

# Leith Wheeler U.S. Small/Mid-Cap Equity Fund

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE  
June 30, 2017



This interim management report of fund performance contains financial highlights, but does not contain either interim or annual financial statements of the investment fund. You can get a copy of the interim or 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 proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## Management Discussion of Fund Performance

### Investment Objective and Strategies

To provide superior long-term investment returns and income by investing primarily in a broad range of small and mid-capitalization U.S. companies. The Fund is not restricted by industry sector or size, although portfolio diversification is a consideration in the selection of securities in the Fund. Under normal circumstances, the Fund will keep its portfolio fully invested, to the greatest extent possible, in equity securities.

Our strategy employs a value approach to the management of equities. The Fund aims to maximize the long-term rate of return while preserving investment capital by avoiding investment strategies that expose portfolio assets to excessive risk; to outperform the Russell 2500 Index over a full market cycle; and to achieve an above-average ranking relative to similar mandates over a full market cycle.

### 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 366.7% in the first half of 2017, rising to \$4.2 million from \$0.9 million at the end of 2016. The increase in net assets was mainly attributable to \$3.3 million of net inflows from purchases. The U.S. Small/Mid-Cap Equity Fund was launched on October 31, 2016.

The objective of the Fund is to provide income and long-term capital appreciation by primarily investing in equity securities in U.S. small and mid-cap companies. As of the end of June, the Fund had 22 holdings and we expect to be fully invested at 25 to 30 names as opportunities arise. While the Fund's sector exposure is broadly distributed, it has no exposure to the Energy, Consumer Staples, Health Care and Telecommunications sectors. The Fund is overweight in the Industrials, Consumer Discretionary and Utilities sectors.

The Leith Wheeler U.S. Small/Mid-Cap Equity Fund performed well in the first half of 2017 with Series A units advancing by 3.6%. Series B units returned 2.9% and Series F units advanced by 3.1%, both after fees and expenses. The Russell 2500 index was up 2.4% during the same time period. Having no exposure in the Energy and Telecommunications sectors was a contributor to relative outperformance. However, being overweight in Industrials, underweight in Information Technology and having zero exposure to Health Care detracted from performance.

Despite the fading of the Trump-induced small/mid-cap rally experienced during 2017, several of our Consumer Discretionary businesses, including Wyndham Worldwide, Live Nation and On Assignment have been the key drivers of outperformance in the Fund. We purchased shares in these companies opportunistically in 2016 when investor skepticism was excessive. In the first six months of the year, value stocks have underperformed versus growth, and small-caps have underperformed mid-caps, however our outperformance was driven by our bias towards mid-cap names and higher organic growth businesses.

Wyndham Worldwide, operator of lodging and vacation-related businesses and Live Nation, the leading global live entertainment company with a dominant ticketing and concert platform, were the top contributors to the Fund's performance in the first six months of 2017. Wyndham Worldwide was up 28.9% from increasing speculation of spin-offs to surface value and stabilizing provisions in their timeshare business. We believe the company is an underappreciated, high return business with an excellent management team, and trimmed the position in the second quarter on stock strength. Live Nation shares rose by 26.8% as the firm saw multiple expansion amidst mid-teens organic revenue growth from ticketing pricing power coupled with continued concert attendance growth.

The weakest performers in the Fund in the first six months of 2017 were Sally Beauty, the largest retailer of professional beauty supplies and Carlisle, a diversified manufacturing company operating through various segments such as commercial roofing. Sally Beauty experienced weakness from disappointing sales growth in each of their businesses, in addition to heightened street pessimism toward retailers, and as a result their shares declined by 25.8%. We find Sally Beauty to be a resilient beauty business being reinvigorated by a new management team, and have added slightly to our position in the second quarter on weakness. Carlisle shares declined by 15.7% from continued investor skepticism towards pricing discipline in oligopolistic industrial roofing markets. Carlisle is a conglomerate with dominant positions in multiple high free cash flow generating markets, and is managed by strong operators and capital allocators.

## Management Discussion of Fund Performance (cont.)

### Results of Operations (cont.)

There were no deletions from the Fund in the first half of the year, however there was one addition in the first quarter, CommScope. CommScope is a leading provider of telecommunications equipment, including wireline and wireless components and subsystems. The company has a dominant market position in the oligopolistic categories of wireless antennas and fiber/copper cables. The “cloud” over CommScope is its above-average financial leverage, which we expect to decline dramatically over the next 24 months from strong free cash flow generation.

We are very mindful of balancing our exposures to both cyclical and secular-driven fundamentals to drive the likelihood of longer term outperformance for our unitholders. As always, bottom-up, fundamental analysis is key to our investment decision-making process, and we continue to seek out companies with sustainable advantages and reasonable business valuations.

### Recent Developments

U.S. equity markets were up in the month of July.

### 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 is 1.25% for the Series B units of the Fund and 0.95% for the Series F units of the Fund. During the year, the Fund paid the Manager \$ 1,751 for Series B and \$2,841 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 six months and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and 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 October 27, 2016)</b>	<b>2017 YTD</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 year <sup>(1) (3)</sup>	\$10.73	\$10.00	n/a	n/a	n/a	n/a
Increase (decrease) from operations:						
Total revenue	0.05	0.02	n/a	n/a	n/a	n/a
Total expenses	-	-	n/a	n/a	n/a	n/a
Realized gains (losses) for the year	0.01	-	n/a	n/a	n/a	n/a
Unrealized gains (losses) for the year	0.05	0.40	n/a	n/a	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	0.11	0.41	n/a	n/a	n/a	n/a
Distributions:						
From income (excluding dividends)	-	-	n/a	n/a	n/a	n/a
From dividends	(0.06)	-	n/a	n/a	n/a	n/a
From capital gains	-	-	n/a	n/a	n/a	n/a
Return of capital	-	-	n/a	n/a	n/a	n/a
Total Annual Distributions <sup>(2)</sup>	(0.06)	-	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$11.06	\$10.73	n/a	n/a	n/a	n/a

<b>Series B (inception October 27, 2016)</b>	<b>2017 YTD</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 year <sup>(1) (3)</sup>	\$10.70	\$10.00	n/a	n/a	n/a	n/a
Increase (decrease) from operations:						
Total revenue	0.13	0.03	n/a	n/a	n/a	n/a
Total expenses	(0.06)	(0.20)	n/a	n/a	n/a	n/a
Realized gains (losses) for the year	0.02	-	n/a	n/a	n/a	n/a
Unrealized gains (losses) for the year	0.12	0.78	n/a	n/a	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	0.21	0.61	n/a	n/a	n/a	n/a
Distributions:						
From income (excluding dividends)	-	-	n/a	n/a	n/a	n/a
From dividends	-	-	n/a	n/a	n/a	n/a
From capital gains	-	-	n/a	n/a	n/a	n/a
Return of capital	-	-	n/a	n/a	n/a	n/a
Total Annual Distributions <sup>(2)</sup>	-	-	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$11.02	\$10.70	n/a	n/a	n/a	n/a

## Financial Highlights (cont.)

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

Series F (inception October 27, 2016)	2017 YTD	2016	2015	2014	2013	2012
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1) (3)</sup>	\$10.71	\$10.00	n/a	n/a	n/a	n/a
Increase (decrease) from operations:						
Total revenue	0.13	0.02	n/a	n/a	n/a	n/a
Total expenses	(0.06)	(0.01)	n/a	n/a	n/a	n/a
Realized gains (losses) for the year	0.02	-	n/a	n/a	n/a	n/a
Unrealized gains (losses) for the year	0.13	0.53	n/a	n/a	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	0.22	0.54	n/a	n/a	n/a	n/a
Distributions:						
From income (excluding dividends)	-	-	n/a	n/a	n/a	n/a
From dividends	(0.01)	-	n/a	n/a	n/a	n/a
From capital gains	-	-	n/a	n/a	n/a	n/a
Return of capital	-	-	n/a	n/a	n/a	n/a
Total Annual Distributions <sup>(2)</sup>	(0.01)	-	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$11.03	\$10.71	n/a	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 October 27, 2016, inception date of Series A, B and F units of the Fund.

**Financial Highlights (cont.)**

**Ratios and Supplemental Data**

<b>Series A (inception October 27, 2016)</b>	<b>June 30, 2017</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>	3,240	504	n/a	n/a	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	293	47	n/a	n/a	n/a	n/a
Management expense ratio(%) <sup>(2)</sup>	-	-	n/a	n/a	n/a	n/a
Management expense ratio before waivers or absorptions (%)	0.23	2.88	n/a	n/a	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	0.09	0.33	n/a	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	13.42	-	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units per unit (\$)	11.06	10.73	n/a	n/a	n/a	n/a

<b>Series B (inception October 27, 2016)</b>	<b>June 30, 2017</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>	303	15	n/a	n/a	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	28	1	n/a	n/a	n/a	n/a
Management expense ratio(%) <sup>(2)</sup>	1.31	1.33	n/a	n/a	n/a	n/a
Management expense ratio before waivers or absorptions (%)	1.55	4.20	n/a	n/a	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	0.09	0.33	n/a	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	13.42	-	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units per unit (\$)	11.02	10.70	n/a	n/a	n/a	n/a

<b>Series F (inception October 27, 2016)</b>	<b>June 30, 2017</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>	684	364	n/a	n/a	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	62	34	n/a	n/a	n/a	n/a
Management expense ratio(%) <sup>(2)</sup>	1.00	1.00	n/a	n/a	n/a	n/a
Management expense ratio before waivers or absorptions (%)	1.24	3.88	n/a	n/a	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	0.09	0.33	n/a	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	13.42	-	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units per unit (\$)	11.03	10.71	n/a	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

Past performance information 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 June 30, 2017

### Top 25 Positions

Issuer	% of Net Asset Value
Cash	20.0%
Brookfield Infrastructure Partners LP	5.4%
Carlisle Cos Inc	5.1%
Live Nation Entertainment Inc	4.8%
Starwood Property Trust Inc	4.7%
Axalta Coating Systems Ltd	4.7%
CommScope Holding Company, Inc.	4.3%
On Assignment Inc	4.2%
Tri Pointe Group Inc	4.1%
USG Corporation	4.0%
Wyndham Worldwide Corp	3.9%
Keysight Technologies, Inc.	3.8%
Torchmark Corp	3.7%
Lamar Advertising Co-A	3.7%
Carmax Inc	3.6%
Orbital Atk Inc	3.4%
Digitalglobe Inc	3.3%
MSC Industrial Direct Co-A	3.2%
Tetra Tech Inc	2.6%
Air Lease Corp	2.6%
Tiffany & Co	2.4%
Sally Beauty Holdings Inc	2.1%
Aercap Holdings Nv	0.5%

### Portfolio Allocation

Portfolio Breakdown	% of Net Asset Value
Industrials	28.8%
Consumer Discretionary	20.8%
Cash & Other Assets	20.0%
Financials	8.4%
Information Technology	8.2%
Utilities	5.4%
Materials	4.7%
Real Estate	3.7%

The Fund held no short positions as at June 30, 2017.

*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)*