

Financial Statements of

**LEITH WHEELER INCOME  
ADVANTAGE FUND**

Years ended December 31, 2017 and 2016





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## INDEPENDENT AUDITORS' REPORT

To the Unitholders of the Leith Wheeler Income Advantage Fund

We have audited the accompanying financial statements of the Leith Wheeler Income Advantage Fund, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, the 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 audit. We conducted our audit 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 Income Advantage Fund as at December 31, 2017 and December 31, 2016, its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*KPMG LLP*

Chartered Professional Accountants

Vancouver, Canada  
March 29, 2018

# LEITH WHEELER INCOME ADVANTAGE FUND

Statements of Financial Position

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

December 31, 2017 and 2016

	Note	2017	2016
<b>Assets</b>			
Cash		\$ 180	\$ 437
Amounts due from brokers		-	35
Interest and dividends receivable		307	240
Subscriptions receivable		6	32
Investments		86,788	70,175
		87,281	70,919
<b>Liabilities</b>			
Amounts due to brokers		-	304
Management fees payable	1	24	19
Redemptions payable		-	33
		24	356
<b>Net assets</b> attributable to holders of redeemable units			
		\$ 87,257	\$ 70,563
Represented by:			
Series A		\$ 49,919	\$ 41,468
Series B		30,852	27,533
Series F		6,486	1,562
		\$ 87,257	\$ 70,563
Net assets attributable to holders of redeemable units per unit:			
Series A		\$ 11.37	\$ 11.22
Series B		11.54	11.37
Series F		10.60	10.59

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.

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"James F. Gilliland" Director      "Jonathon D. Palfrey" Director

# LEITH WHEELER INCOME ADVANTAGE FUND

Statements of Comprehensive Income

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

Years ended December 31, 2017 and 2016

	Note	2017	2016
<b>Revenue:</b>			
Interest income		\$ 1,043	\$ 999
Dividend income		1,235	1,275
Other income		1,394	1,174
Changes in fair value of investments:			
Net realized gain (loss)		1,045	335
Net change in unrealized appreciation (depreciation)		131	4,994
<b>Total revenue</b>		<b>4,848</b>	<b>8,777</b>
<b>Expenses:</b>			
Management fees	1	258	210
Filing fees		11	7
GST/HST		19	15
Commissions and transaction costs		19	27
Audit fees		8	7
Custodial fees		4	4
Independent review committee fees		1	2
Legal fees		1	1
<b>Total operating expenses</b>		<b>321</b>	<b>273</b>
Management fee distributions	1	(3)	(4)
Expenses waived or absorbed by Manager		(26)	(22)
<b>Net operating expenses</b>		<b>292</b>	<b>247</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units from operations excluding distributions</b>		<b>4,556</b>	<b>8,530</b>
<b>Distributions to holders of redeemable units:</b>			
From net investment income		(1,957)	(2,053)
From net realized gains on investments		(1,692)	(805)
Management fee distributions	1	(3)	(5)
		(3,652)	(2,863)
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>\$ 904</b>	<b>\$ 5,667</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units:</b>			
Series A		\$ 529	\$ 3,390
Series B		419	2,220
Series F		(44)	57
		904	5,667
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit (excluding distributions):</b>			
Series A		\$ 0.74	\$ 1.45
Series B		0.63	1.37
Series F		0.60	1.35

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

# LEITH WHEELER INCOME ADVANTAGE FUND

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

Years ended December 31, 2017 and 2016

Series A	Note	2017	2016
Balance, beginning of year		\$ 41,468	\$ 35,954
Increase (decrease) in net assets attributable to holders of redeemable units		529	3,390
Redeemable unit transactions:			
Issue of redeemable units		14,273	7,692
Reinvestment of distributions		2,194	1,805
Redemption of redeemable units		(8,545)	(7,373)
Net increase (decrease) from redeemable unit transactions		7,922	2,124
Balance, end of year		\$ 49,919	\$ 41,468
<b>Series B</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
Balance, beginning of year		\$ 27,533	\$ 24,747
Increase (decrease) in net assets attributable to holders of redeemable units		419	2,220
Redeemable unit transactions:			
Issue of redeemable units		6,006	5,370
Reinvestment of distributions		1,132	965
Redemption of redeemable units		(4,238)	(5,769)
Net increase (decrease) from redeemable unit transactions		2,900	566
Balance, end of year		\$ 30,852	\$ 27,533
<b>Series F</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
Balance, beginning of year		\$ 1,562	\$ 661
Increase (decrease) in net assets attributable to holders of redeemable units		(44)	57
Redeemable unit transactions:			
Issue of redeemable units		4,919	840
Reinvestment of distributions		202	53
Redemption of redeemable units		(153)	(49)
Net increase (decrease) from redeemable unit transactions		4,968	844
Balance, end of year		\$ 6,486	\$ 1,562

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

# LEITH WHEELER INCOME ADVANTAGE FUND

## Statements of Cash Flows

(Expressed in thousands of dollars)

Years ended December 31, 2017 and 2016

	Note	2017	2016
Cash provided by (used in):			
Operating activities:			
Increase (decrease) in net assets attributable to holders of redeemable units		\$ 904	\$ 5,667
Adjustments for:			
Net realized loss (gain) from investments		(1,045)	(335)
Net change in unrealized depreciation (appreciation) from investments		(131)	(4,994)
Amounts due from brokers		35	4
Interest income		(1,043)	(999)
Dividend income		(1,235)	(1,275)
Redemptions payable		(33)	22
Management fees payable		5	2
Amounts due to broker		(304)	266
Proceeds from sale of investments		62,385	52,293
Purchases of investments		(77,823)	(56,011)
Interest received		976	969
Dividends received		1,236	1,264
Subscriptions receivable		26	(32)
		(16,047)	(3,159)
Financing activities:			
Proceeds from issue of redeemable units		25,198	13,902
Payments on redemption of redeemable units		3,528	2,823
Reinvestment of distributions		(12,936)	(13,191)
		15,790	3,534
Net increase (decrease) in cash		(257)	375
Cash, beginning of year		437	62
Cash, end of year		\$ 180	\$ 437

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



# LEITH WHEELER INCOME ADVANTAGE FUND

Schedule of Investment Portfolio  
(Expressed in thousands of dollars)

December 31, 2017

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.	2.430	4-May-27	\$ 300	\$ 290	\$ 291	
Allied Properties Real Estate Investment Trust	3.636	21-Apr-25	650	642	631	
AltaLink LP	3.399	6-Jun-24	100	106	104	
AltaLink LP	3.668	6-Nov-23	75	77	80	
Bank of Montreal	1.610	28-Oct-21	369	367	358	
Bank of Montreal	2.100	6-Oct-20	475	479	473	
Bank of Montreal	2.270	11-Jul-22	1,683	1,680	1,665	
Bank of Montreal	2.700	11-Sep-24	280	279	280	
Bank of Nova Scotia	1.900	2-Dec-21	1,058	1,056	1,036	
Bank of Nova Scotia	2.090	9-Sep-20	1,000	995	995	
Bank of Nova Scotia	2.130	15-Jun-20	136	136	136	
Bank of Nova Scotia	2.290	28-Jun-24	300	300	292	
Bank of Nova Scotia	2.360	8-Nov-22	296	296	293	
BC IMC Realty Corp	2.840	3-Jun-25	200	201	199	
bclMC Realty Corp	3.000	31-Mar-27	100	101	100	
Bell Canada	2.000	1-Oct-21	400	399	391	
Bell Canada	2.700	27-Feb-24	90	90	88	
Bell Canada	2.900	12-Aug-26	600	583	579	
Bell Canada	3.000	3-Oct-22	328	342	332	
Blackbird Infrastructure 407 General Partnership	1.713	8-Oct-21	105	104	103	
BP LP	3.244	9-Jan-20	90	90	91	
Brookfield Asset Management Inc	3.950	9-Apr-19	465	485	475	
Brookfield Infrastructure Finance ULC	3.315	22-Feb-24	450	451	447	
Brookfield Renewable Energy Partners ULC	3.630	15-Jan-27	350	354	348	
Brookfield Renewable Energy Partners ULC	3.752	2-Jun-25	250	257	255	
Bruce Power LP	2.844	23-Jun-21	443	451	446	
Bruce Power LP	3.000	21-Jun-24	300	300	299	
Caisse Centrale Desjardins du Quebec	1.748	2-Mar-20	350	347	346	
Calloway Real Estate Investment Trust	3.556	6-Feb-25	276	276	275	
Calloway Real Estate Investment Trust	3.730	22-Jul-22	39	40	40	
Calloway Real Estate Investment Trust	3.749	11-Feb-21	150	153	154	
Cameco Corp	3.750	14-Nov-22	400	399	394	
Canadian Imperial Bank of Commerce	1.640	12-Jul-21	300	300	292	
Canadian Imperial Bank of Commerce	1.660	20-Jan-20	349	349	345	
Canadian Imperial Bank of Commerce	1.700	9-Oct-18	100	101	100	
Canadian Imperial Bank of Commerce	1.850	14-Jul-20	320	318	317	
Canadian Imperial Bank of Commerce	2.470	5-Dec-22	309	309	307	
Canadian Natural Resources Ltd	2.050	1-Jun-20	300	299	297	
Canadian Natural Resources Ltd	2.890	14-Aug-20	400	407	403	
Canadian Natural Resources Ltd	3.420	1-Dec-26	100	98	98	
Canadian Real Estate Investment Trust	2.951	18-Jan-23	117	117	114	
Canadian Western Bank	2.377	23-Jan-20	400	401	399	
Canadian Western Bank	3.077	14-Jan-19	300	306	303	
Capital Power Corp	5.276	16-Nov-20	57	61	60	
Choice Properties REIT	3.196	7-Mar-23	421	435	423	
CI Financial Corp	2.775	25-Nov-21	300	301	300	
CI Financial Corp	3.904	27-Sep-27	476	477	484	
Cominar Real Estate Investment Trust	4.941	27-Jul-20	172	182	177	
CT Real Estate Investment Trust	2.852	9-Jun-22	490	498	488	
CT Real Estate Investment Trust	3.289	1-Jun-26	188	184	184	
Daimler Canada Finance Inc	1.420	2-Oct-18	200	200	199	
Daimler Canada Finance Inc	1.570	25-May-20	200	197	196	
Dollarama Inc	2.337	22-Jul-21	160	160	159	
Dollarama Inc	3.095	5-Nov-18	300	308	303	
Dollarama Inc	0.000	16-Mar-20	147	147	148	
EllisDon Infrastructure JBH Inc	2.018	28-Aug-18	175	177	175	

# LEITH WHEELER INCOME ADVANTAGE FUND

Schedule of Investment Portfolio (continued)

(Expressed in thousands of dollars)

December 31, 2017

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>						
Empire Life Insurance	3.383	16-Dec-26	\$ 200	\$ 201	\$ 200	
Empire Life Insurance	3.664	15-Mar-28	100	100	100	
Enbridge Gas Distribution Inc	2.500	5-Aug-26	189	185	184	
Enbridge Inc	3.200	8-Jun-27	150	146	145	
Enbridge Inc	3.940	30-Jun-23	300	315	312	
Enbridge Inc	5.375	27-Sep-77	380	383	378	
Enbridge Pipelines Inc	3.450	29-Sep-25	687	708	706	
Finning International Inc	2.840	29-Sep-21	130	130	130	
First Capital Realty Inc	3.604	6-May-26	216	216	214	
Ford Auto Securitization Trust	1.423	15-Jan-21	350	348	347	
Ford Credit Canada Ltd	2.710	23-Feb-22	75	75	74	
Ford Credit Canada Ltd	2.450	7-May-20	166	168	165	
Ford Floorplan Auto Securitization Trust	2.197	15-Jul-20	291	291	289	
FortisAlberta Inc	3.300	30-Sep-24	150	156	156	
General Motors Financial of Canada Ltd	3.080	22-May-20	350	353	353	
H&R Real Estate Investment Trust	2.923	6-May-22	170	168	167	
H&R Real Estate Investment Trust	3.344	20-Jun-18	300	301	302	
HCN Canadian Holdings-1 LP	3.350	25-Nov-20	400	407	409	
Husky Energy Inc	3.600	10-Mar-27	250	253	249	
Institutional Mortgage Securities Canada Inc	1.936	12-Sep-24	159	159	154	
Institutional Mortgage Securities Canada Inc	2.340	12-Feb-25	157	157	152	
Intact Financial Corp	2.850	7-Jun-27	300	296	288	
Inter Pipeline Ltd	2.608	13-Sep-23	365	357	356	
Inter Pipeline Ltd	2.734	18-Apr-24	500	491	486	
Manulife Bank of Canada	1.915	1-Sep-21	160	160	156	
National Bank of Canada	1.809	26-Jul-21	203	203	199	
National Bank of Canada	1.957	30-Jun-22	180	180	176	
North West Redwater Partnership / NWR Financing Co Ltd	3.200	24-Apr-26	97	102	98	
North West Redwater Partnership / NWR Financing Co Ltd	3.200	22-Jul-24	500	522	508	
OMERS Realty Corp	2.858	23-Feb-24	175	176	176	
OMERS Realty Corp	3.244	4-Oct-27	100	100	102	
Pembina Pipeline Corp	2.990	22-Jan-24	650	651	640	
Pembina Pipeline Corp	3.710	11-Aug-26	296	308	297	
Pembina Pipeline Corp	3.770	24-Oct-22	150	154	155	
Real Estate Asset Liquidity Trust	2.356	12-Jan-25	206	203	201	
Real Estate Asset Liquidity Trust	2.870	12-Jun-22	85	85	85	
RioCan Real Estate Investment Trust	2.830	3-Oct-22	175	175	174	
RioCan Real Estate Investment Trust	3.725	18-Apr-23	155	161	159	
Royal Bank of Canada	1.583	13-Sep-21	314	313	304	
Royal Bank of Canada	1.650	15-Jul-21	600	593	585	
Royal Bank of Canada	2.333	5-Dec-23	200	199	196	
Royal Bank of Canada	2.350	9-Dec-19	120	124	120	
Royal Bank of Canada	2.360	5-Dec-22	480	477	475	
Royal Bank of Canada	3.310	20-Jan-26	1,250	1,279	1,271	
Saputo Inc	2.196	23-Jun-21	88	88	87	
Saputo Inc	2.827	21-Nov-23	200	202	199	
Shaw Communications Inc	3.800	1-Mar-27	370	377	377	
Shaw Communications Inc	4.350	31-Jan-24	100	110	106	
SNC-Lavalin Group Inc	2.689	24-Nov-20	144	144	144	
Sun Life Financial Inc	3.050	19-Sep-28	300	304	301	
Suncor Energy Inc	3.000	14-Sep-26	100	100	98	
TELUS Corp	3.350	1-Apr-24	200	211	203	
TELUS Corp	3.750	17-Jan-25	600	602	621	
TELUS Corp	3.750	10-Mar-26	105	106	108	
Toromont Industries Ltd	3.710	30-Sep-25	350	356	357	
Toromont Industries Ltd	3.842	27-Oct-27	100	100	102	

# LEITH WHEELER INCOME ADVANTAGE FUND

Schedule of Investment Portfolio (continued)

(Expressed in thousands of dollars)

December 31, 2017

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>						
Toronto-Dominion Bank	1.909	18-Jul-23	\$ 600	\$ 583	\$ 578	
Toronto-Dominion Bank	2.621	22-Dec-21	1,062	1,084	1,070	
Toronto-Dominion Bank	2.982	30-Sep-25	500	507	505	
Toronto-Dominion Bank	3.224	25-Jul-29	498	498	497	
TransCanada PipeLines Ltd	3.390	15-Mar-28	400	413	409	
TransCanada PipeLines Ltd	3.690	19-Jul-23	212	225	223	
Union Gas Ltd	2.760	2-Jun-21	600	625	608	
Ventas Canada Finance Ltd	2.550	15-Mar-23	54	54	53	
Ventas Canada Finance Ltd	4.125	30-Sep-24	275	287	288	
Veresen Inc	3.060	13-Jun-19	300	304	303	
Veresen Inc	3.430	10-Nov-21	175	183	178	
Wells Fargo Canada Corp	2.780	15-Nov-18	100	102	101	
Westcoast Energy Inc	3.120	5-Dec-22	200	197	204	
Westcoast Energy Inc	3.430	12-Sep-24	200	203	206	
				<u>38,952</u>	<u>38,586</u>	<u>44.2</u>
<b>Maples</b>						
Anheuser-Busch InBev Finance Inc	2.600	15-May-24	246	244	240	
AT&T Inc	2.850	25-May-24	181	179	176	
AT&T Inc	3.825	25-Nov-20	389	413	402	
Bank of America Corp	3.407	20-Sep-25	59	59	60	
BHP Billiton Finance Ltd	3.230	15-May-23	700	713	711	
Goldman Sachs Group Inc	2.433	26-Apr-23	200	200	196	
HSBC Holdings PLC	3.196	5-Dec-23	300	301	303	
Wells Fargo & Co	2.094	25-Apr-22	300	299	292	
Wells Fargo & Co	2.975	19-May-26	181	173	176	
				<u>2,581</u>	<u>2,556</u>	<u>2.9</u>
<b>Federal Bonds and Guarantees</b>						
City of Vancouver	2.900	20-Nov-25	170	172	172	
First Nations Finance Authority	3.050	1-Jun-28	150	152	151	
First Nations Finance Authority	3.400	26-Jun-24	535	558	557	
				<u>882</u>	<u>880</u>	<u>1.0</u>
<b>Mutual Fund</b>						
Leith Wheeler Multi Credit Fund Series A			653,236	6,535	6,529	
				<u>6,535</u>	<u>6,529</u>	<u>7.5</u>
<b>TOTAL BONDS AND GUARANTEES</b>				<b>48,950</b>	<b>48,551</b>	<b>55.6</b>

# LEITH WHEELER INCOME ADVANTAGE FUND

Schedule of Investment Portfolio (continued)

(Expressed in thousands of dollars)

December 31, 2017

Security	Number of holdings	Cost	Fair value	% of Net assets
<b>CANADIAN EQUITY</b>				
<b>Mutual Fund</b>				
Leith Wheeler Canadian Dividend Fund Series A	2,387,308	27,458	30,782	
		27,458	30,782	<b>35.2</b>
<b>Step Up Preferred Stocks:</b>				
AltaGas Ltd Preferred Shares, Series A	4,100	76	87	
AltaGas Ltd Preferred Shares, Series G	2,400	56	59	
Bank of Montreal Preferred Shares, Series C	9,200	233	238	
Bank of Montreal Preferred Shares, Series Q	7,187	152	164	
Bank of Nova Scotia Preferred Shares, Series Z	6,700	130	154	
BCE Inc Preferred Shares, Series I	2,000	35	37	
BCE Inc Preferred Shares, Series M	15,750	264	306	
Brookfield Office Properties Inc Preferred Shares, Series N	4,700	73	97	
Brookfield Office Properties Inc Preferred Shares, Series R	2,900	53	65	
Brookfield Renewable Power, Preferred Shares, Series A	10,100	197	218	
Canadian Imperial Bank of Commerce Preferred Shares, Series R	17,300	439	441	
Capital Power Corp Preferred Shares, Series A	4,700	75	76	
CU Inc Preferred Shares, Series C	6,000	76	98	
Emera Inc Preferred Shares, Series A	10,500	152	192	
Enbridge Inc Preferred Shares, Series B	39,900	736	746	
Enbridge Inc Preferred Shares, Series N	1,300	27	27	
Fortis Inc Preferred Shares, Series G	1,700	34	37	
Fortis Inc Preferred Shares, Series M	1,700	33	40	
Husky Energy Inc Preferred Shares, Series E	10,000	237	250	
Intact Financial Corp Preferred Shares, Series C	12,000	234	279	
Kinder Morgan Inc/DE Preferred Shares, Series A	7,800	195	201	
Manulife Financial Corp Preferred Shares, Series H	13,000	324	331	
Manulife Financial Corp Preferred Shares, Series R	3,600	90	95	
National Bank of Canada Preferred Shares, Series C	13,200	335	341	
National Bank of Canada Preferred Shares, Series S	1,400	33	33	
Pembina Pipeline Corp Preferred Shares, Series A	5,100	128	128	
Pembina Pipeline Corp Preferred Shares, Series I	2,600	63	66	
Pembina Pipeline Corp Preferred Shares, Series O	3,000	46	71	
Pembina Pipeline Corp Preferred Shares, Series S	3,200	80	81	
Royal Bank of Canada Preferred Shares, Series J	7,000	170	175	
Shaw Communications Inc Preferred Shares, Series A	9,600	165	169	
Sun Life Financial Inc Preferred Shares, Series H	13,500	249	287	
Sun Life Financial Inc Preferred Shares, Series I	9,400	224	232	
Toronto-Dominion Bank Preferred Shares, Series E	8,000	156	201	
Toronto-Dominion Bank Preferred Shares, Series I	400	10	10	
Toronto-Dominion Bank Preferred Shares, Series Y	2,900	72	73	
TransCanada Corp Preferred Shares, Series C	12,800	207	220	
TransCanada Corp Preferred Shares, Series D	500	11	11	
TransCanada Corp Preferred Shares, Series G	11,100	270	272	
TransCanada Corp Preferred Shares, Series K	3,200	80	84	
Westcoast Energy Inc Preferred Shares, Series M	2,800	71	73	
		6,291	6,765	<b>7.8</b>
<b>Straight Preferred Shares:</b>				
CU Inc Preferred Shares, Series A	10,100	225	220	
Great-West Lifeco Inc Preferred Shares, Series L	4,600	118	119	
Great-West Lifeco Inc preferred Shares, Series M	1,300	34	34	
Sun Life Financial Inc Preferred Shares, Series B	2,000	47	47	
		424	420	<b>0.5</b>

# LEITH WHEELER INCOME ADVANTAGE FUND

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

December 31, 2017

Security	Number of holdings	Cost	Fair value	% of Net assets
<b>CANADIAN EQUITY (continued)</b>				
<b>Floating Preferred Shares:</b>				
Bank of Nova Scotia Preferred Shares, Series F	2,000	\$ 44	\$ 46	
		<u>44</u>	<u>46</u>	<b>0.1</b>
<b>TOTAL CANADIAN EQUITY</b>		<b>34,217</b>	<b>38,013</b>	<b>43.6</b>
<b>MONEY MARKET SECURITIES</b>		<u>224</u>	<u>224</u>	<b>0.3</b>
<b>TRANSACTION COSTS</b>		<u>(11)</u>		
<b>TOTAL INVESTMENT PORTFOLIO</b>		<b>\$ 83,380</b>	<b>\$ 86,788</b>	<b>99.5</b>
<b>OTHER ASSETS LESS LIABILITIES</b>			<u>469</u>	<b>0.5</b>
<b>NET ASSETS</b>			<b>\$ 87,257</b>	<b>100.0</b>

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

# LEITH WHEELER INCOME ADVANTAGE FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2017 and 2016

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 1.00% per annum, before GST/HST, of the daily Net Asset Value of Series B. The fee will be reduced to 0.80% per annum, before GST/HST, as long as the annualized yield on the Fund at quarter end is less than 4.50%. As at December 31, 2017, the effective yield on the Fund is 3.35% (2016 – 3.07%); therefore, the lower fee of 0.80% (2016 - 0.80%) per annum is in effect. Management fees in respect of Series F are calculated at a maximum of 0.70% per annum, before GST/HST, of the daily Net Asset Value of Series F. Management fee distributions for the year ended December 31, 2017 were approximately \$3,000 (2016 - \$4,000). 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, withholding tax rates were between 0% and 35% (2016 - between 0% and 35%).

The Fund has capital losses of nil (2016 - nil) available for utilization against capital gains in future years. The Fund has non-capital losses of nil (2016 - 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, 2017 and 2016 are as follows:

	Outstanding units at beginning of year	Issued during the year	Issued on reinvestment of distributions	Redeemed during the year	Outstanding units at end of year
Series A:					
2017	3,695	1,253	193	(751)	4,390
2016	3,498	708	166	(677)	3,695
Series B:					
2017	2,421	522	98	(368)	2,673
2016	2,376	495	87	(537)	2,421
Series F:					
2017	148	459	19	(14)	612
2016	67	81	5	(5)	148

# LEITH WHEELER INCOME ADVANTAGE FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2017 and 2016

## 4. Financial risk management:

The Fund is exposed to various types of financial risks that are associated with its investment strategies, financial instruments and market in which it invests. These include credit risk, liquidity risk and market risk which consists of interest rate risk, currency risk and other price risk. The Fund is not exposed to significant currency risk.

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".

### (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, 2017 and 2016, the Fund was invested in debt securities with the following credit quality:

	2017	2016
<b>Rating:</b>		
AAA	2.9%	7.9%
AA	12.2%	23.6%
A	33.7%	22.0%
BBB	37.4%	35.8%
BB	0.4%	10.7%
B	13.4%	-
<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.

# LEITH WHEELER INCOME ADVANTAGE FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2017 and 2016

## 4. Financial risk management (continued):

(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:

	2017	2016
	% of total debt securities	% of total debt securities
Term to maturity		
Less than 1 year	2.4%	2.4%
1 to 5 years	44.7%	45.2%
5 to 10 years	51.7%	51.6%
More than 10 years	1.2%	0.8%
Total debt securities	100.0%	100.0%

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, 2017 and 2016, 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 \$2,024,000 and by \$1,754,000, respectively. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(ii) 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, 2017 and 2016, 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 \$2,227,000 and \$1,760,000 respectively. In practice, actual results may differ from this sensitivity analysis and these differences could be material.



# LEITH WHEELER INCOME ADVANTAGE FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2017 and 2016

## 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, 2017</b>	Level 1	Level 2	Level 3	Total
Bonds (including Mortgage Backed Securities)	\$ -	\$ 42,022	\$ -	\$ 42,022
Equities - Long	7,231	-	-	7,231
Investment Fund units	37,311	-	-	37,311
Short Term Notes	-	224	-	224
	\$ 44,542	\$ 42,246	\$ -	\$ 86,788

<b>December 31, 2016</b>	Level 1	Level 2	Level 3	Total
Bonds (including Mortgage Backed Securities)	\$ -	\$ 34,900	\$ -	\$ 34,900
Equities - Long	6,154	-	-	6,154
Investment Fund units	29,061	-	-	29,061
Short Term Notes	-	60	-	60
	\$ 35,215	\$ 34,960	\$ -	\$ 70,175

During the year, there were no transfers of financial instruments between the three levels (2016 - nil).

# LEITH WHEELER INCOME ADVANTAGE FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2017 and 2016

## 6. Involvement with structured entities:

The table below describes the types of structured entities that in which the Fund 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.

<b>December 31, 2017</b>				
		Number of investee funds held	Total net assets of investee funds	Carrying amount included in investments
Investment fund holding		2	\$ 160,408	\$ 37,311
Underlying Fund	Principal place of business	Country of domicile	Ownership interest	Carrying amount included in investments in statement of financial position
Leith Wheeler Canadian Dividend Fund Series A	Canada	Canada	27.5%	\$ 30,782
Leith Wheeler Multi Credit Fund Series A	Canada	Canada	13.5%	6,529

# LEITH WHEELER INCOME ADVANTAGE FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2017 and 2016

## 6. Involvement with structured entities (continued):

December 31, 2016				
		Number of investee funds held	Total net assets of investee funds	Carrying amount included in investments
Investment fund holding		2	\$ 124,638	\$ 29,061
Underlying Fund	Principal place of business	Country of domicile	Ownership interest	Carrying amount included in investments in statement of financial position
Leith Wheeler Canadian Dividend Fund Series A	Canada	Canada	28.2%	\$ 24,864
Leith Wheeler High Yield Bond Fund Series A	Canada	Canada	11.5%	4,197

During 2017 and 2016, 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.

## 7. Related party transactions:

At December 31, 2017, the Fund owned 2,387,308 Series A units (2016 - 1,976,574) of the Leith Wheeler Canadian Dividend Fund and 653,236 Series A units (2016 - 427,939 of Leith Wheeler High Yield Bond Fund) of the Leith Wheeler Multi Credit Fund, which are both under common management.

During the year, the Fund earned approximately \$712,000 in dividend income (2016 - \$709,000), \$191,000 in interest income (2016 - \$238,000), \$63,000 in other income (2016 - \$140,000), \$1,394,000 in capital gains (2016 - \$1,174,000) and nil (2016 - nil) return of capital on those investments. No additional management fees are paid by the Fund to the Manager in respect of holding units of this underlying investment pool.

# LEITH WHEELER INCOME ADVANTAGE FUND

Notes to Financial Statements - General Information Related to All Leith Wheeler Investment Funds

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2017 and 2016

## 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	April 27, 1994
Leith Wheeler Corporate Advantage Fund	May 29, 2015
Leith Wheeler Emerging Markets Equity Fund	May 19, 2017
Leith Wheeler High Yield Bond Fund	May 27, 2015
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 Multi Credit Fund	May 30, 2017
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 CIBC Mellon

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 Emerging Markets Fund, Leith Wheeler Income Advantage Fund, Leith Wheeler International Equity Plus Fund, Leith Wheeler Multi Credit 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 INCOME ADVANTAGE FUND

Notes to Financial Statements - General Information Related to All Leith Wheeler Investment Funds  
(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2017 and 2016

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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, 2017 and 2016. 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, 2018.

### (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) Use of estimates and judgment:

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.

# LEITH WHEELER INCOME ADVANTAGE FUND

Notes to Financial Statements - General Information Related to All Leith Wheeler Investment Funds

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2017 and 2016

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### 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.

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 are designated as FVTPL.

# LEITH WHEELER INCOME ADVANTAGE FUND

Notes to Financial Statements - General Information Related to All Leith Wheeler Investment Funds  
(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2017 and 2016

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

(a) Financial instruments (continued):

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

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.

(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.

# LEITH WHEELER INCOME ADVANTAGE FUND

Notes to Financial Statements - General Information Related to All Leith Wheeler Investment Funds  
(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2017 and 2016

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

(b) 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.

(c) 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.

(d) Foreign exchange:

The financial statements of the Funds are denominated in Canadian dollars, with the exception of the Leith Wheeler US 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.

(e) 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.



# LEITH WHEELER INCOME ADVANTAGE FUND

Notes to Financial Statements - General Information Related to All Leith Wheeler Investment Funds  
(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2017 and 2016

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

(f) 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

(g) Standards and amendments to existing standards effective January 1, 2017:

IAS 7, *Statement of Cash Flows*, requires disclosures related to changes in liabilities arising from financing activities for annual periods beginning on or after January 1, 2017. Units issued by the Funds are classified as liabilities in accordance with IAS 32 and for the purposes of the IAS 7 disclosures. A reconciliation between the opening and closing balance of the units of each Fund is presented in the statements of changes in net assets attributable to holders of redeemable units for the years ended December 31, 2017 and 2016, including changes from cash flows and non-cash changes.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on January 1, 2017 that have a material effect on the financial statements of the Funds.

(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, 2017, 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 financial reporting periods beginning on January 1, 2018. The Funds will adopt IFRS 9 in their financial statements for the annual period beginning on January 1, 2018.

Based on the Manager's assessment, this standard is not expected to have a material impact on the classification of financial assets and financial liabilities of the Funds. This is because:

- the financial instruments classified as held-for-trading under IAS 39 (derivatives) will continue to be classified as such under IFRS 9;

# LEITH WHEELER INCOME ADVANTAGE FUND

Notes to Financial Statements - General Information Related to All Leith Wheeler Investment Funds  
(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2017 and 2016

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

(h) New standards and interpretations not yet adopted (continued):

- other financial instruments currently measured at FVTPL under IAS 39 that were designated into this category, because they are managed on a fair value basis in accordance with a documented investment strategy, will be mandatorily measured at FVTPL or designated at FVTPL under IFRS 9; and
- other financial instruments currently measured at amortised cost under IAS 39 will continue to be classified as such under IFRS 9.

### 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, transaction costs 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.

# LEITH WHEELER INCOME ADVANTAGE FUND

Notes to Financial Statements - General Information Related to All Leith Wheeler Investment Funds  
(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2017 and 2016

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## 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' performance and compliance with the investment policies.

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, derivative financial assets, cash, 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.

# LEITH WHEELER INCOME ADVANTAGE FUND

Notes to Financial Statements - General Information Related to All Leith Wheeler Investment Funds  
(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2017 and 2016

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## 6. Financial risk management (continued):

### (b) Liquidity risk (continued):

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 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

### (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

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## 6. Financial risk management (continued):

### (iii) Other price risk (continued):

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.

## 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.

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

### (a) Valuation models (continued):

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.

### (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.