

# Leith Wheeler U.S. Dividend Fund

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

June 30, 2018



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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 a source of monthly income, with the potential for long term growth through capital appreciation and growth in dividends by investing primarily in common shares, convertible debentures and other equity related securities of U.S. issuers. The Fund will attempt to produce a total return (net of fees) from the combination of dividends, growth in dividends, and capital appreciation that is in excess of the return of the S&P 500 Index, and secondarily, the Russell 1000 Value Index over a full market cycle.

The strategy employs a value approach to the management of equities. The Fund will generally reflect the following value characteristics: price/earnings and price/book ratios at, or below the market (S&P 500 Index); a dividend yield at, or above the market; and the majority of common shares held by the Fund will have a 25-year history of paying cash dividends. The Fund is sub-advised by Barrow, Hanley, Mewhinney & Strauss, LLC ("Barrow Hanley") of Dallas, Texas.

### 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 decreased slightly by 0.7% in the first half of 2018 to \$91.2 million (in US dollars) from \$91.8 million (in US dollars) at the end of 2017. Of this change, \$3.4 million was attributed to investment loss and \$2.8 million to net inflows.

The S&P 500 Index started the year strong but volatility returned to the market in February and March, dragging the broad market into negative territory for the first quarter. The second quarter saw this trend change and the index was up 3.4%. The year to date return was 2.7%. The index was led by Consumer Discretionary (+17.1%), Information Technology (+16.4%), and Energy (+12.1%) while the only negatively performing sectors were Consumer Staples (-4.0%), and Telecommunication Services (-3.8%).

The U.S. Dividend Fund underperformed the S&P 500 Index during the first half of 2018, with Series A of the fund decreasing 3.3% in US Dollars, Series B of the Fund decreasing 4.0% in US Dollars after fees and expenses, and Series F of the Fund decreasing 3.8% in US Dollars after fees and expenses.

Among the top contributors to the Fund's performance in the first half of 2018 were XL Group Ltd. (+60.4%), ConocoPhillips (+28.1%), and Target Corp. (+18.7%). French insurance company AXA announced that it was going to acquire XL Group for a premium of nearly 70%. We viewed the implied valuation AXA put on XL Group as more than fair and as a result we exited our position. ConocoPhillips' stock has increased due to the company's deployment of proceeds from a Canadian asset sale and cash flows from higher oil prices and production. Management has also taken steps to de-lever the company and implement a multi-year share repurchase program. Early in the year Target announced strong holiday results, with higher-than-expected same-store sales growth in November and December 2017. The strength was broad based, with all of Target's core categories (Home, Apparel, Food & Beverage, Hardlines and Essentials) seeing positive same-store sales growth. In contrast, Adient PLC (-37.0%), Southwest Airlines Co. (-21.9%), and Stanley Black & Decker Inc. (-21.1%) detracted from performance. Adient is the largest automotive seating supplier in the world. The stock has recently underperformed due to larger-than-expected losses in its seat structures division due to launch costs and higher materials cost. Automation and leadership changes should have the division on track to return to break-even or better next year. Southwest Airlines was driven down recently by the continued increase in fuel prices. Assuming all else is equal, every 10% increase in fuel prices reduces Southwest's earnings by approximately \$0.50 per share. In addition to rising fuel costs, a series of negative headlines during the quarter related to an engine failure in early April hurt the name. We view the negative headline risk as temporary and still believe the stock remains attractive given the oligopolistic nature of the airline industry. Tariff fears weighed on Stanley Black & Decker, despite trade concerns, the underlying business is strong and continuing to improve. We remain supportive of the name.

## Management Discussion of Fund Performance (cont.)

### Results of Operations (cont.)

Five names were added to the Fund in the first half of 2018: CVS Health Corp., Exelon Corp., Praxair, Schlumberger NV, and U.S. Bancorp. CVS Health Corp. is the largest retail pharmacy in the United States. The retail pharmacy business is benefitting from favourable demographics and new generic drug launches right now. CVS's stock declined to a very attractive valuation last year after it lost several pharmacy contracts to Walgreens and investors feared Amazon would enter the healthcare supply chain industry. CVS won back its fair share of pharmacy contracts in early 2018, and we believe the Amazon fears are overblown considering the operational, regulatory, and clinical barriers to enter pharmaceutical distribution. Exelon Corp. operates as a utility services holding company engaging in the energy generation, power marketing, and energy delivery businesses. As Exelon grows its regulated businesses, the company will have a more stable earnings growth profile and these earnings will be used to increase dividends. Praxair is a leading global industrial gas producer. We like the industrial gas industry due to its stable demand profile and secular growth opportunities driven by energy efficiency, environmental conservation, and emerging market penetration. Praxair is in the process of obtaining regulatory approval to merge with Linde, which we believe will be approved and deliver significant synergies. Schlumberger NV is the premier global oil field services company. The company is expected to benefit from accelerating global capital expenditures as oil and natural gas prices recover. Schlumberger commands industry leading operational margins by providing leading oil field technology and being the lowest cost per barrel provider. These advantages lead to higher operational leverage and financial results. U.S. Bancorp has \$460 billion in assets and operates 3,067 branches spread across the Midwest and West Coast. The company consistently delivers industry-leading profitability metrics irrespective of the operating environment. U.S. Bancorp is currently trading at a discount to its peers, offering an attractive entry point to buy a high quality regional bank.

There were five names eliminated from the Fund in the first half of 2018: Celanese Corp., Honeywell International, KeyCorp, Norfolk Southern Corp., and PNC Financial Services Group. Celanese Corp has enjoyed continued strong growth in the engineering plastics business and a cyclical recovery in the acetic acid market but during the quarter we exited our position to put the money to work in opportunities with more compelling upside. Honeywell International has been a good performing stock, appreciating from \$99 at purchase to \$147 at sale. With the stock now trading at a premium to the market, we viewed the stock as fairly valued with little upside remaining so we exited the position. KeyCorp stock hit our fair value target as the integration of the First Niagara acquisition played out as expected. Further synergies from the deal appeared to be more difficult to attain; because of this, we decided to take profits in the stock and sell the position. Since its inclusion in the Fund, Norfolk has been a well-performing stock, increasing in value by more than 120%. Norfolk is now trading at a premium to the overall market. In addition to valuation, we are concerned about the uncertainty around trade tariffs that could have a negative impact on earnings, and as a result we decided to sell the stock. After reaching what we consider to be fair value, shares of PNC Financial Services Group were sold out of your portfolio.

Looking to the second half of 2018 we remain cautiously optimistic. We believe valuations remain at a reasonable level and market sentiment is still sensible. With that being said, we will continue to focus on allocating assets to the best risk-adjusted investments, applying our value investment principles to security selection and focusing on identifying companies with attractive valuations, good business models, and solid management teams.

### Recent Developments

The US Equity market was 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 is 1.25% for the Series B, 0.95% for Series F and 0.45% for Series FP1 units of the Fund. During the year, the Fund paid the Manager \$13,487 for Series B, \$58 for Series F and \$173,081 for Series FP1 (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 26, 2016)	2018 YTD	2017	2016	2015	2014	2013
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1) (3)</sup>	\$11.83	\$10.67	\$10.00	n/a	n/a	n/a
Increase (decrease) from operations:						
Total revenue	0.16	0.28	0.07	n/a	n/a	n/a
Total expenses	-	-	-	n/a	n/a	n/a
Realized gains (losses) for the year	0.34	0.35	0.07	n/a	n/a	n/a
Unrealized gains (losses) for the year	(0.85)	1.17	0.59	n/a	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	(0.35)	1.79	0.73	n/a	n/a	n/a
Distributions:						
From income (excluding dividends)	-	-	-	n/a	n/a	n/a
From dividends	(0.14)	(0.29)	(0.05)	n/a	n/a	n/a
From capital gains	-	(0.30)	(0.07)	n/a	n/a	n/a
Return of capital	-	-	-	n/a	n/a	n/a
Total Annual Distributions <sup>(2)</sup>	(0.14)	(0.59)	(0.12)	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$11.30	\$11.83	\$10.67	n/a	n/a	n/a

Series B (inception September 26, 2016)	2018 YTD	2017	2016	2015	2014	2013
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1) (3)</sup>	\$11.78	\$10.64	\$10.00	n/a	n/a	n/a
Increase (decrease) from operations:						
Total revenue	0.19	0.28	(0.03)	n/a	n/a	n/a
Total expenses	(0.06)	(0.06)	-	n/a	n/a	n/a
Realized gains (losses) for the year	0.41	0.36	(0.03)	n/a	n/a	n/a
Unrealized gains (losses) for the year	(1.03)	1.19	(0.23)	n/a	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	(0.49)	1.77	(0.29)	n/a	n/a	n/a
Distributions:						
From income (excluding dividends)	-	-	-	n/a	n/a	n/a
From dividends	(0.08)	(0.16)	(0.05)	n/a	n/a	n/a
From capital gains	-	(0.30)	(0.07)	n/a	n/a	n/a
Return of capital	-	-	-	n/a	n/a	n/a
Total Annual Distributions <sup>(2)</sup>	(0.08)	(0.46)	(0.11)	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$11.23	\$11.78	\$10.64	n/a	n/a	n/a

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

<b>Series F (inception September 26, 2016)</b>	<b>2018 YTD</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1) (3)</sup>	\$11.95	\$10.66	\$10.00	n/a	n/a	n/a
Increase (decrease) from operations:						
Total revenue	0.18	0.26	0.06	n/a	n/a	n/a
Total expenses	(0.06)	(0.06)	(0.01)	n/a	n/a	n/a
Realized gains (losses) for the year	0.38	0.34	0.07	n/a	n/a	n/a
Unrealized gains (losses) for the year	(0.95)	1.14	0.57	n/a	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	(0.45)	1.70	0.69	n/a	n/a	n/a
Distributions:						
From income (excluding dividends)	-	-	-	n/a	n/a	n/a
From dividends	(0.08)	(0.13)	(0.03)	n/a	n/a	n/a
From capital gains	-	(0.23)	(0.07)	n/a	n/a	n/a
Return of capital	-	-	-	n/a	n/a	n/a
Total Annual Distributions <sup>(2)</sup>	(0.08)	(0.36)	(0.10)	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$11.41	\$11.95	\$10.66	n/a	n/a	n/a

<b>Series FP1 (inception September 26, 2016)</b>	<b>2018 YTD</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1) (3)</sup>	\$11.85	\$10.66	\$10.00	n/a	n/a	n/a
Increase (decrease) from operations:						
Total revenue	0.17	0.28	0.10	n/a	n/a	n/a
Total expenses	(0.06)	(0.06)	(0.01)	n/a	n/a	n/a
Realized gains (losses) for the year	0.36	0.36	0.11	n/a	n/a	n/a
Unrealized gains (losses) for the year	(0.90)	1.19	0.88	n/a	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	(0.43)	1.77	1.07	n/a	n/a	n/a
Distributions:						
From income (excluding dividends)	-	-	-	n/a	n/a	n/a
From dividends	(0.08)	(0.21)	(0.04)	n/a	n/a	n/a
From capital gains	-	(0.30)	(0.07)	n/a	n/a	n/a
Return of capital	-	-	-	n/a	n/a	n/a
Total Annual Distributions <sup>(2)</sup>	(0.08)	(0.52)	(0.11)	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$11.31	\$11.85	\$10.66	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 26, 2016, inception date of Series A, B, F and FP1 units of the Fund.

## Financial Highlights (cont.)

## Ratios and Supplemental Data

Series A (inception September 26, 2016)	June 30, 2018	2017	2016	2015	2014	2013
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	12,610	14,432	6,904	n/a	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	1,116	1,219	651	n/a	n/a	n/a
Management expense ratio (%) <sup>(2)</sup>	-	-	-	n/a	n/a	n/a
Management expense ratio before waivers or absorptions (%)	0.03	0.11	0.09	n/a	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	0.01	0.03	0.05	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	43.20	38.55	11.58	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit (\$)	11.30	11.83	10.67	n/a	n/a	n/a

Series B (inception September 26, 2016)	June 30, 2018	2017	2016	2015	2014	2013
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	2,513	2,098	1,265	n/a	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	224	178	120	n/a	n/a	n/a
Management expense ratio (%) <sup>(2)</sup>	1.34	1.35	1.31	n/a	n/a	n/a
Management expense ratio before waivers or absorptions (%)	1.36	1.46	1.40	n/a	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	0.01	0.03	0.05	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	43.20	38.55	11.58	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit (\$)	11.23	11.78	10.64	n/a	n/a	n/a

Series F (inception September 26, 2016)	June 30, 2018	2017	2016	2015	2014	2013
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	12	12	11	n/a	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	1	1	1	n/a	n/a	n/a
Management expense ratio (%) <sup>(2)</sup>	1.02	1.00	1.00	n/a	n/a	n/a
Management expense ratio before waivers or absorptions (%)	1.04	1.11	1.09	n/a	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	0.01	0.03	0.05	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	43.20	38.55	11.58	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit (\$)	11.41	11.95	10.66	n/a	n/a	n/a

Series FP1 (inception September 26, 2016)	June 30, 2018	2017	2016	2015	2014	2013
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	76,061	75,230	62,400	n/a	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	6,724	6,350	5,889	n/a	n/a	n/a
Management expense ratio (%) <sup>(2)</sup>	0.49	0.49	0.49	n/a	n/a	n/a
Management expense ratio before waivers or absorptions (%)	0.54	0.61	0.58	n/a	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	0.01	0.03	0.05	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	43.20	38.55	11.58	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit (\$)	11.31	11.85	10.66	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**

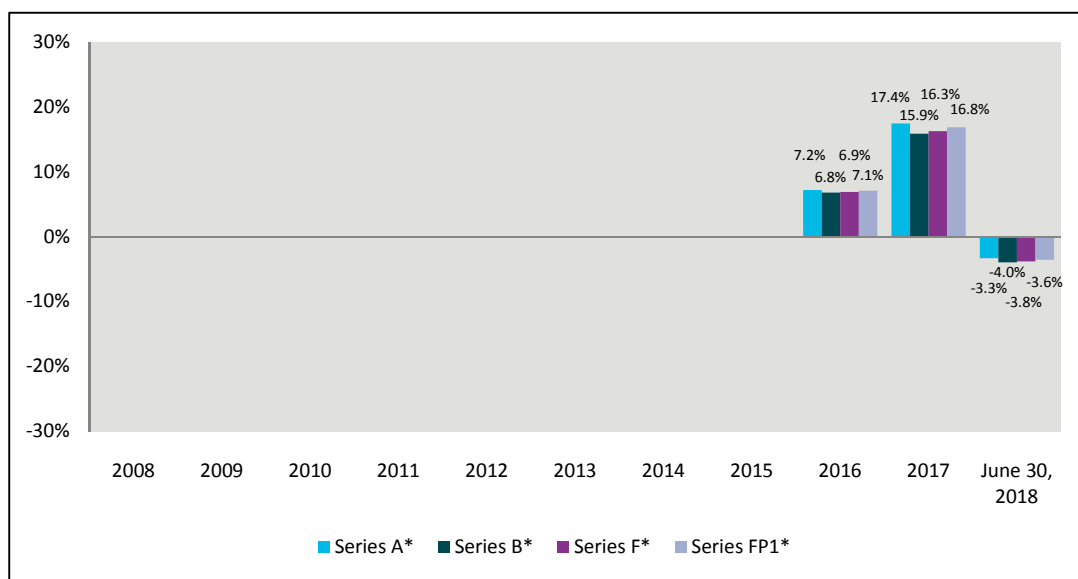
**General**

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, B, F and FP1 units were created on September 26, 2016. Return from September 26, 2016 to December 31, 2016, not annualized.

**Summary of Investment Portfolio**

As at June 30, 2018

**Top 25 Positions**

Issuer	% of Net Asset Value
Bank of America Corp	3.9%
BP PLC	3.9%
Pfizer Inc	3.7%
American Express Co	3.6%
Wells Fargo & Co	3.5%
Dowdupont Inc	3.5%
Wal-Mart Stores Inc	3.4%
JPMorgan Chase & Co	3.4%
US Bancorp/MN	3.1%
Phillips 66	3.0%
Verizon Communications Inc	2.9%
Johnson & Johnson	2.9%
State Street Corp	2.8%
Loews Corp	2.8%
Philip Morris International Inc	2.8%
ConocoPhillips	2.7%
United Technologies Corp	2.7%
Occidental Petroleum Corp	2.7%
XL Group Ltd	2.5%
Tyco International Plc	2.5%
Stanley Black & Decker Inc	2.4%
Chevron Corp	2.2%
Merck & Co Inc	2.2%
Qualcomm Inc	2.2%
Target Corp	2.1%

**Portfolio Allocation**

Portfolio Breakdown	% of Net Asset Value
Financials	25.8%
Energy	15.4%
Industrials	13.1%
Health Care	12.3%
Consumer Staple	9.3%
Materials	5.0%
Telecommunication Services	4.9%
Information Technology	4.5%
Consumer Discretionary	3.7%
Utilities	3.2%
Real Estate	1.8%
Cash & Other Net Assets	1.0%

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).*