

# Leith Wheeler Corporate Advantage 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](http://www.leithwheeler.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders 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 relatively stable source of monthly income. The Fund will invest in fixed income securities (including corporate bonds, preferred shares, high-yield debt, loans, convertible debt and guaranteed mortgages). The Fund primarily invests in a range of Canadian securities and may also invest in foreign securities. The Fund will also invest in broad range of companies and is not restricted by capitalization or industry sector, although portfolio diversification is a consideration in the selection of securities of the Fund. Under normal circumstances, the Fund will keep its portfolio fully invested to the greatest extent possible.

This Fund invests in a mix of assets to provide a source of income. The asset mix includes investment-grade fixed-income securities, providing the lower risk portion of the portfolio, and preferred shares, high-yield debt, loans, convertible debt and guaranteed mortgages, which provide additional income with less liquidity and potentially more credit risk. The allocation of investments in the Fund's portfolio is determined by the Manager to optimize the income and balance the risk of the portfolio using the follow target ranges for the asset mix: investment grade fixed-income securities 25% - 100%; preferred shares 0% - 30%; high-yield debt 0% - 20%; loans 0% - 10%; convertible debt 0% - 20% and guaranteed mortgages 0% - 10%.

### 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 36.4% in 2016, rising to \$51.0 million from \$37.4 million at the end of 2015. Of this change, \$2.0 million was attributable to investment gains and \$11.6 million to net inflows.

The Corporate Advantage Fund performed well during 2016 as Series A units returned 5.2%. Series B units returned 4.4% and Series F units advanced by 4.7%, both after fees and expenses, during the year.

The Fund's Canadian investment grade fixed income holdings generated moderately positive returns in the first nine months of the year. Fixed income returns were negative in the fourth quarter as a result of a sharp increase in government bond yields, however this was partly offset by the Fund's emphasis on corporate bonds, which provided both additional yield and capital gains as corporate credit spreads tightened.

The Corporate Advantage Fund is invested in a core portfolio of investment grade bonds with a concentration in high quality corporate issuers, and holds preferred shares and high yield bonds. The asset mix of the Fund at the end of December 2016 was 72.5% investment grade corporate bonds, 5.7% federal or municipal bonds, 11.0% preferred shares, 8.0% high yield bonds, and 2.8% cash and equivalents. Since the end of 2015, we have reduced our exposure to investment grade corporates and high yield and added to preferred shares and bonds classified as federal and municipal bonds.

Within the investment grade bond component of the Corporate Advantage Fund, we added modestly to our exposure in the oil and gas sector throughout the year (one example is we added North West Redwater) as we saw further evidence of the sector recovering and oil prices stabilizing. Within the Financials sector, we added to our Insurance (Intact Financial) and Bank holdings (Royal Bank, Bank of Montreal) and rotated some proceeds out of Financial Companies (Wells Fargo Canada, Ford Credit Canada).

High yield bonds have performed strongly in the face of rising and volatile interest rates, and with spreads tightening, over the year we prudently took some profits by trimming the Fund's high yield exposure at the beginning in June. The Fund remains tactically overweight in preferred shares as spreads relative to investment grade bonds were trading at some of the cheapest levels since 2008. This tactical allocation has helped performance in the second half of the year, as preferred shares have outperformed high yield bonds. Our stock selection within preferred shares was also a contributor to outperformance, as our holdings within this sector strongly outperformed the TSX Composite Preferred Index.

The majority of the high yield bond holdings in the Fund produced positive returns during the year. First Quantum Minerals outperformed, as the recent rally in large mining companies spread to smaller-sized players.

Seagate was among the top performing bonds in the second half of the year, as the data storage provider has been improving profit margins through cost initiatives and continued growing demand for its product mix. Community Health Systems was the only holding that declined due to concerns around the possible repeal of the Affordable Care Act under a Trump administration in the United States. Among the Fund's new holdings, Southwestern Energy was the best performer as the natural gas producer benefitted from a rebound in natural gas prices.

## Management Discussion of Fund Performance (cont.)

In this environment, we continue to focus on allocating assets to the best risk-adjusted investments in fixed income. We continue to look for opportunities to add high quality assets at attractive prices to the Corporate Advantage Fund.

### Recent Developments

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

### 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.

As at December 31, 2016, the Leith Wheeler Corporate Advantage Fund owns 417,539 units of the Leith Wheeler High Yield Bond Fund Series A (CAD Hedged), a fund under common management.

### 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 and Series F units of the Fund are 0.75% and 0.50%, respectively. During the year, the Fund paid the Manager \$7,491 for Series B and \$35,956 for Series F (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.

<b>Series A (inception May 29, 2014)</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net assets attributable to holders of redeemable units - per unit, beginning of period <sup>(1) (3)</sup>	\$10.00	\$10.04	\$10.00	n/a	n/a
Increase (decrease) from operations:					
Total revenue	0.38	0.30	0.19	n/a	n/a
Total expenses	-	-	-	n/a	n/a
Realized gains (losses) for the year	-	(0.09)	-	n/a	n/a
Unrealized gains (losses) for the year	0.12	(0.08)	0.10	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	0.50	0.13	0.29	n/a	n/a
Distributions:					
From income (excluding dividends)	(0.28)	(0.21)	(0.03)	n/a	n/a
From dividends	(0.06)	(0.07)	(0.01)	n/a	n/a
From capital gains	-	-	-	n/a	n/a
Return of capital	-	-	-	n/a	n/a
Total Annual Distributions <sup>(2)</sup>	(0.34)	(0.28)	(0.04)	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$10.118	\$10.00	\$10.04	n/a	n/a
<b>Series B (inception May 29, 2014)</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net assets attributable to holders of redeemable units - per unit, beginning of period <sup>(1) (3)</sup>	\$9.84	\$10.08	\$10.00	n/a	n/a
Increase (decrease) from operations:					
Total revenue	0.55	0.92	0.18	n/a	n/a
Total expenses	(0.07)	(0.08)	(0.05)	n/a	n/a
Realized gains (losses) for the year	0.01	(0.28)	-	n/a	n/a
Unrealized gains (losses) for the year	0.18	(0.25)	0.09	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	0.66	0.31	0.22	n/a	n/a
Distributions:					
From income (excluding dividends)	(0.18)	(0.29)	(0.01)	n/a	n/a
From dividends	(0.05)	(0.11)	-	n/a	n/a
From capital gains	-	-	-	n/a	n/a
Return of capital	-	-	-	n/a	n/a
Total Annual Distributions <sup>(2)</sup>	(0.22)	(0.40)	(0.01)	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$10.02	\$9.84	\$10.08	n/a	n/a

**Financial Highlights (cont.)**

The Fund's Net Assets Attributable to Holders of Redeemable Units per Unit (cont.)

<b>Series F (inception September 10, 2015)</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net assets attributable to holders of redeemable units - per unit, beginning of period <sup>(1)</sup> (4)	\$9.55	\$10.07	n/a	n/a	n/a
Increase (decrease) from operations:					
Total revenue	0.35	1.09	n/a	n/a	n/a
Total expenses	(0.05)	-	n/a	n/a	n/a
Realized gains (losses) for the year	-	(0.33)	n/a	n/a	n/a
Unrealized gains (losses) for the year	0.11	(0.29)	n/a	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	0.41	0.47	n/a	n/a	n/a
Distributions:					
From income (excluding dividends)	(0.25)	(0.39)	n/a	n/a	n/a
From dividends	(0.06)	(0.16)	n/a	n/a	n/a
From capital gains	-	-	n/a	n/a	n/a
Return of capital	-	-	n/a	n/a	n/a
Total Annual Distributions <sup>(2)</sup>	(0.31)	(0.55)	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$9.69	\$9.95	n/a	n/a	n/a

- (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.
- (3) From May 29, 2014, inception date of Series A and Series B units of the Fund.
- (4) From September 10, 2015, inception date of Series F units of the Fund. Series F initial net asset value per unit offering commenced at the closing net asset value per unit of Series B on September 10, 2015 of \$10.07.

**Financial Highlights (cont.)**

Ratios and Supplemental Data

<b>Series A (inception May 29, 2014)</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Total net assets attributable to holders of redeemable units - (\$000s) <sup>(1)</sup>	39,959	31,425	15,924	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	3,926	3,143	1,586	n/a	n/a
Management expense ratio(%) <sup>(2)</sup>	-	-	-	n/a	n/a
Management expense ratio before waivers or absorptions (%)	0.05	0.08	0.23	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	0.06	0.09	0.06	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	101.94	152.78	127.91	n/a	n/a
Net assets attributable to holders of redeemable units per unit (\$)	10.18	10.00	10.04	n/a	n/a

<b>Series B (inception May 29, 2014)</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Total net assets attributable to holders of redeemable units - (\$000s) <sup>(1)</sup>	1,230	1,402	314	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	123	143	31	n/a	n/a
Management expense ratio(%) <sup>(2)</sup>	0.79	0.79	0.79	n/a	n/a
Management expense ratio before waivers or absorptions (%)	0.84	0.87	1.02	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	0.06	0.09	0.06	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	101.94	152.78	127.91	n/a	n/a
Net assets attributable to holders of redeemable units per unit (\$)	10.02	9.84	10.08	n/a	n/a

<b>Series F (inception September 10, 2015)</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Total net assets attributable to holders of redeemable units - (\$000s) <sup>(1)</sup>	9,838	4,609	n/a	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	1,015	482	n/a	n/a	n/a
Management expense ratio(%) <sup>(2)</sup>	0.53	0.53	n/a	n/a	n/a
Management expense ratio before waivers or absorptions (%)	0.57	0.61	n/a	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	0.06	0.09	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	101.94	152.78	n/a	n/a	n/a
Net assets attributable to holders of redeemable units per unit (\$)	9.69	9.95	n/a	n/a	n/a

- (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

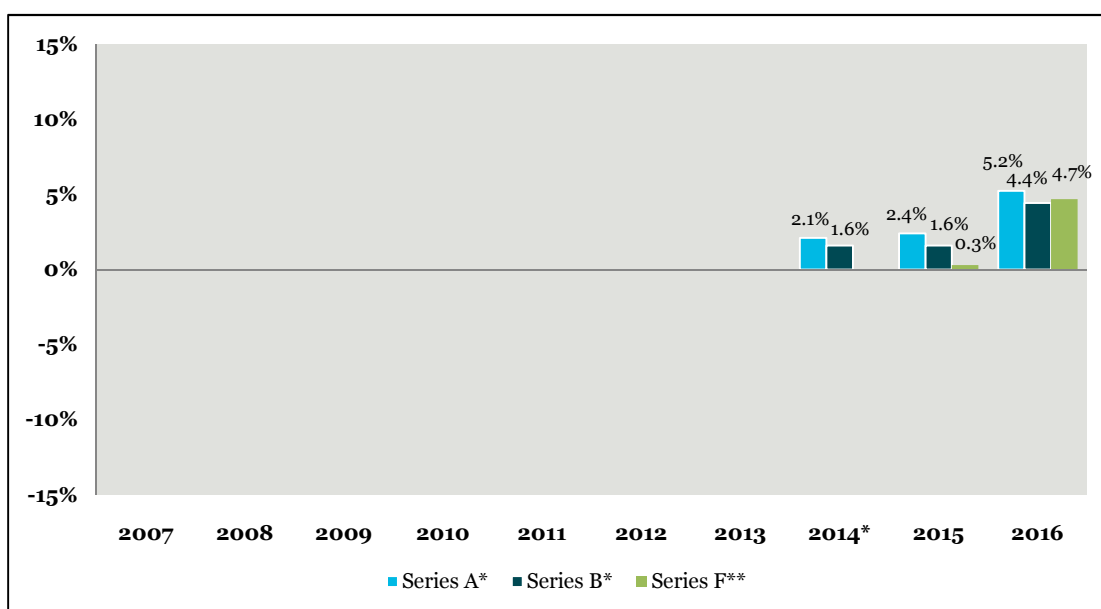
### General

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.



\* Series A and Series B units were created May 29, 2014. Return from May 29, 2014 to December 31, 2014, not annualized.

\*\* Series F units were created on September 10, 2015. Return from September 10, 2015 to December 31, 2015, not annualized

## Past Performance (con't)

### 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 and F) with the FTSE TMX Canada Universe Bond Index, in each case for the year ended December 31, 2016. The FTSE TMX Canada Universe Bond 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 this broad-based index 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 *	5.2%	n/a	n/a	n/a*
FTSE TMX Canada Universe Bond Index	1.7%	n/a	n/a	n/a*
Fund – Series B *	4.4%	n/a	n/a	n/a*
FTSE TMX Canada Universe Bond Index	1.7%	n/a	n/a	n/a*
Fund – Series F **	4.7%	n/a	n/a	n/a*
FTSE TMX Canada Universe Bond Index	1.7%	n/a	n/a	n/a*

\* Series A and Series B units were created May 29, 2014.

\*\* Series F units were created on September 10, 2015. Investment Performance in respect of Series F will not be available until such units have been offered under a simplified prospectus for at least 12 consecutive months.



## Summary of Investment Portfolio

As at December 31, 2016

### Top 25 Positions

Issuer	% of Net Asset Value
Leith Wheeler High Yield Bond Fund (CAD Hedged), Series A	8.0%
Royal Bank of Canada 1.968% March 2, 2022	2.4%
Bank of Montreal 2.12% March 16, 2022	2.3%
Bank of Nova Scotia 2.873% June 4, 2021	1.6%
Canadian Mortgage Pools 97506898 1.475% April 01, 2021	1.4%
Manulife Financial Corp 5.505% June 26, 2018	1.3%
City of Montreal 3.5% September 1, 2023	1.2%
TELUS Corp. 3.75% January 17, 2025	1.2%
Toronto Dominion Bank 2.621% December 22, 2021	1.2%
Enbridge Inc 3.19% December 05, 2022	1.2%
Toronto Dominion Bank 1.693% April 2, 2020	1.2%
Canadian Imperial Bank of Commerce 1.7% October 09, 2018	1.2%
Brookfield Asset Man Inc 3.95% April 09, 2019	1.1%
Bank of Montreal 1.61% October 28, 2021	1.1%
Union Gas Ltd 2.76% June 02, 2021	1.1%
Royal Bank of Canada 3.31% January 20, 2026	1.1%
Bell Canada 3% October 03, 2022	1.0%
AltaLink LP 3.668% November 6, 2023	1.0%
Canadian Mortgage Pools 97507473 1.296% August 01, 2021	1.0%
Enbridge Pipelines Inc. 3.45% September 29, 2025	0.9%
HCN Canadian Holdings LP 3.35% November 25, 2020	0.9%
The Goldman Sachs Group Inc. 3.375% February 1, 2018	0.9%
Choice Properties REIT 3.196% March 07, 2023	0.8%
Sun Life Financial Inc 3.05% September 19, 2028	0.8%
North West Redwater Port 3.2% July 22, 2024	0.8%

### Portfolio Allocation

Portfolio Breakdown	% of Net Asset Value
Bonds	86.0%
Preferred Shares	11.0%
Cash & Other Net Assets	3.0%

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](http://www.leithwheeler.com)*