

# Leith Wheeler Multi Credit 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.

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## Management Discussion of Fund Performance

### Investment Objective and Strategies

The investment objective of the fund is to achieve interest income, with the potential for some long term capital growth, by investing primarily in corporate credit securities. The primary return objective is to deliver income and return in excess of CDOR over a credit cycle. The Fund is intended to have a risk profile similar to that of the Bank of America Merrill Lynch BB-B U.S. High Yield Constrained Index (hedged back to Canadian Dollars), but with lower interest rate risk. The Multi Credit Fund has the ability to invest across the capital structure of a business with a core focus on global high yield bonds, U.S. senior loans and global investment grade bonds.

### Risk

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

### Results of Operations

The Fund's net assets were increased by 83.5% in the first half of 2018, rising to \$89.0 million from \$48.5 million at the end of 2017. Of this change, \$0.5 million was attributable to investment gains and \$40.0 million attributable to net inflows from purchases.

The Leith Wheeler Multi Credit Fund performed well during the first half of 2018 as Series A units returned 1.0%. Series B units returned 0.5% and Series F units advanced by 0.6%, both after fees and expenses.

The investment objective of the Fund is to achieve interest income, with the potential for some long-term capital growth, by investing primarily in corporate credit securities. The primary return objective is to deliver income and return in excess of the Canadian Dollar Offered Rate (CDOR) over a credit cycle. The Fund is intended to have a risk profile similar to that of the Bank of America Merrill Lynch BB-B U.S. High Yield Constrained Index (hedged back to Canadian dollars), but with lower interest rate risk. The Multi Credit Fund has the ability to invest across the capital structure of a business with a core focus on global high yield bonds, US senior loans and global investment grade bonds.

The Fund targets an allocation of 55% senior loans, 40% high yield bonds, and 5% investment grade bonds. As of June 30, 2018, the composition of the Fund was 57.4% senior loans, 33.4% high yield bonds, 2.9% investment grade bonds and 6.3% cash & equivalents.

We tactically increased the weighting to high yield bonds in the first quarter from 44% to 55% as market volatility led to weakness. This was an opportunity for us to add risk while fundamentals and the US economy were stable. Market volatility during the second quarter presented us with opportunities to increase our allocations to senior secured loans and take profits from high yield. At the end of the second quarter, senior secured loans made up 60% of the portfolio, with the balance in high yielding bonds.

Among the Fund's holdings, an Albertsons loan and three high yield bonds were notable contributors in the first six months of 2018. Albertsons (+1.5%) continues to focus on its potential large merger deal with Rite-Aid, which would create a company with almost \$83 billion in revenue. Sprint Corporation (+7.0%) has also proposed to merge with T-Mobile to create a company valued at almost \$150 billion, in addition to releasing quarterly earnings that beat expectations. Silversea Cruises (+3.8%), a privately-owned luxury cruise operator with 10 ships that offer ultra-luxury cruise experiences globally, traded upwards after Royal Caribbean offered to purchase a majority stake in the company. As the deal progresses, we collect an attractive 7.25% coupon on the bond. The other notable high yield outperformer was CenturyLink (+4.0%), which offers a 5% coupon and is fully collateralized by tangible assets.

Investment grade bonds can provide the protection of stronger balance sheets in times of market stress, while loans (senior secured debt) provide yield pick-up and are more resilient to economic downturns and typically receive higher recoveries in the event of default. Loans provide quarterly interest rate reset features, which act as a defensive position in a rising rate environment. In the case that the business cycle moves into a slowdown phase we are able to tactically increase the Fund's allocation to senior loans and investment grade bonds. The Fund remains conservatively positioned, with the expectation that returns over the rest of the year will continue to be generated from the high coupon income.

## Management Discussion of Fund Performance (cont.)

### Recent Developments

The Bank of Canada raised its key interest rate by 0.25% to 1.50% 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.

At June 30, 2018, the Leith Wheeler Corporate Advantage Fund, Leith Wheeler Income Advantage Fund, Leith Wheeler Core Plus Bond Fund and Leith Wheeler Balanced Fund owned 1,333,656 Series A, 630,499 Series A, 795,045 Series A and 327,518 Series A units of the Fund, respectively, which are under common management. Combined, the holdings represent 34.5% of this 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 0.95% and 0.80%, respectively. During the year, the Fund paid the Manager \$19,502 for Series B and \$9,931 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 May 29, 2017)	2018 YTD	2017	2016	2015	2014	2013
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1)</sup>	\$10.00	\$10.00	n/a	n/a	n/a	n/a
Increase (decrease) from operations:						
Total revenue	0.29	0.26	n/a	n/a	n/a	n/a
Total expenses	-	-	n/a	n/a	n/a	n/a
Realized gains (losses) for the year	0.17	0.09	n/a	n/a	n/a	n/a
Unrealized gains (losses) for the year	(0.38)	(0.12)	n/a	n/a	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	0.08	0.22	n/a	n/a	n/a	n/a
Distributions:						
From income (excluding dividends)	(0.14)	(0.07)	n/a	n/a	n/a	n/a
From dividends	-	-	n/a	n/a	n/a	n/a
From capital gains	-	(0.02)	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>	(0.14)	(0.10)	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$9.95	\$10.00	n/a	n/a	n/a	n/a

Series B (inception May 29, 2017)	2018 YTD	2017	2016	2015	2014	2013
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1)</sup>	\$9.98	\$10.00	n/a	n/a	n/a	n/a
Increase (decrease) from operations:						
Total revenue	0.40	0.24	n/a	n/a	n/a	n/a
Total expenses	(0.07)	(0.07)	n/a	n/a	n/a	n/a
Realized gains (losses) for the year	0.24	0.08	n/a	n/a	n/a	n/a
Unrealized gains (losses) for the year	(0.53)	(0.11)	n/a	n/a	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	0.04	0.14	n/a	n/a	n/a	n/a
Distributions:						
From income (excluding dividends)	(0.12)	(0.06)	n/a	n/a	n/a	n/a
From dividends	-	-	n/a	n/a	n/a	n/a
From capital gains	-	(0.02)	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>	(0.12)	(0.09)	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$9.91	\$9.98	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 May 29, 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>	\$9.99	\$10.00	n/a	n/a	n/a	n/a
Increase (decrease) from operations:						
Total revenue	-	0.11	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	n/a	n/a	n/a	n/a
Unrealized gains (losses) for the year	-	(0.05)	n/a	n/a	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	-	0.09	n/a	n/a	n/a	n/a
Distributions:						
From income (excluding dividends)	(0.13)	(0.06)	n/a	n/a	n/a	n/a
From dividends	-	-	n/a	n/a	n/a	n/a
From capital gains	-	(0.02)	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>	(0.13)	(0.08)	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$9.92	\$9.99	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 May 29, 2017, inception date of Series A, B and F units of the Fund.

## Financial Highlights (cont.)

## Ratios and Supplemental Data

Series A (inception May 29, 2017)	June 30, 2018	2017	2016	2015	2014	2013
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	80,130	45,132	n/a	n/a	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	8,050	4,515	n/a	n/a	n/a	n/a
Management expense ratio (%) <sup>(2)</sup>	-	-	-	-	-	-
Management expense ratio before waivers or absorptions (%)	0.03	0.17	n/a	n/a	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	-	0.01	n/a	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	375.23	79.78	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit (\$)	9.95	10.00	n/a	n/a	n/a	n/a

Series B (inception May 29, 2017)	June 30, 2018	2017	2016	2015	2014	2013
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	5,208	2,877	n/a	n/a	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	526	288	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 (%)	1.02	1.16	n/a	n/a	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	-	0.01	n/a	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	375.23	79.78	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit (\$)	9.91	9.98	n/a	n/a	n/a	n/a

Series F (inception May 29, 2017)	June 30, 2018	2017	2016	2015	2014	2013
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	3,615	452	n/a	n/a	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	365	45	n/a	n/a	n/a	n/a
Management expense ratio (%) <sup>(2)</sup>	0.84	0.84	n/a	n/a	n/a	n/a
Management expense ratio before waivers or absorptions (%)	0.86	1.01	n/a	n/a	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	-	0.01	n/a	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	375.23	79.78	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit (\$)	9.92	9.99	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**

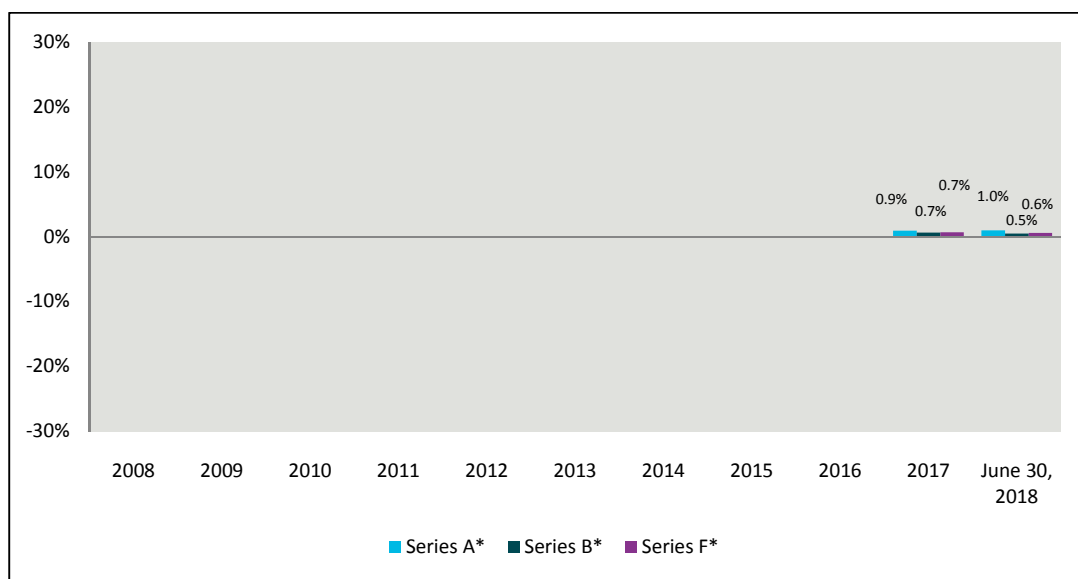
**General**

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

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

**Year-by-Year Returns**

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



\* Series A, Series B and Series F units were created on May 29, 2017. Return from May 29, 2017 to December 31, 2017, not annualized.

**Summary of Investment Portfolio**

As at June 30, 2018

**Top 25 Positions**

Issuer	% of Net Asset Value
CenturyLink Inc 4.843% January 31, 2025	5.0%
Albertsons Cos LLC / Safeway Inc / New Albertson's Inc / Albertson's LLC 5.319% June 22, 2023	4.0%
Brookfield Retail Holdings 4.795% May 07, 2025	4.0%
Diebold Inc 8.5% April 15, 2024	3.9%
FAGE International SA/ FAGE USA Dairy Industry Inc 5.625% August 15, 2026	3.8%
Russell Investments US June 01, 2023	3.7%
First Quantum Minerals Ltd 7.25% May 15, 2022	3.5%
Cortes NP Acquisition Corp 9.25% October 15, 2024	3.3%
PI US Borrowerco Inc 5.593% January 03, 2025	3.3%
Seagate HDD Cayman 4.875% June 01, 2027	3.0%
Teine Energy Ltd 6.875% September 30, 2022	2.9%
Cash & Other Net Assets	2.7%
Amneal Pharmaceuticals LLC May 04, 2025	2.6%
Endo International PLC 6.608% April 29, 2024	2.6%
Cortes NP Acquisition Corp 6.001% November 30, 2023	2.6%
Cineworld Finance US Inc February 28, 2025	2.6%
Taylor Morrison Communities Inc / Monarch Communities Inc 5.625% March 01, 2024	2.5%
Silversea Cruise Finance 7.25% February 01, 2025	2.3%
Graftech Finance Inc 5.814% February 12, 2025	2.2%
Yak Access LLC July 02, 2025	2.2%
Teck Resources Ltd 5.2% March 01, 2042	2.0%
West Corp 5.855% October 10, 2024	2.0%
Chesapeake Energy Corp 9.593% August 23, 2021	1.9%
Swordfish Merger Sub LLC 5.354% February 03, 2025	1.9%
Par Petroleum Corp 7.75% December 15, 2025	1.9%

**Portfolio Allocation**

Portfolio Breakdown	% of Net Asset Value
Loans	60.0%
Bonds	37.3%
Cash & Other Net Assets	2.7%

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).*