

Leith Wheeler Core Bond Fund

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE
December 31, 2016



This annual management report of fund performance contains financial highlights, but does not contain complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-888-292-1122, by writing to us at 1500 – 400 Burrard Street, Vancouver, BC V6C 3A6 or by visiting our website at www.leithwheeler.com or SEDAR at www.sedar.com.

Security holders may also contact us using one of these methods to request a copy of the investment fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Management Discussion of Fund Performance

Investment Objective and Strategies

To provide a stable and attractive total return through investment in Canadian fixed income securities. The Fund will invest in Government and high-grade corporate bonds, with a varying mix between short term, medium term and longer term maturities depending on the assessment of interest rate trends and prospective returns.

Safety and liquidity are the focus of our approach to fixed income investing. Economic conditions are constantly monitored by Leith Wheeler to forecast interest rate changes. The added value for the Fixed Income Fund will come from Leith Wheeler identifying opportunities to shift investments between various maturities and between Federal, Provincial and Corporate bonds.

Risk

The overall risks of investing in the Fund are as described in the Simplified Prospectus. There were no material changes to the Fund during the year that affected the overall level of risk.

Results of Operations

The Fund's net assets increased by 5.6% in 2016, rising to \$211.0 million from \$199.8 million at the end of 2015. Of this change, \$4.0 million was attributable to investment gains and \$7.2million to net inflows.

The Core Bond Fund performed well in 2016 with Series A units advancing by 2.1% and Series B units returning 1.4% after fees and expenses.

Our Canadian investment grade fixed income generated positive returns in the first nine months of the year, helped by a tactical duration positioning and an overweight position in higher yielding corporate bonds compared to the benchmark. However, a rise in interest rates led to sharply negative returns in the fourth quarter. The increase in government bond yields was partly offset by a modest compression in provincial and corporate credit spreads. Despite this recent pullback, the Fund still generated positive results for the year and outperformed the broader market.

Over the year we added to peripheral provincial bonds, most notably Newfoundland, Alberta, Manitoba, and Nova Scotia. We are now overweight several of the small, oil-producing provinces such as Alberta, Saskatchewan and Newfoundland. These smaller provinces outperformed during the fourth quarter as energy prices recovered, contributing to portfolio returns through both higher yields and also through a narrowing in credit spreads relative the larger provincial issuers. We reduced portfolio exposure to British Columbia bonds and were modestly underweight at the end of the year. This reflects our ongoing concerns with the state of the Canadian housing market, the Canadian economy's reliance on job growth in the real estate and construction sectors, and the fact that these macroeconomic risks are not currently priced into the province's credit spreads.

The Fund trimmed some of its broader corporate overweight in 2016. We added to some high quality utility issuers such as FortisBC and Alta Link. Financials continue to be the largest overweight, but we trimmed overall exposure over the year. In particular, we have rotated out of non-index bank non-viable contingent capital debt into equivalent subordinate insurance debt due to shifting valuations. We modestly added corporate credit exposure to both oil and gas sector names (an example is Canadian Natural Resources) as we saw further evidence of the sector recovering and oil prices stabilizing.

In the second half of the year, we increased our exposure to National Housing Act mortgage-backed securities (NHA MBS) where valuations had become more attractive following a significant increase in issuance during 2016. The increase in NHA MBS issuance was partly due to a demand for larger, more liquid NHA MBS bond issues, as well as the Canadian Mortgage and Housing Corporation's efforts to encourage banks to issue NHA MBS directly into the market.

Our outlook for Canadian fixed income markets remains cautious. Our view is that Canadian government bond yields are likely to drift lower over the medium-term as the economic realities facing the Canadian economy temper some of the recent optimism. In addition, rising indebtedness in both investment-grade corporates and Canadian households, particularly in an environment of rising global interest rates, remains a negative for the credit outlook in Canada.

Management Discussion of Fund Performance (cont.)

Recent Developments

There has been no change in the Bank of Canada rate since the end of December 2016.

On June 23, 2016, Michael Ryan retired from the Independent Review Committee (“IRC”). Also, on June 23, 2016, the members appointed Eric Watt as a member of the IRC. On the same day, Michael Scott was appointed Chair of the IRC.

Related Party Transactions

Leith Wheeler Investment Counsel Ltd. (the “Manager”) is the manager and portfolio advisor of the Fund and is responsible for the Fund’s day-to-day operations. The Fund pays the Manager a management fee as compensation for managing the investment portfolio of the Fund.

Management Fees

The Manager provides the Fund with investment management services, including fund accounting and unitholder record keeping. In return, the Manager receives a management fee based on the net assets of the Fund, calculated on a daily basis. The annualized management fee for the Series B units of the Fund is 0.75%. During the year, the Fund paid the Manager \$304,945 (exclusive of GST/HST) of its net assets as management fees. The Fund does not reimburse the Manager for operating costs incurred in administering the Fund. The Manager paid all operating expenses except brokerage charges and taxes. In respect of Series A units, the unitholder pays the Manager a negotiated management fee outside the Fund.

We do not directly or indirectly pay fees, sales commissions or trailing commissions, nor do we provide any non-monetary benefits to registered dealers for distributions of units of the Fund. If a broker charges you a commission or fee, that is a matter between you and the dealer.

Financial Highlights

The Fund's Net Assets Attributable to Holders of Redeemable Units per Unit

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 or for the periods since inception. This information is derived from the Fund's audited annual financial statements. The financial information for periods beginning on or after January 1, 2013 is derived from the financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For all prior periods, the financial information is presented in accordance with Canadian generally accepted accounting principles "GAAP". The net assets attributable to holders of redeemable units and the net assets attributable to holders of redeemable units per unit may differ from the Net Assets and Net Assets per Unit due to the valuation methodology previously used in determining fair values. An explanation of these differences can be found in the notes to the financial statements.

Series A	2016	2015	2014	2013	2012
Net assets attributable to holders of redeemable units - per unit, beginning of year ⁽¹⁾	\$11.00	\$11.19	\$10.68	\$11.21	\$11.16
Increase (decrease) from operations:					
Total revenue	0.32	0.39	0.40	0.41	0.41
Total expenses	-	-	-	-	-
Realized gains (losses) for the year	0.18	0.27	0.19	0.03	0.17
Unrealized gains (losses) for the year	(0.29)	(0.22)	0.37	(0.53)	(0.09)
Total increase (decrease) from operations ⁽¹⁾	0.22	0.44	0.96	(0.09)	0.49
Distributions:					
From income (excluding dividends)	(0.35)	(0.38)	(0.41)	(0.41)	(0.41)
From dividends	-	(0.01)	-	-	-
From capital gains	(0.18)	(0.22)	(0.02)	(0.05)	(0.02)
Return of capital	-	-	-	-	-
Total Annual Distributions ⁽²⁾	(0.53)	(0.61)	(0.43)	(0.46)	(0.43)
Net assets attributable to holders of redeemable units - per unit, end of year ⁽¹⁾	\$10.71	\$11.00	\$11.19	\$10.68	\$11.21
Series B	2016	2015	2014	2013	2012
Net assets attributable to holders of redeemable units - per unit, beginning of year ⁽¹⁾	\$11.05	\$11.21	\$10.72	\$11.28	\$11.24
Increase (decrease) from operations:					
Total revenue	0.43	0.37	0.39	0.36	0.40
Total expenses	(0.08)	(0.08)	(0.08)	(0.08)	(0.09)
Realized gains (losses) for the year	0.24	0.26	0.19	0.03	0.17
Unrealized gains (losses) for the year	(0.39)	(0.21)	0.37	(0.46)	(0.09)
Total increase (decrease) from operations ⁽¹⁾	0.20	0.34	0.87	(0.16)	0.39
Distributions:					
From income (excluding dividends)	(0.22)	(0.26)	(0.35)	(0.35)	(0.33)
From dividends	-	-	-	-	-
From capital gains	(0.18)	(0.23)	(0.02)	(0.05)	(0.01)
Return of capital	-	-	-	-	-
Total Annual Distributions ⁽²⁾	(0.40)	(0.49)	(0.37)	(0.40)	(0.34)
Net assets attributable to holders of redeemable units - per unit, end of year ⁽¹⁾	\$10.80	\$11.05	\$11.21	\$10.72	\$11.28

(1) Net assets attributable to holders of redeemable units 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 are reinvested in additional units of the Fund or paid in cash.

Financial Highlights (cont.)

Ratios and Supplemental Data

Series A	2016	2015	2014	2013	2012
Total net assets attributable to holders of redeemable units - (\$000s) ⁽¹⁾	174,933	155,559	164,835	212,174	275,002
Number of units outstanding (000s) ⁽¹⁾	16,339	14,145	14,726	19,870	24,527
Management expense ratio(%) ⁽²⁾	-	-	-	-	-
Management expense ratio before waivers or absorptions (%)	-	-	-	-	-
Trading expense ratio (%) ⁽³⁾	-	-	-	-	-
Portfolio turnover rate (%) ⁽⁴⁾	143.16	101.26	80.38	69.09	78.99
Net assets attributable to holders of redeemable units per unit (\$)	10.71	11.00	11.19	10.68	11.21

Series B	2016	2015	2014	2013	2012
Total net assets attributable to holders of redeemable units - (\$000s) ⁽¹⁾	36,034	44,280	48,965	46,472	49,994
Number of units outstanding (000s) ⁽¹⁾	3,338	4,009	4,368	4,335	4,430
Management expense ratio(%) ⁽²⁾	0.79	0.79	0.79	0.79	0.84
Management expense ratio before waivers or absorptions (%)	0.79	0.79	0.79	0.79	0.84
Trading expense ratio (%) ⁽³⁾	-	-	-	-	-
Portfolio turnover rate (%) ⁽⁴⁾	143.16	101.26	80.38	69.09	78.99
Net assets attributable to holders of redeemable units per unit (\$)	10.80	11.05	11.21	10.72	11.28

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

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of the daily average net asset value during the period.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(4) 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.

Past Performance

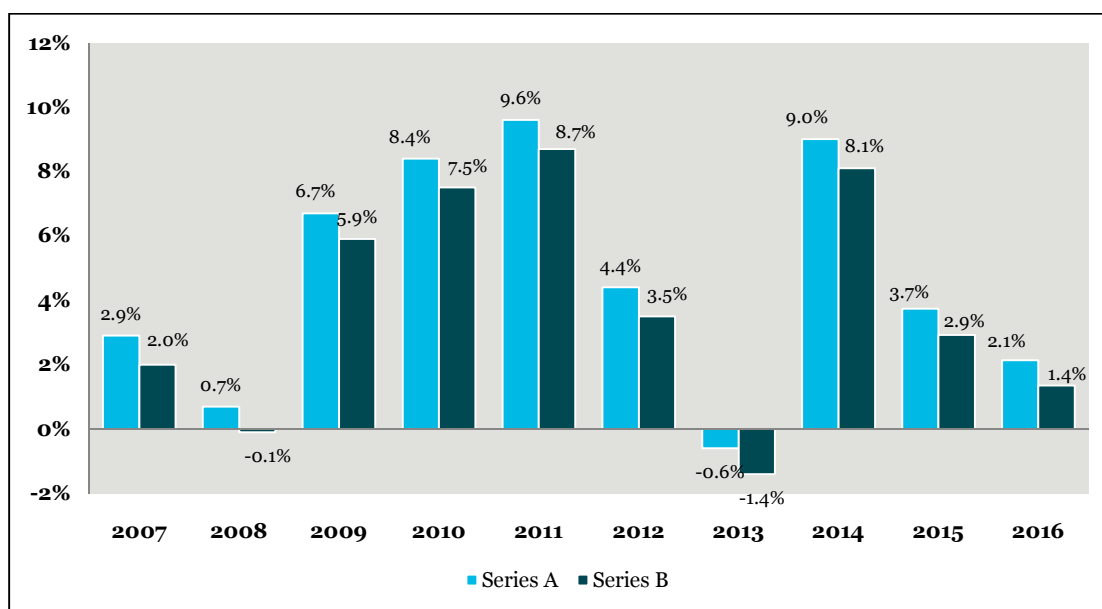
General

The Fund's performance assumes all distributions made by the Fund in the years shown were reinvested in units of the Fund and is based on net asset value per unit. If you hold the Fund outside a Registered Plan, you will be taxed on these distributions.

The performance information does not take into account sales charges, other charges or taxes that, if applicable, would have reduced returns or performance; but includes management fees and other expenses borne directly by the Fund. Past performance does not necessarily indicate how the Fund may perform in the future.

Year-by-Year Returns

The following bar chart shows the Fund's historical return, which changes each year and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each year.



Annual Compound Returns

The following table compares the historical annual compound return of the Fund (before fees for Series A and after fees for Series B) with the FTSE TMX Canada Bond Universe Index, in each case for the year ended December 31, 2016. The FTSE TMX Canada Bond Universe Index measures the total return attributable to bonds, and includes representative bond issues by issuer, quality, and term. A discussion of the performance of the Fund as compared to the benchmark is found in the Results of Operations section of this document.

For the Years ended December 31	1 Year	3 Years	5 Years	10 Years
Fund – Series A	2.14%	4.91%	3.67%	4.64%
Benchmark	1.66%	4.61%	3.22%	4.78%
Fund – Series B	1.35%	4.10%	2.85%	3.81%
Benchmark	1.66%	4.61%	3.22%	4.78%

Summary of Investment Portfolio

As at December 31, 2016

Top 25 Positions

Issuer	% of Net Asset Value
Province of Newfoundland 1.95% June 02, 2022	3.5%
Canada Housing Trust 2.65% March 15, 2022	3.3%
Province of Ontario 2.9% December 02, 2046	3.3%
Canadian Government 2.75% December 01, 2048	2.7%
Province of Alberta 2.2% June 01, 2026	2.6%
Canadian Government Bond 3.50% December 1, 2045	2.1%
Bank of Nova Scotia 1.33% May 1, 2018	2.0%
Province of Ontario 5.85% March 8, 2033	1.7%
Canadian Government Bond 5.00% June 1, 2037	1.7%
Royal Bank of Canada 2.77% December 11, 2018	1.6%
Canadian Mortgage Pools 99007726 5.44% Mar 1, 2028	1.5%
Canadian Imperial Bank of Commerce 1.7% October 09, 2018	1.5%
Province of Quebec 3.5% December 01, 2048	1.4%
Province of Manitoba 2.55% June 02, 2026	1.4%
Province of Ontario 2.85% June 2, 2023	1.4%
Sun Life Financial Inc 5.7% July 02, 2019	1.4%
Union Gas Ltd 2.76% June 02, 2021	1.2%
Royal Bank of Canada 3.77% March 30, 2018	1.2%
Canada Housing Trust 1.9% September 15, 2026	1.2%
Province of Quebec 3.50% December 1, 2045	1.2%
American Express Canada Credit Corp. 2.31% March 29, 2018	1.2%
Province of Quebec 8.5% April 01, 2026	1.1%
Choice Properties LP 3.6% September 20, 2022	1.1%
Nova Scotia Province 2.1% June 01, 2027	1.0%
Province of Ontario 5.60% June 2, 2035	1.0%

Portfolio Allocation

Portfolio Breakdown	% of Net Asset Value
Corporate Bonds	47.5%
Provincial Bonds	27.5%
Federal Bonds	19.6%
Municipal Bonds	2.8%
Maple Bonds	1.9%
Real Return Bonds	0.8%
Cash & Other Net Assets	-0.1%

The Fund held no short positions as at December 31, 2016.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available at www.leithwheeler.com.