sep-18	88	88	88	
Brookfield Infrastructure Finance ULC	3.500	30-Oct-20	155	155	158	
Brookfield Renewable Energy Partners ULC	3.630	15-Jan-27	42	42	41	
BRP Finance ULC	5.250	05-Nov-18	210	227	223	
Bruce Power LP	2.844	23-Jun-21	250	252	254	
Calloway Real Estate Investment Trust	4.050	27-Jul-20	126	134	133	
Canadian Imperial Bank of Commerce	1.640	12-Jul-21	96	96	95	
Canadian Imperial Bank of Commerce	1.700	09-Oct-18	518	520	521	
Canadian Imperial Bank of Commerce	1.900	26-Apr-21	110	110	110	
Canadian Imperial Bank of Commerce	2.350	18-Oct-17	57	57	58	
Canadian Imperial Bank of Commerce	1.140	17-May-17	89	89	89	
Canadian Real Estate Investment Trust	3.676	24-Jul-18	143	142	146	
Canadian Western Bank	2.104	26-Jun-17	192	193	193	
Canadian Western Bank	3.049	18-Jan-17	120	120	120	
Choice Properties LP	3.600	20-Sep-22	400	426	416	
CNH Capital Canada Receivables Trust	1.353	15-Mar-21	76	76	75	
Cominar Real Estate Investment Trust	4.941	27-Jul-20	91	97	96	
Canadian Utilities Ltd.	4.722	09-Sep-43	50	56	58	
Canadian Utilities Ltd.	5.896	20-Nov-34	139	174	176	
CU Inc	9.920	01-Apr-22	213	310	290	
Daimler Canada Finance Inc.	2.280	17-Feb-17	95	96	95	
Daimler Canada Finance Inc	1.777	08-Jul-19	159	159	160	
Dollarama Inc	2.337	22-Jan-21	158	158	157	
Dollarama Inc.	3.095	05-Nov-18	66	68	68	
Enbridge Gas Distribution Inc	2.500	05-Aug-26	38	38	37	
Enbridge Inc.	3.940	30-Mar-23	65	70	69	
Enbridge Inc.	4.260	01-Feb-21	57	61	61	
Enbridge Inc.	4.530	09-Mar-20	55	58	59	
Enbridge Pipelines Inc.	2.930	30-Nov-22	195	198	200	
Enbridge Pipelines Inc	3.500	30-Sep-25	60	145	150	
Enbridge Pipelines Inc	4.130	09-Aug-46	75	76	73	
Epcor Utilities Inc.	5.800	31-Jan-18	76	84	80	
FortisBC Energy Inc	5.800	13-May-38	88	109	113	
Fortis BC Energy Inc	3.389	13-Apr-45	101	101	93	
GE Capital Canada Funding Co.	4.600	26-Jan-22	200	232	224	
Greater Toronto Airports Authority	7.050	12-Jun-30	100	140	138	
Great-West Lifeco Inc.	4.650	13-Aug-20	75	82	82	
Great-West Lifeco Inc.	6.740	24-Nov-31	56	72	73	
H&R Real Estate Investment Trust	5.000	01-Dec-18	35	37	37	
Hydro One Inc	3.720	18-Nov-47	17	17	17	

# LEITH WHEELER BALANCED FUND

Schedule of Investment Portfolio (continued)

(Expressed in thousands of dollars)

December 31, 2016

Security	Coupon Rate %	Maturity	Par Value	Cost	Fair Value	% of Net Assets
<b>BONDS AND GUARANTEES (continued)</b>						
<b>Corporate Bonds and Guarantees (continued):</b>						
Hydro One Inc.	1.840	24-Feb-21	\$ 150	\$ 151	\$ 150	
Hydro One Inc.	2.780	09-Oct-18	196	202	201	
Hydro One Inc.	5.490	16-Jul-40	12	13	15	
Hydro One Inc.	6.930	01-Jun-32	28	38	39	
Hydro One Inc.	7.350	03-Jun-30	41	61	57	
Institutional Mortgage Securities Canada Inc	2.340	12-Feb-25	125	125	121	
Inter Pipeline Ltd	3.484	16-Dec-26	225	225	228	
Manulife Financial Corp.	5.505	26-Jun-18	108	115	114	
Maritimes & Northeast Pipeline LP	4.340	30-Nov-19	40	41	41	
Maritimes & Northeast Pipeline LP	6.900	30-Nov-19	10	13	11	
National Bank of Canada	1.950	11-Dec-17	250	252	252	
National Bank of Canada	2.794	09-Aug-18	236	246	241	
National Grid Electricity Transmission Plc	2.730	20-Sep-17	342	352	346	
North Battleford Power LP	4.958	31-Dec-32	61	60	67	
North West Redwater Partnership / NWR Financing Co	4.250	01-Jun-29	85	95	91	
OMERS Realty Corp.	2.470	12-Nov-19	154	170	161	
OMERS Realty Corp.	2.470	12-Nov-19	113	117	116	
OMERS Realty Corp.	2.858	23-Feb-24	78	78	79	
Ontario School Boards Financing Corp.	5.376	25-Jun-32	53	63	62	
Pembina Pipeline Corp.	3.540	03-Feb-25	97	98	98	
Plenary Properties LTAP LP	6.288	31-Jan-44	67	71	86	
Royal Bank of Canada	1.650	15-Jul-21	160	160	157	
Royal Bank of Canada	2.770	11-Dec-18	543	561	557	
Royal Bank of Canada	2.980	07-May-19	350	362	361	
Royal Bank of Canada	3.770	30-Mar-18	141	147	145	
Royal Bank of Canada	3.310	20-Jan-26	111	113	112	
Saputo Inc.	2.196	23-Jun-21	157	157	157	
Shaw Communications Inc	3.150	19-Feb-21	75	76	76	
Shaw Communications Inc.	4.350	31-Jan-24	59	63	63	
Shaw Communications Inc.	5.500	07-Dec-20	123	129	136	
Hospital for Sick Children	5.217	16-Dec-49	42	57	52	
SSL Finance Inc	4.099	31-Oct-45	28	28	28	
Sun Life Financial Inc	3.050	19-Sep-28	79	79	79	
TELUS Corp.	3.600	26-Jan-21	325	337	343	
TELUS Corp.	3.750	17-Jan-25	141	141	147	
TELUS Corp.	3.750	10-Mar-26	15	15	15	
Thomson Reuters Corp.	3.369	23-May-19	25	25	26	
Toronto Dominion Bank	1.680	08-Jun-21	210	211	208	
Toronto-Dominion Bank	1.690	02-Mar-20	200	199	200	
Toronto Dominion Bank	2.045	08-Mar-21	199	199	200	
Toronto Dominion Bank	4.859	04-Mar-31	74	74	81	
TransCanada PipeLines Ltd.	9.450	20-Mar-18	120	154	130	
Transpower New Zealand	3.000	20-Mar-17	75	77	75	
Union Gas Ltd.	2.760	02-Jun-21	339	347	350	
University of Ontario Institute of Technology	6.351	15-Oct-34	118	118	142	
Wells Fargo Canada Corp.	2.780	15-Nov-18	341	356	349	
Westcoast Energy Inc.	3.430	12-Sep-24	111	111	113	
Spectra Energy Corp.	5.350	27-Apr-18	23	26	24	
Westcoast Energy Inc.	8.500	04-Sep-18	11	14	12	
Wells Fargo & Company	2.975	19-May-26	125	124	122	
				15,854	15,795	15.4
<b>Federal Bonds and Guarantees</b>						
Canadian Mortgage Pools 97506320	1.247	01-Dec-20	225	224	223	
Canadian Mortgage Pools 97506633	1.350	01-Jan-21	92	91	91	
Canadian Mortgage Pools 97506823	1.545	01-Apr-21	122	122	121	
Canadian Mortgage Pools 97507233	1.545	01-Jun-21	214	215	212	
Canadian Mortgage Pools 97507473	1.296	01-Aug-21	157	155	155	
Canadian Mortgage Pools 97507953	1.366	01-Nov-21	123	121	121	
Canadian Mortgage Pools 99007726	5.440	01-Mar-28	359	434	420	
Canadian Mortgage Pools 99010498	2.040	01-Dec-22	255	264	254	
Canada Housing Trust	1.900	15-Sep-26	812	826	789	
Canada Housing Trust	2.400	15-Dec-22	166	177	172	
Canada Housing Trust	2.650	15-Mar-22	1,000	1,073	1,052	
Canada Housing Trust No 1	1.121	15-Mar-17	831	832	832	
Canadian Government Bond	1.250	01-Sep-18	15	15	15	
Canadian Government Bond	1.500	01-Jun-23	788	793	793	

# LEITH WHEELER BALANCED FUND

Schedule of Investment Portfolio (continued)  
(Expressed in thousands of dollars)

December 31, 2016

Security	Coupon Rate %	Maturity	Par Value	Cost	Fair Value	% of Net Assets
<b>BONDS AND GUARANTEES (continued)</b>						
<b>Federal Bonds and Guarantees (continued)</b>						
Canadian Government Bond	1.500	01-Jun-26	\$ 300	\$ 299	\$ 294	
Canadian Government Bond	2.750	01-Dec-48	475	541	522	
Canadian Government Bond	2.750	01-Dec-64	130	143	147	
Canadian Government Bond	3.500	01-Dec-45	572	740	711	
Canadian Government Bond	4.000	01-Jun-41	209	257	273	
Canadian Government Bond	5.000	01-Jun-37	531	798	764	
Canadian Government Real Return Bond	1.250	01-Dec-47	225	271	273	
				8,391	8,234	8.1
<b>Provincial/Municipal Bonds and Guarantees:</b>						
City of Montreal Canada	3.500	01-Sep-23	134	143	143	
City of Montreal Canada	3.500	01-Sep-24	185	195	196	
City of Toronto Canada	5.342	18-Jul-27	34	40	39	
City of Vancouver	2.900	06-Nov-25	48	48	49	
First Nations Finance Authority	3.400	26-Jun-24	41	44	43	
Municipal Finance Authority of British Columbia	1.750	15-Oct-20	113	113	113	
Municipal Finance Authority of British Columbia	4.450	01-Jun-20	44	49	48	
Municipal Finance Authority of British Columbia	4.978	06-Apr-25	26	30	29	
Province of Alberta	2.200	01-Jun-16	900	892	874	
Province of Alberta	3.300	01-Dec-46	300	301	299	
Province of Alberta	3.500	01-Jun-31	177	178	185	
Province of Manitoba	2.550	02-Jun-23	64	67	66	
Province of Manitoba	2.550	02-Jun-26	550	554	549	
Province of Manitoba	2.850	05-Sep-46	60	54	54	
Province of Manitoba	6.300	05-Mar-31	260	323	353	
Province of New Brunswick	2.600	14-Aug-26	13	13	13	
Province of New Brunswick	3.650	03-Jun-24	123	138	134	
Province of New Brunswick	4.550	26-Mar-37	91	90	104	
Province of Newfoundland	1.950	02-Jun-22	1,250	1,250	1,241	
Province of Newfoundland	3.000	02-Jun-26	83	83	83	
Province of Nova Scotia	2.100	01-Jun-27	400	394	377	
Province of Nova Scotia	4.400	01-Jun-42	139	162	161	
Province of Nova Scotia	4.500	01-Jun-37	12	15	14	
Province of Ontario	0.000	02-Dec-28	378	259	263	
Province of Ontario	2.800	02-Jun-48	152	150	140	
Province of Ontario	2.850	02-Jun-23	300	312	314	
Province of Ontario	2.900	02-Dec-46	1500	1,416	1405	
Province of Ontario	3.450	02-Jun-45	74	83	77	
Province of Ontario	4.000	02-Jun-21	450	495	495	
Province of Ontario	5.600	02-Jun-35	200	282	268	
Province of Ontario	5.850	08-Mar-33	254	345	343	
Province of Quebec	3.500	01-Dec-45	750	789	782	
Province of Quebec	5.750	01-Dec-36	41	61	56	
Province of Quebec	8.500	01-Apr-26	40	59	59	
Province of Quebec	3.500	01-Dec-48	192	226	202	
Province of Saskatchewan	2.550	02-Jun-26	300	300	300	
Province of Saskatchewan	2.750	02-Dec-46	14	14	12	
Province of Saskatchewan	3.900	02-Jun-45	47	52	52	
Province of Saskatchewan	4.750	01-Jun-40	43	56	53	
Province of Saskatchewan	5.000	05-Mar-37	151	168	188	
				10,243	10,176	9.9
<b>TOTAL BONDS AND GUARANTEES</b>				<b>34,488</b>	<b>34,205</b>	<b>33.4</b>

Security	Number of Holdings	Cost	Fair Value	% of Net Assets
<b>CANADIAN EQUITY</b>				
<b>Consumer Discretionary:</b>				
BRP Inc.	16,600	\$ 469	\$ 471	
Canadian Tire Corp. Ltd. Class A	7,000	529	975	
Hudson's Bay Co.	18,900	357	249	
Sleep Country Canada Holding Inc.	2,300	43	66	
Stingray Digital Group Inc	14,300	103	125	
		1,501	1,886	1.8
<b>Consumer Staple:</b>				
Saputo Inc.	37,400	502	1,777	
		502	1,777	1.7

# LEITH WHEELER BALANCED FUND

Schedule of Investment Portfolio (continued)  
(Expressed in thousands of dollars)

December 31, 2016

Security	Number of Holdings	Cost	Fair Value	% of Net Assets
<b>CANADIAN EQUITY (continued)</b>				
<b>Energy:</b>				
Baytex Energy Corp	36,000	\$ 370	\$ 236	
Cameco Corp.	45,500	856	639	
Canadian Natural Resources Ltd.	11,300	402	484	
Cardinal Energy Ltd.	25,000	330	265	
Mullen Group Ltd.	33,700	707	668	
NuVista Energy Ltd.	52,600	342	365	
Raging River Exploration Inc.	23,600	201	248	
Seven Generations Energy Ltd	17,200	467	539	
Tourmaline Oil Corp.	36,500	1,204	1,311	
Western Energy Services Corp.	23,400	88	73	
		4,967	4,828	4.7
<b>Financials:</b>				
Bank of Montreal	1,700	166	164	
Bank of Nova Scotia	26,000	1,394	1,944	
Brookfield Asset Management Inc.	22,400	993	992	
Canadian Imperial Bank of Commerce	10,200	951	1,118	
Canadian Western Bank	8,600	223	261	
CI Financial Corp.	27,800	907	803	
ECN Capital Corp.	18,500	61	61	
Element Financial Corp.	30,600	325	381	
Home Capital Group Inc.	8,883	250	278	
Industrial Alliance Insurance and Financial Services Inc	4,500	221	240	
Manulife Financial Corp.	56,900	1,043	1,361	
Onex Corp	1,800	143	165	
Royal Bank of Canada	24,400	1,299	2,217	
Sun Life Financial Inc.	8,000	339	412	
Toronto-Dominion Bank	29,500	951	1,953	
		9,266	12,350	12.2
<b>Industrials:</b>				
Canadian National Railway Co.	19,300	742	1,744	
Fining International Inc.	40,000	860	1,052	
Stantec Inc	25,400	856	861	
Toromont Industries Ltd.	39,029	279	1,653	
Waste Connections Inc.	8,178	691	861	
		3,428	6,171	6.0
<b>Information Technology:</b>				
Constellation Software Inc.	1,347	266	822	
Open Text Corp.	14,930	839	1,238	
Redknee Solutions Inc	33,500	139	52	
		1,244	2,112	2.1
<b>Materials:</b>				
First Quantum Minerals Ltd.	60,600	809	809	
Teck Resources Ltd	9,200	313	247	
		1,122	1,056	1.0
<b>Real Estate:</b>				
Slate Retail	8,438	106	127	
		105	127	0.1
<b>Utilities:</b>				
Brookfield Infrastructure Partners LP	35,063	850	1,575	
Hydro One Ltd.	3,000	63	71	
		913	1,646	1.6
<b>TOTAL CANADIAN EQUITY</b>		<b>23,048</b>	<b>31,953</b>	<b>31.2</b>
<b>FOREIGN EQUITY</b>				
<b>Consumer Discretionary:</b>				
Carnival Corp.	3,900	160	272	
Hanesbrands Inc	6,500	275	189	
Norwegian Cruise Line Holdings Ltd	4,100	249	234	
NVR Inc.	42	97	94	
Royal Caribbean Cruises Ltd	2,200	254	242	
SeaWorld Entertainment Inc	5,900	158	150	
Twenty-First Century Fox-A	5,600	184	211	
		1,377	1,392	1.4

# LEITH WHEELER BALANCED FUND

Schedule of Investment Portfolio (continued)

(Expressed in thousands of dollars)

December 31, 2016

Security	Number of Holdings	Cost	Fair Value	% of Net Assets
<b>FOREIGN EQUITY (continued)</b>				
<b>Consumer Staple:</b>				
Altria Group Inc	2,200	\$ 184	\$ 200	
Coca-Cola European Partners	4,700	221	198	
CVS Health Corp	2,300	259	244	
Philip Morris International Inc	1,600	198	196	
Reynolds American Inc	3,000	202	226	
		1,064	1,064	<b>1.0</b>
<b>Energy:</b>				
BP PLC.	5,000	217	251	
Chevron Corp	1,600	190	253	
ConocoPhillips	4,000	193	269	
Fairmount Santrol Holdings Inc	9,200	39	146	
Hess Corp	3,100	199	259	
Occidental Petroleum Corp	2,400	217	230	
Phillips 66	1,900	206	220	
		1,261	1,628	<b>1.6</b>
<b>Financials:</b>				
American Express Co.	2,500	205	249	
American International Group Inc	3,000	236	263	
Ameriprise Financial Inc	1,200	156	179	
Bank of America Corp	8,800	165	261	
Berkshire Hathaway Inc. Class B	1,000	184	219	
Capital One Financial Corp	1,300	114	152	
Citigroup Inc	5,000	286	399	
Discover Financial Services	2,600	177	252	
E*TRADE Financial Corp	4,400	146	205	
Fifth Third Bancorp	2,800	60	101	
FNF Group	3,600	154	164	
JPMorgan Chase & Co	3,200	257	371	
KeyCorp	4,700	73	115	
Navient Corp	8,900	118	196	
New York Community Bancorp Inc	10,300	217	220	
PNC Financial Services Group Inc	1,500	179	235	
SLM Corp	18,300	159	271	
State Street Corp	2,200	168	230	
Wells Fargo & Co.	4,000	126	296	
Willis Towers Watson Plc	900	140	148	
XL Group Ltd	3,300	154	165	
		3,474	4,691	<b>4.6</b>
<b>Health Care:</b>				
Anthem Inc	1,100	213	212	
Cardinal Health Inc	2,500	273	241	
Cigna Corp	1,000	191	179	
Express Scripts Holding Co	2,400	216	222	
Johnson & Johnson	1,200	83	186	
Medtronic Inc	1,986	197	190	
Merck & Co. Inc.	2,000	82	158	
Pfizer Inc.	4,900	118	214	
Sanofi	3,100	183	168	
Teva Pharmaceutical Industries Ltd.	4,400	340	214	
UnitedHealth Group Inc	1,200	191	258	
		2,087	2,242	<b>2.2</b>
<b>Industrials:</b>				
Deere & Co	1,700	180	235	
General Dynamics Corp.	700	82	162	
Honeywell International Inc	1,000	138	156	
Johnson Controls Inc	4,521	278	250	
Nielsen NV	3,200	204	180	
Owens Corning	3,300	209	228	
Raytheon Co	800	135	153	
Spirit AeroSystems Holdings Inc	3,100	190	243	
Stanley Black & Decker Inc	1,300	173	200	
United Technologies Corp.	1,800	185	265	
		1,774	2,072	<b>2.0</b>

# LEITH WHEELER BALANCED FUND

Schedule of Investment Portfolio (continued)

(Expressed in thousands of dollars)

December 31, 2016

Security	Number of Holdings	Cost	Fair Value	% of Net Assets
<b>FOREIGN EQUITY (continued)</b>				
<b>Information Technology:</b>				
Apple Inc	1,600	\$ 200	\$ 249	
Microchip Technology Inc	2,300	142	198	
Microsoft Corp.	2,600	73	217	
Oracle Corp	4,000	200	207	
Qualcomm Inc	2,100	158	184	
Texas Instruments Inc	2,300	164	225	
		<u>937</u>	<u>1,280</u>	<u>1.3</u>
<b>International Fund:</b>				
Leith Wheeler International Equity Plus Fund, Series A	1,520,646	14,267	15,964	
		<u>14,267</u>	<u>15,964</u>	<u>15.6</u>
<b>Materials:</b>				
Air Products & Chemicals Inc	1,100	183	212	
Celanese Corp-Series A	1,800	157	190	
CRH Plc	3,500	128	162	
Du Pont (E.I.) De Nemours	1,700	165	168	
FMC Corp	2,200	108	167	
LyondellBasell Industries NV	1,400	158	161	
Versum Materials Inc	2,440	78	92	
		<u>977</u>	<u>1,152</u>	<u>1.1</u>
<b>Utilities:</b>				
Verizon Communications Inc	2,800	190	201	
		<u>190</u>	<u>201</u>	<u>0.2</u>
<b>TOTAL FOREIGN EQUITY</b>		<b>27,408</b>	<b>31,686</b>	<b>31.1</b>
<b>MONEY MARKET SECURITIES</b>		<u>4,129</u>	<u>4,129</u>	<u>4.0</u>
<b>TRANSACTION COSTS</b>		<u>(19)</u>		
<b>TOTAL INVESTMENT PORTFOLIO</b>		<b>\$ 89,054</b>	<b>\$ 101,973</b>	<b>99.7</b>
<b>OTHER ASSETS LESS LIABILITIES</b>			<u>321</u>	<u>0.3</u>
<b>NET ASSETS</b>			<b>\$ 102,294</b>	<b>100.0</b>

The accompanying notes are an integral part of these financial statements.

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2016 and 2015

The Fund Specific Information contained herein should be read in conjunction with the "Notes to Financial Statements - General Information related to all Leith Wheeler Investment Funds" beginning after the "Notes to Financial Statements - Fund Specific Information".

## 1. Management fees and expenses:

Management fees in respect of Series B are calculated at a maximum of 1.10% per annum, before GST/HST, of the daily Net Asset Value of Series B. Management fees in respect of Series F are calculated at a maximum of 0.85% per annum, before GST/HST, of the daily Net Asset Value of Series F. Management fee distributions for the year ended December 31, 2016 were approximately \$284,000 (2015 - \$336,000). No management fees were paid with respect to Series A units.

## 2. Withholding tax and other income taxes:

Certain dividends and interest income received by the Fund are subject to withholding tax imposed in the country of origin. During the year, the average withholding tax rate was 17% (2015 - 11%).

The Fund has capital losses of nil (2015 - nil) available for utilization against capital gains in future years. The Fund has non-capital losses of nil (2015 - nil) available for utilization against net realized capital gains or non-capital gains in future years.

## 3. Redeemable units:

The redeemable unit transactions for the Fund during the years ended December 31, 2016 and 2015 are as follows:

	Outstanding units at beginning of year	Purchased during the year	Reinvested distributions	Redeemed during the year	Outstanding units at end of year
Series A:					
2016	413	83	29	(55)	470
2015	-	397	22	(6)	413
Series B:					
2016	3,418	350	183	(348)	3,603
2015	3,521	4,196	141	(4,440)	3,418
Series F:					
2016	30	31	3	(6)	58
2015	-	28	2	-	30

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2016 and 2015

## 4. Financial risk management:

The investment objective of the Fund is to provide investors with a relatively stable, superior long-term rate of return, through a balanced portfolio of common shares and fixed income securities.

For a comprehensive discussion of the risks applicable to the Fund refer to note 6 under the "General Information related to all Leith Wheeler Investment Funds". Financial risks applicable to the Fund are discussed in more detail below.

### (a) Credit risk:

The majority of the credit risk to which the Fund is exposed is concentrated in debt securities. Credit risk arising from other financial instruments is not considered significant. At December 31, 2016 and 2015, the Fund was invested in debt securities with the following credit quality:

	2016	2015
<b>Rating:</b>		
AAA	26.4%	27.8%
AA	33.2%	32.4%
A	25.6%	26.5%
BBB	14.8%	13.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Credit ratings are obtained from Standard & Poor's, Moody's, Fitch and/or Dominion Bond Rating Services. Where one or more rating is obtained for a security, the most common rating has been used.

### (b) Liquidity risk:

The Fund's redeemable units are due on demand. The Fund's remaining liabilities are due within twelve months of the year-end of the Fund.

### (c) Market risk:

#### (i) Interest rate risk:

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

	2016	2015
Term to maturity	% of total debt securities	% of total debt securities
Less than 1 year	7.1%	10.7%
1 - 5 years	32.4%	30.7%
5 - 10 years	30.6%	26.0%
> 10 years	29.9%	32.6%
<b>Total debt securities</b>	<b>100.0%</b>	<b>100.0%</b>



# LEITH WHEELER BALANCED FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2016 and 2015

## 4. Financial risk management (continued):

(c) Market risk: (continued)

(i) Interest rate risk (continued):

The Manager has determined that a fluctuation in interest rates of 100 basis points is reasonably possible, considering the economic environment in which the Fund operates. As at December 31, 2016 and 2015, had interest rates increased or decreased by 100 basis points, with all other factors remaining constant, net assets attributable to redeemable units would have increased or decreased by approximately \$2,595,000, and \$2,241,000, respectively. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(ii) Currency risk:

At the reporting date, the carrying value of the Fund's net financial assets and financial liabilities held in individual foreign currencies expressed in Canadian dollars and as a percentage of its net assets were as follows:

	Currency exposure		Percentage of net assets	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
US Dollar	\$ 15,754	\$ 16,066	15.4%	17.7%
Japanese Yen	4,997	2,222	4.9%	2.4%
Euro	3,432	5,492	3.4%	6.0%
British Pound	2,698	2,816	2.6%	3.1%
Hong Kong Dollar	1,564	498	1.5%	0.5%
Swiss Franc	1,341	1,198	1.3%	1.3%
Jersey Pound	-	378	-	0.4%
Danish Krone	-	365	-	0.4%
Cayman Islands Dollar	-	195	-	0.2%
Total	\$ 29,786	\$ 29,230	29.1%	32.0%

As at December 31, 2016 and 2015, had the Canadian dollar strengthened or weakened by 1% in relation to all foreign currencies, with all other factors remaining constant, net assets attributable to redeemable units would have increased or decreased by approximately \$298,000 (2015 - \$292,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2016 and 2015

## 4. Financial risk management (continued):

(c) Market risk: (continued)

(iii) Other price risk:

For this Fund, the most significant exposure to other price risk arises from its investment in equity securities, both directly and indirectly through holdings in underlying investment funds. As at December 31, 2016 and 2015, had the relevant benchmark/broad-based indices increased or decreased by 5%, with all other variables held constant, the net assets attributable to holders of redeemable units would have increased or decreased by approximately \$3,182,000 and \$2,871,000, respectively. In practice, actual results may differ from this sensitivity analysis and these differences could be material.

## 5. Fair value of financial instruments:

For a general discussion of the Fund's fair value measurements, refer to note 7 under the "General Information related to all Leith Wheeler Investment Funds".

(a) Fair value hierarchy - financial instruments measured at fair value:

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

All fair value measurements below are recurring.

<b>December 31, 2016</b>	Level 1	Level 2	Level 3	Total
Short Term Notes	\$ -	\$ 4,129	\$ -	\$ 4,129
Bonds (including Mortgage Backed Securities)	-	34,205	-	34,205
Equities - Long	47,675	-	-	47,675
Investment Fund units	15,964	-	-	15,964
	\$ 63,639	\$ 38,334	\$ -	\$ 101,973

<b>December 31, 2015</b>	Level 1	Level 2	Level 3	Total
Short Term Notes	\$ -	\$ 2,697	\$ -	\$ 2,697
Bonds (including Mortgage Backed Securities)	-	30,669	-	30,669
Equities - Long	42,463	-	-	42,463
Investment Fund units	14,948	-	-	14,948
	\$ 57,411	\$ 33,366	\$ -	\$ 90,777

During the year, there were no transfers of financial instruments between the three levels (2015 - nil).

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2016 and 2015

## 6. Involvement with structured entities:

The table below describes the Fund's structure entity, which it does not consolidate, but in which it holds an interest.

Entity	Nature and purpose	Interest held by the Fund
Investment Funds	To manage assets on behalf of third party investors and generate fees for the investment manager.  These vehicles are financed through the issue of units to investors.	Investment in units issued by the underlying investment funds.

The table below sets out interests held by the Fund in structured entities. The maximum exposure to loss is the carrying amount of the investment in the underlying funds held.

### December 31, 2016

Underlying Fund	Principal place of business	Country of assets of domicile	Ownership interest	Total net assets of investee fund	Carrying amount included in investments in the statement of financial position
Leith Wheeler International Equity Plus Fund, Series A	Canada	Canada	70.9%	\$ 22,503	\$ 15,964

### December 31, 2015

Underlying Fund	Principal place of business	Country of assets of domicile	Ownership interest	Total net assets of investee fund	Carrying amount included in investments in the statement of financial position
Leith Wheeler International Equity Plus Fund, Series A	Canada	Canada	79.0%	\$ 18,919	\$ 14,948

The Fund and the Leith Wheeler International Equity Plus Fund are subject to common control as they have the same Manager. During 2016 and 2015, the Fund did not provide financial support to this structured entity and has no intention of providing financial or other support. The Fund can redeem its units in the above investment fund at any time, subject to their being sufficient liquidity in the underlying fund.

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2016 and 2015

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## **7. Related party transactions:**

At December 31, 2016, the Fund owned 1,520,646 Series A units (2015 - 1,411,023) of the Leith Wheeler International Equity Plus Fund, which is a fund under common management.

During the year, the Fund earned approximately \$340,000 in dividend income (2015 - \$286,000), nil in interest income (2015 - \$3,000), and \$192,000 in capital gains (2015 - \$457,000) on that investment. No additional management fees are paid by the Fund to the Manager in respect of holding units of this underlying investment fund.

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2016 and 2015

## 1. Reporting entity:

The Leith Wheeler Investment Funds (individually, a "Fund" and collectively, the "Funds") consist of:

Fund	Inception
Leith Wheeler Balanced Fund	September 22, 1987
Leith Wheeler Canadian Dividend Fund	December 21, 2010
Leith Wheeler Canadian Equity Fund	April 27, 1994
Leith Wheeler Core Bond Fund (formerly Leith Wheeler Fixed Income Fund)	April 27, 1994
Leith Wheeler Corporate Advantage Fund (formerly Leith Wheeler Corporate Fixed Income Fund)	May 29, 2015
Leith Wheeler High Yield Bond Fund	May 27, 2016
Leith Wheeler Income Advantage Fund	December 21, 2010
Leith Wheeler International Equity Plus Fund	October 31, 2007
Leith Wheeler Money Market Fund	April 27, 1994
Leith Wheeler U.S. Dividend Fund	September 26, 2016
Leith Wheeler U.S. Equity Fund	April 27, 1994
Leith Wheeler U.S. Small/Mid-Cap Equity Fund	October 27, 2016

The Funds were established under the laws of British Columbia pursuant to various trust indentures between Leith Wheeler Investment Counsel Ltd., as manager (the "Manager"), and Canada Trust Company, as trustee. The Funds' trustee is CIBC Mellon Trust Company and the Funds' custodian is the Canadian Imperial Bank of Commerce.

The trust indentures for all the above Funds allow for an unlimited number of series and an unlimited number of units of each series. Currently authorized series of units are as follows: Series A and Series A (CAD Hedged), Series B and Series B (CAD Hedged), Series F and Series F (CAD Hedged) and Series FP1.

Series A and Series A (CAD Hedged) units have no management fees. Unitholders of Series A and Series A (CAD Hedged) units pay a negotiated fee directly to the Manager and are available to investors that satisfy certain criteria related to the nature of the investors and certain other matters as established by the Manager. Series B and Series B (CAD Hedged) units carry management fees and are available to all investors. Series F, Series F (CAD Hedged) and Series FP1 units carry reduced management fees and are available to investors who have accounts with dealers who have signed a fee-based agreement with the Manager.

The Leith Wheeler High Yield Bond Fund has Series A, Series A (CAD Hedged), Series B and Series B (CAD Hedged) and Series F and Series F (CAD Hedged) units outstanding. The Leith Wheeler U.S. Dividend Fund has Series A, Series B, Series F and Series FP1 units outstanding. The Leith Wheeler Balanced Fund, Leith Wheeler Canadian Dividend Fund, Leith Wheeler Corporate Advantage Fund, Leith Wheeler Income Advantage Fund, Leith Wheeler International Equity Plus Fund, Leith Wheeler U.S. Equity Fund and Leith Wheeler U.S. Small/Mid-Cap Equity Fund have Series A, Series B and Series F units outstanding. All other remaining Funds have Series A and Series B units outstanding.

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2016 and 2015

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## 1. Reporting entity (continued):

The information provided in these financial statements and notes thereto is for the years ended December 31, 2016 and 2015. In the year a Fund or series is established, "period" represents the time period from inception to December 31 of that fiscal year.

The general information related to all Funds presented here should be read in conjunction with each respective Fund's "Notes to Financial Statements - Fund Specific Information".

The Funds are unit trusts domiciled in Canada. The address of the Funds' registered office is at 1500 - 400 Burrard Street, Vancouver B.C., V6C 3A6.

## 2. Basis of preparation:

### (a) Statement of compliance:

The financial statements of the Funds have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements were authorized for issue by the Manager on March 29, 2017.

### (b) Basis of measurement:

The financial statements have been prepared on a historical cost basis except for investments and derivatives, which are measured at fair value.

### (c) Functional and presentation currency:

The Funds', with the exception of the Leith Wheeler U.S. Dividend Fund, have their subscriptions, redemptions, price and performance denominated in Canadian dollars, which is their functional and presentation currency. The Leith Wheeler U.S. Dividend Fund has its subscriptions, redemptions, price and performance denominated in U.S. dollars, which is the functional and presentation currency of that respective Fund.

### (d) Investment entities:

The Funds meet the definition of an investment entity as defined by IFRS 10 and are required to account for their investment in the underlying funds at fair value through profit and loss. The Funds meet the definition of an investment entity per IFRS 10 as the following conditions exist:

#### (i) Activities:

The Funds' only substantive activity is to invest in multiple investments for capital appreciation and/or investment income; they have made explicit commitments to investors that this is the purpose of their activities; and they report financial information about these activities to investors;

#### (ii) Investors:

The Funds issue units that represent an entitlement to a proportionate share of net assets; investors are pooled to gain access to professional investment management services; and there are investors that are unrelated to the Fund; and

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2016 and 2015

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## 2. Basis of preparation (continued):

### (d) Investment entities (continued):

#### (iii) Fair value management:

Substantially all investments of the Funds are managed, and their performance evaluated, on a fair value basis.

### (e) Use of estimates and judgment:

#### (i) Assumptions and estimation uncertainties:

The preparation of financial statements in conformity with IFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected.

#### (ii) Involvement with unconsolidated structured entities

Certain funds have concluded that the underlying funds in which they invest, but that they do not consolidate, meet the definition of a structured entity in accordance with IFRS 12.

## 3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### (a) Financial instruments:

#### (i) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: held-for-trading, fair value through profit or loss ("FVTPL"), available-for-sale, loans and receivables, assets held-to-maturity, and other financial liabilities. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument.

Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as held-for-trading or fair value through profit or loss in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities held for trading or at fair value through profit or loss are recognized initially on the trade date, which is the date on which the Funds become a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated. The Funds derecognize a financial liability when its contractual obligations are discharged, cancelled or expire.

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2016 and 2015

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### 3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(i) Recognition and measurement (continued):

Financial assets and liabilities are offset and the net amount presented in the statement of net assets only when the Funds have a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Funds have not classified any financial instruments as available-for-sale or assets held to maturity.

(ii) Held-for-trading and fair value through profit and loss:

Financial instruments classified as held-for-trading or FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statement of comprehensive income in the period in which they occur. The Funds' derivative financial assets and derivative financial liabilities are classified as held-for-trading. The Funds' investments in securities are designated as FVTPL.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Funds use 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 circumstances 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. The Funds' policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market, including non-publicly traded derivative instruments, is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

(iii) Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement of loans and receivables is at amortized cost, less any impairment losses. The Funds classify cash, subscriptions receivable, balances due from brokers, and interest and dividends receivable, as loans and receivables.



# LEITH WHEELER BALANCED FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2016 and 2015

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### 3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(iv) Other financial liabilities:

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost. The Fund's other financial liabilities are comprised of redemptions payable, balances due to brokers, management fees payable, due to manager, accounts payable and distributions payable.

(b) Subsidiaries:

"Subsidiaries" are investees controlled by a Fund. The Fund controls an investee if it is exposed to, or has the rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As described in note 2(d), the Funds are investment entities and measure investments in their subsidiaries at FVTPL.

(c) Redeemable units:

The Funds classify financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The redeemable units, which are classified as financial liabilities at FVTPL and measured at redemption amount, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Funds' valuation policies at each redemption date. Distributions to holders of redeemable units are recognized in comprehensive income when they are authorized and no longer at the discretion of the Manager.

(d) Increase (decrease) in net assets attributable to holders of redeemable units per unit (excluding distributions):

The increase (decrease) in net assets attributable to holders of redeemable units per unit (excluding distributions) is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units, prior to the deduction of distributions recognized in comprehensive income, by the weighted average number of units outstanding during the year.

(e) Foreign exchange:

The financial statements of the Funds are denominated in Canadian dollars, with the exception of the Leith Wheeler U.S. Dividend Fund, which is denominated in U.S. dollars. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses are recognized in the statement of comprehensive income.

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### 3. Significant accounting policies (continued):

(f) Income recognition:

Interest income is recognized on an accrual basis. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Income and capital gains distributions from pooled fund investments are recorded at the distribution date and maintain the same classification. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments and unrealized appreciation/depreciation in investments are determined on the average cost basis of the respective investments.

(g) Income taxes:

The Funds qualify as unit trusts under the Income Tax Act (Canada). All of the Funds' net income for tax purposes and net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Funds. As a result, the Funds do not record income taxes.

Net capital losses are available to be carried forward indefinitely and applied against future net realized capital gains. Non-capital losses may be carried forward up to 20 years to reduce future taxable income.

(h) New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for year ended December 31, 2016, and have not been applied in preparing these financial statements. None of these will have a significant effect on the financial statement of the Funds, with the possible exception of IFRS 9, *Financial Instruments*.

IFRS 9 deals with recognition, derecognition, classification and measurement of financial statements and its requirements represent a significant change from the existing requirements in IAS 39, *Financial Instruments: Recognition and Measurement*, in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

The standard is effective for annual periods beginning on or after January 1, 2018. The Funds intend to adopt IFRS 9 in their financial statements for the annual period beginning on January 1, 2018. The Funds' Manager is currently in the process of evaluating the potential effect of this standard. The standard is not expected to have a significant impact on the financial statements since the Funds' financial assets are currently measured at fair value or amortized cost.

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## 4. Related party transactions:

### (a) Management fees:

The Manager is paid a management fee by the Funds, calculated daily and paid quarterly, as compensation for its services. No management fees are paid by the Funds with respect to Series A and Series A (CAD Hedged) units. Series A and Series A (CAD Hedged) unitholders pay a negotiated fee directly to the Manager outside of the Fund for investment management services.

### (b) Operating expenses:

The Manager is also entitled to reimbursement of reasonable operating expenses incurred on behalf of the Fund in connection with charges made for registry and transfer agency services, dividend and distribution crediting services, services required in connection with the provision of information and reports to unitholders and holding unitholders' meetings, interest expense, accounting, audit, recordkeeping and legal fees, and custodian and safekeeping charges. The Funds pay brokerage commissions and taxes.

The Manager has at times absorbed certain expenses incurred on behalf of the Funds, in which case such amounts are shown as a deduction from expenses in the respective Fund's statement of comprehensive income. The Manager is under no legal obligation to continue these arrangements, and may terminate them at any time.

## 5. Capital management:

The redeemable units issued by the Funds represent the capital of the Funds. The Funds are not subject to any internally or externally imposed restrictions on its capital. The Funds' objectives in managing the redeemable units are to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising from redemptions.

## 6. Financial risk management:

The following is a general discussion of the financial risks to which the Funds are exposed. Refer to the discussion on financial risk management (note 4) in the Fund Specific Information following each Fund's financial statements for information specific to the respective Fund.

Risk management framework:

The Funds use financial instruments in order to achieve their respective investment objectives. The Funds' investments are presented in each Fund's respective schedule of investment portfolio, which groups securities by asset type, geographic region and/or market segment.

The use of financial instruments subjects the Funds to a variety of financial instrument risks. The Funds' risk management practices include setting investment policies to limit exposures to financial instrument risks and employing experienced and professional investment advisors to invest the Funds' capital in securities within the constraints of investment policies. The Manager regularly monitors the Funds advisors' performance and compliance with the investment policies.

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## 6. Financial risk management (continued):

The significant financial instrument risks, to which the Funds are exposed, along with the specific risk management practices related to those risks, are discussed below.

### (a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from debt securities held, and from derivative financial assets, cash and cash equivalents, and other receivables due to the Fund. The carrying value of these financial instruments as recorded in the statements of financial position reflects the Fund's maximum exposure to credit risk.

The risk management strategy for the Funds is to invest primarily in debt obligations of high credit quality issuers and to limit the amount of credit exposure with respect to any one corporate issuer.

Credit risk is mitigated by investing primarily in rated instruments. The Funds receive daily rating updates, which are reviewed accordingly. Credit risk is monitored on a daily basis by the Manager in accordance with the Funds' investment policies. If the credit risk is not in accordance with the investment policy or guidelines of the Fund, then the Manager is obliged to rebalance the portfolio as soon as practicable.

The Funds' activities may give rise to settlement risk. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities, or other assets as contractually agreed. For the majority of transactions, the Funds mitigate this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

### (b) Liquidity risk:

Liquidity risk is the risk that the Funds will encounter difficulty in meeting the obligations associated with their financial liabilities that are settled by delivering cash or another financial asset.

The Funds' policy and the Manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, including estimated redemptions of units, without incurring unacceptable losses or risking damage to the Funds' reputation.

The Funds' prospectus provides for the daily cash redemptions of redeemable units and the Funds are therefore exposed to the liquidity risk of meeting unitholder redemptions at any time.

Liquidity risk is managed by investing the majority of a Funds' assets in investments that are traded in an active market and can be readily disposed. In addition, the Funds retain sufficient cash and cash equivalent positions to maintain liquidity. The Funds are also subject to the requirements of NI 81-102, where each respective Fund shall not purchase an illiquid asset if, immediately after the purchase, more than 10 percent of the net assets of that particular Fund, taken at market value at the time of purchase, would consist of illiquid assets.

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## 6. Financial risk management (continued):

### (c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Funds' income or the fair value of their holdings of financial instruments.

The Funds' market risk is managed on a daily basis by the Manager in accordance with the policies and procedures in place.

### (i) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of interest-bearing financial instruments will fluctuate as a result of changes in market interest rates. In general, as interest rates rise, the fair value of interest bearing financial instruments will fall. Financial instruments with a longer term to maturity will generally have a higher interest rate risk.

Interest rate risk management practices include setting target durations based on the appropriate benchmark indices and monitoring the Funds' durations relative to the benchmarks. If interest rates are anticipated to rise, the Funds' durations can be shortened to limit potential losses. Conversely, if interest rates are anticipated to fall, the durations can be lengthened to increase potential gains.

### (ii) Currency risk:

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of a Fund, will fluctuate due to changes in foreign exchange rates. Equities in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to a Fund's functional currency in determining fair value.

Currency risk may be moderated by the Manager through the use of foreign currency contracts to hedge foreign currency exposures.

### (iii) Other price risk:

Other price risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer, or factors affecting all instruments traded in the market.

Other price risk is moderated by the Manager through a careful selection of securities within specified limits and the Funds' price risk is managed through diversification of the respective Fund. The Manager monitors the Funds' overall market positions on a daily basis and positions are maintained within established ranges.

# LEITH WHEELER BALANCED FUND

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## 7. Fair value of financial instruments:

### (a) Valuation models:

The Funds measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs that are unobservable.

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. Observable prices and model inputs are usually available in the market for listed debt and equity securities, and exchange-traded derivatives, such as futures. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values. Where observable market prices and model inputs are not available, the Funds determine fair values using other valuation techniques. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Funds equity and futures positions are classified as Level 1 when the security is actively traded and a reliable quoted market price is observable.

Investments in securities of another investment fund are classified as Level 1 when the investment fund is actively traded and a reliable price is observable.

Bonds and other debt securities are valued based on a matrix pricing process using multiple dealer quotations or alternative pricing sources supported by observable inputs and are classified within Level 2.

Forward foreign currency contracts are valued using present value techniques and market observable input data and accordingly are classified as Level 2.

Short-term investments and money market securities are classified as Level 2 as these instruments are valued at amortized cost, which approximates their fair value.

The Funds' net assets attributable to holders of redeemable units are classified as Level 2 since the carrying amount approximates fair value as the units are measured at the redemption amount.

Refer to the fair value of financial instruments (note 5) in the Fund Specific Information following each Fund's respective financial statements for further discussion of the respective Fund's fair value measurements.

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## 7. Fair value of financial instruments (continued):

### (b) Financial instruments not measured at fair value:

The carrying value of cash, subscriptions receivable, balances due from brokers, interest and dividends receivable, redemptions payable, balances due to brokers, management fees payable, due to Manager, accounts payable, and distributions payable, approximates their fair value given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments.