

# Leith Wheeler Carbon Constrained Canadian Equity Fund

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE  
June 30, 2018



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 by investing primarily in a diversified portfolio of common shares and other equity related securities of Canadian issuers, while excluding companies with significant activity in the fossil fuel industries.

We utilize a value approach to stock selection, applying bottom-up, fundamental analysis to all investment decisions. Our investment goal is to protect our clients' capital while offering superior investment growth, regardless of economic conditions. We seek to invest in solid companies run by strong management teams that can navigate variable market conditions.

The Fund will not invest in companies which derive greater than 30% of their revenue from the extraction or sale of fossil fuels, or from royalties earned from third parties performing such activities. The Fund will not invest in companies which derive greater than 30% of their revenue from services (including transportation and refining) provided to companies involved in the extraction or sales of fossil fuels. The Fund will not invest in companies which derive greater than 30% of their revenue from the sale of power produced from the consumption of fossil fuels.

### 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 129.4% in the first half of 2018 to \$3.9 million from \$1.7 million at the end of 2017. Of this change, \$0.1 million was attributable to investment gains and \$2.1 million to net inflows.

The S&P/TSX 60 Fossil Fuel Free Carbon Efficient Select Composite returned 1.1% in the first half of 2018. Six of the 9 sectors delivered positive returns with Information Technology (+19.5%), Health Care (+16.8%), and Industrials (+10.1%) leading the index. Alternatively, there were 3 negative performing sectors Telecommunication Services (-4.7%), Consumer Staples (-4.4%), and Financials (-1.4%).

The Carbon Constrained Canadian Equity Fund performed in line with the S&P/TSX 60 Fossil Fuel Free Carbon Efficient Select Composite during the first six months of 2018. Series A of the fund increased 1.8%, Series B of the Fund increased 1.0% after fees and expenses, and Series F of the Fund increased 1.3% after fees and expenses.

Among the top contributors to the Fund's performance in the first half of 2018 were BRP Inc. (+36.7%), and Constellation Software Inc. (+32.2%). BRP, a producer of recreational vehicles such as Ski-Doo and Sea-Doo, was the best performer in the portfolio. Revenue growth has been strong in most of their product lines, while retail sell-through shows that the company is winning market share. The company has been consistently reporting solid results. Constellation Software, a developer and distributor of software solutions, reported solid results entering 2018. Strong performance has been enhanced by better-than-expected organic growth and acquisition activity that continues to be robust. In contrast, CI Financial (-18.5%) detracted from performance. CI Financial reported higher-than-expected redemptions in its asset management business. Despite experiencing high redemptions, the company has a strong management team, a solid balance sheet and generates a high-return on equity.

The Fund's objective is to provide superior long-term investment returns by investing primarily in a diversified portfolio of common shares and other equity related securities of Canadian issuers, while excluding companies with significant activity in the fossil fuels industries.

As of June 30th, the Fund's asset mix was 98.8% Canadian Equity and 1.2% Cash and Equivalents.

### Recent Developments

The Canadian Equity market was slightly positive in July 2018.

### Related Party Transactions

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

### Management Fees

The Manager provides the Fund with investment management services, including fund accounting and unitholder record keeping. In return, the Manager receives a management fee based on the net assets of the Fund, calculated on a daily basis. The annualized management fee for the Series B and Series F units of the Fund are 1.40% and 0.95%, respectively. During the year, the Fund paid the Manager \$1,246 for Series B and \$374 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 commissions, transaction 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.

Series A (inception September 27, 2017)	2018 YTD	2017	2016	2015	2014	2013
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1)(3)</sup>	\$10.57	\$10.00	n/a	n/a	n/a	n/a
Increase (decrease) from operations:						
Total revenue	0.13	0.07	n/a	n/a	n/a	n/a
Total expenses	-	-	n/a	n/a	n/a	n/a
Realized gains (losses) for the year	0.04	0.02	n/a	n/a	n/a	n/a
Unrealized gains (losses) for the year	0.18	0.49	n/a	n/a	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	0.35	0.58	n/a	n/a	n/a	n/a
Distributions:						
From income (excluding dividends)	-	-	n/a	n/a	n/a	n/a
From dividends	(0.10)	(0.06)	n/a	n/a	n/a	n/a
From capital gains	-	(0.01)	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>	(0.10)	(0.07)	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$10.65	\$10.57	n/a	n/a	n/a	n/a

Series B (inception September 27, 2017)	2018 YTD	2017	2016	2015	2014	2013
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1)(3)</sup>	\$10.57	\$10.00	n/a	n/a	n/a	n/a
Increase (decrease) from operations:						
Total revenue	0.17	0.08	n/a	n/a	n/a	n/a
Total expenses	(0.10)	(0.06)	n/a	n/a	n/a	n/a
Realized gains (losses) for the year	0.04	0.03	n/a	n/a	n/a	n/a
Unrealized gains (losses) for the year	0.24	0.55	n/a	n/a	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	0.35	0.60	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)	(0.02)	n/a	n/a	n/a	n/a
From capital gains	-	(0.01)	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)	(0.03)	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$10.62	\$10.57	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 September 27, 2017)	2018 YTD	2017	2016	2015	2014	2013
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1)(3)</sup>	\$10.57	\$10.00	n/a	n/a	n/a	n/a
Increase (decrease) from operations:						
Total revenue	0.05	0.07	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	0.02	n/a	n/a	n/a	n/a
Unrealized gains (losses) for the year	0.07	0.52	n/a	n/a	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	0.13	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	(0.04)	(0.03)	n/a	n/a	n/a	n/a
From capital gains	-	(0.01)	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>	(0.04)	(0.04)	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$10.67	\$10.57	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 September 27, 2017, inception date of Series A, B and F units of the Fund.

## Financial Highlights (cont.)

### Ratios and Supplemental Data

Series A (inception September 27, 2017)	June 30, 2018	2017	2016	2015	2014	2013
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	3,490	1,577	n/a	n/a	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	328	149	n/a	n/a	n/a	n/a
Management expense ratio (%) <sup>(2)</sup>	-	-	-	-	-	-
Management expense ratio before waivers or absorptions (%)	0.52	0.50	n/a	n/a	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	0.06	0.07	n/a	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	8.06	11.64	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit (\$)	10.65	10.57	n/a	n/a	n/a	n/a

Series B (inception September 27, 2017)	June 30, 2018	2017	2016	2015	2014	2013
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	329	79	n/a	n/a	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	31	8	n/a	n/a	n/a	n/a
Management expense ratio (%) <sup>(2)</sup>	1.47	1.47	n/a	n/a	n/a	n/a
Management expense ratio before waivers or absorptions (%)	1.98	1.97	n/a	n/a	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	0.06	0.07	n/a	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	8.06	11.64	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit (\$)	10.62	10.57	n/a	n/a	n/a	n/a

Series F (inception September 27, 2017)	June 30, 2018	2017	2016	2015	2014	2013
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	81	80	n/a	n/a	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	8	8	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 (%)	1.51	1.50	n/a	n/a	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	0.06	0.07	n/a	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	8.06	11.64	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit (\$)	10.67	10.57	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, 2018

### Top 25 Positions

Issuer	% of Net Asset Value
Toronto-Dominion Bank	8.3%
Royal Bank of Canada	7.7%
Bank of Nova Scotia	6.9%
Brookfield Infrastructure Partners LP	6.4%
Canadian National Railway Co	5.9%
Saputo Inc	5.8%
Open Text Corp	5.4%
Canadian Imperial Bank of Commerce	4.8%
Brookfield Asset Management Inc	4.6%
Manulife Financial Corp	4.5%
Progressive Waste Solutions Ltd	3.8%
Finning International Inc	3.7%
First Quantum Minerals Ltd	3.3%
Toromont Industries Ltd	3.2%
Canadian Tire Corp Ltd	3.2%
Constellation Software Inc	2.8%
CI Financial Corp	2.7%
Canadian Western Bank	2.5%
Cameco Corp	2.1%
Nutrien Ltd	1.4%
Hydro One Ltd	1.4%
Rogers Communications Inc	1.3%
Stantec Inc	1.3%
CGI Group Inc	1.3%
Industrial Alliance Insurance & Financial Services Inc	1.2%

### Portfolio Allocation

Portfolio Breakdown	% of Net Asset Value
Financials	44.2%
Industrials	17.9%
Information Technology	9.4%
Utilities	7.7%
Consumer Staple	5.8%
Materials	5.0%
Consumer Discretionary	4.7%
Energy	2.1%
Telecommunication Services	1.3%
Cash & Other Net Assets	1.1%
Real Estate	0.8%

The Fund held no short positions as at June 30, 2018.

*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).*