

# Leith Wheeler Canadian Dividend Fund

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE  
June 30, 2017



This interim management report of fund performance contains financial highlights, but does not contain either interim or annual financial statements of the investment fund. You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling 1-888-292-1122, by writing to us at 1500 – 400 Burrard Street, Vancouver, BC V6C 3A6 or by visiting our website at [www.leithwheeler.com](http://www.leithwheeler.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## Management Discussion of Fund Performance

### Investment Objective and Strategies

The investment objective of the Fund is 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 a portfolio of common shares, convertible debentures and other equity related securities of Canadian issuers. The Fund is not restricted by capitalization or industry sector although portfolio diversification is a consideration in the selection of securities for the Fund. Under normal circumstances, the Fund will keep its portfolio fully invested, to the greatest extent possible, in Canadian equity and equity related securities.

Our approach to stock picking is based on fundamental research with a strong “value” bias. Our test for value is viewing any investment we make as if we were “buying the whole business”. Therefore, the critical question becomes “what would be the price of the whole business that would make the purchase a profitable one?” Our experience has been that the price of a company in the stock market does not always reflect its real value. This discrepancy between price and value creates excellent investment opportunities.

As value investors, we tend to include companies in the portfolio when they are “out of favour” by the market and have declined in price. Companies can become undervalued when there is a lack of investor awareness; when an entire industry is out of favour with investors; or when a company experiences a short-term difficulty which, following careful analysis, we believe can be overcome. By purchasing these companies after a price decline, we find we are able to control risk in the portfolio as these investments often have less downside risk while offering a decent potential return.

### 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 8.8% in the first half of 2017, rising to \$96.0 million from \$88.2 million at the end of 2016. Of this change, \$0.1 million was attributable to investment gains and \$7.7 million to net inflows from purchases.

After a very strong year of performance, the TSX Composite Index provided more modest returns to start 2017. The market was up 2.4% over the first quarter and fell 1.6% over the second quarter, resulting in a six month return of 0.7%. The index was led by Consumer Discretionary (+12.2%), Industrials (+11.7%), and Utilities (+10.1%) while Energy (-13.3%) and Materials (-0.7%) were the negatively performing sectors. The poor performance of the Energy and Material sectors was primarily due to weak commodity and oil prices.

After a strong period of outperformance in 2016, the Canadian Dividend Fund underperformed the S&P/TSX Composite during the first six months of 2017. Series A of the fund increased 0.3%, Series B of the Fund decreased 0.5% after fees and expenses, and Series F of the Fund decreased 0.2% after fees and expenses.

Among the top contributors to the Fund’s performance in the first half of 2017 were Sleep Country Canada (+38.2%), Brookfield Infrastructure (+20.8%), and Waste Connections (+19.4%). Sleep Country continues to renovate and expand locations which has helped it gain market share. The company has demonstrated strong earnings growth over the last several quarters. Brookfield Infrastructure reported fourth quarter results that were above expectations, due to strong organic growth and a positive contribution from acquisitions. The company increased its distribution by 11%, and has provided double-digit dividend growth for several years now. As a key global infrastructure asset owner and operator with a strong pipeline of capital projects, we believe the company is well positioned for strong results going forward. Waste Connections reported solid results as pricing and volume continues to be strong. The integration of its recent acquisition of competitor Progressive Waste is well underway with significant improvements in safety and operations. In contrast Cardinal Energy (-53.0%), Mullen Group Ltd. (-18.4%), and Saputo Inc. (-12.6%) detracted from performance. In the first half of 2017, energy sector holdings, Cardinal Energy and Mullen Group were impacted by weaker oil prices. Saputo has been affected by comments from President Trump indicating he would target the dairy industry in the renegotiation of NAFTA. Issues surrounding the dairy supply management system in Canada are nothing new and have been around since the company went public in 1997. Over the years, Saputo has diversified outside of Canada by establishing operations in the US, Australia, and Argentina, which would help to mitigate any potential impacts on its Canadian business from changes in trade rules.

There was one holding added to the Fund in the first half of 2017: Stingray Digital. Stingray is a distributor of digital music channels that are part of retail TV packages. The company has a steady recurring revenue business model with large cable companies and telecom providers. It also has a high free cash flow conversion rate, which allows it to grow by acquisition and create value for shareholders. Management intends to grow dividends as both cash flows and earnings increase over time.

## Management Discussion of Fund Performance (cont.)

### Results of Operations (cont.)

There were two stocks eliminated from the Fund in the first half of 2017 - Canadian Western Bank and Sleep Country Canada. We sold our shares of Canadian Western Bank after it increased 21.0% in the fourth quarter of 2016. The expected returns going forward were not enough to compensate for the higher risks to their business, including a high exposure to a slowing Alberta economy. Sleep Country Canada was eliminated as its valuation had become expensive relative to other opportunities in the portfolio. The company has demonstrated strong earnings growth, but investors are now paying a higher price for that growth going forward.

The global economy has grown over the last year at an above-trend rate and unemployment rates globally are now at lows matching the peak of the last expansion. We will continue to closely monitor political and economic developments for signs of any impact on global financial conditions and growth. Going forward, we will continue to apply our value investment principles to security selection and remain focused on identifying companies with attractive valuations, good business models, and solid management teams.

### Recent Developments

Canadian equity markets were flat in the month of July.

### Related Party Transactions

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

As at June 30, 2017 the Leith Wheeler Income Advantage Fund and Leith Wheeler Income Pooled Fund owns 2,601,665 and 289,465 Series A units of the Fund, respectively, which are both under common management. Combined, the holdings represent 30.4% 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 1.40% and 0.95%, respectively. During the year, the Fund paid the Manager \$34,918 for Series B and \$8,406 for Series F (exclusive of GST/HST) of its net assets as management fees. The Fund does not reimburse the Manager for operating costs incurred in administering the Fund. The Manager paid all operating expenses except brokerage charges and taxes. In respect of Series A units, the unitholder pays the Manager a negotiated management fee outside the Fund.

We do not directly or indirectly pay fees, sales commissions or trailing commissions, nor do we provide any non-monetary benefits to registered dealers for distributions of units of the Fund. If a broker charges you a commission or fee, that is a matter between you and the dealer.

## Financial Highlights

### The Fund's Net Assets Attributable to Holders of Redeemable Units per Unit

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six months and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. The financial information for periods beginning on or after January 1, 2013 is derived from the financial statements prepared in compliance with International Financial Reporting Standards ("IFRS"). For all prior periods, the financial information is presented in accordance with Canadian generally accepted accounting principles "GAAP". The net assets attributable to holders of redeemable units and the net assets attributable to holders of redeemable units per unit may differ from the Net Assets and Net Assets per Unit due to the valuation methodology previously used in determining fair values. An explanation of these differences can be found in the notes to the financial statements.

<b>Series A</b>	<b>2017 YTD</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1)</sup>	\$12.58	\$10.33	\$11.61	\$12.29	\$10.85	\$9.88
Increase (decrease) from operations:						
Total revenue	0.28	0.39	0.42	0.43	0.40	0.40
Total expenses	-	-	-	-	-	-
Realized gains (losses) for the year	0.65	0.56	(0.22)	1.24	0.66	0.33
Unrealized gains (losses) for the year	(0.91)	2.28	(0.97)	(0.83)	1.52	0.82
Total increase (decrease) from operations <sup>(1)</sup>	0.02	3.23	(0.77)	0.84	2.58	1.55
Distributions:						
From income (excluding dividends)	-	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)
From dividends	(0.19)	(0.37)	(0.41)	(0.42)	(0.38)	(0.34)
From capital gains	-	(0.56)	(0.04)	(1.10)	(0.59)	(0.25)
Return of capital	-	-	-	-	-	-
Total Annual Distributions <sup>(2)</sup>	(0.19)	(0.95)	(0.46)	(1.53)	(0.98)	(0.61)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$12.43	\$12.58	\$10.33	\$11.61	\$12.29	\$10.83

<b>Series B</b>	<b>2017 YTD</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1)</sup>	\$12.56	\$10.32	\$11.62	\$12.34	\$10.87	\$9.89
Increase (decrease) from operations:						
Total revenue	(0.61)	0.38	0.39	0.30	0.39	0.27
Total expenses	(0.08)	(0.17)	(0.14)	(0.16)	(0.09)	(0.16)
Realized gains (losses) for the year	(1.45)	0.56	(0.21)	0.83	0.64	0.23
Unrealized gains (losses) for the year	2.02	2.24	(0.89)	(0.56)	1.48	0.57
Total increase (decrease) from operations <sup>(1)</sup>	(0.12)	3.01	(0.85)	0.41	2.42	0.91
Distributions:						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	(0.12)	(0.22)	(0.27)	(0.29)	(0.19)	(0.19)
From capital gains	-	(0.56)	(0.04)	(1.11)	(0.59)	(0.25)
Return of capital	-	-	-	-	-	-
Total Annual Distributions <sup>(2)</sup>	(0.12)	(0.78)	(0.31)	(1.40)	(0.78)	(0.44)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$12.38	\$12.56	\$10.32	\$11.62	\$12.34	\$10.84

**Financial Highlights (cont.)**

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

<b>Series F (inception September 10, 2015)</b>	<b>2017 YTD</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net assets attributable to holders of redeemable units - per unit, beginning of period <sup>(1)</sup> <sup>(3)</sup>	\$11.95	\$9.97	\$10.41	n/a	n/a	n/a
Increase (decrease) from operations:						
Total revenue	(1.56)	0.40	0.01	n/a	n/a	n/a
Total expenses	(0.08)	(0.01)	(0.01)	n/a	n/a	n/a
Realized gains (losses) for the year	(3.70)	0.58	-	n/a	n/a	n/a
Unrealized gains (losses) for the year	5.15	2.36	(0.02)	n/a	n/a	n/a
<b>Total increase (decrease) from operations<sup>(1)</sup></b>	<b>(0.19)</b>	<b>3.34</b>	<b>(0.02)</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Distributions:						
From income (excluding dividends)	-	-	-	n/a	n/a	n/a
From dividends	(0.15)	(0.44)	(0.49)	n/a	n/a	n/a
From capital gains	-	(0.53)	(0.04)	n/a	n/a	n/a
Return of capital	-	-	-	n/a	n/a	n/a
<b>Total Annual Distributions<sup>(2)</sup></b>	<b>(0.15)</b>	<b>(0.97)</b>	<b>(0.53)</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$11.78	\$11.95	\$9.97	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 10, 2015, inception date of Series F units of the Fund. Series F initial net asset value per unit offering commenced at the closing net asset value per unit of Series B on September 10, 2015 of \$10.41.

**Financial Highlights (cont.)**

Ratios and Supplemental Data

Series A	June 30, 2017	2016	2015	2014	2013	2012
Total net assets attributable to holders of redeemable units - (\$000s) <sup>(1)</sup>	87,740	83,520	64,368	63,377	48,678	26,700
Number of units outstanding (000s) <sup>(1)</sup>	7,060	6,639	6,231	5,458	3,960	2,461
Management expense ratio(%) <sup>(2)</sup>	-	-	-	-	-	-
Management expense ratio before waivers or absorptions (%)	0.01	0.03	0.03	0.04	0.05	0.11
Trading expense ratio (%) <sup>(3)</sup>	0.03	0.11	0.13	0.10	0.12	0.16
Portfolio turnover rate (%) <sup>(4)</sup>	35.16	78.59	83.29	73.62	71.90	70.47
Net assets attributable to holders of redeemable units per unit (\$)	12.43	12.58	10.33	11.61	12.29	10.85

Series B	June 30, 2017	2016	2015	2014	2013	2012
Total net assets attributable to holders of redeemable units - (\$000s) <sup>(1)</sup>	6,024	3,495	2,706	2,604	2,745	1,915
Number of units outstanding (000s) <sup>(1)</sup>	487	278	262	224	222	176
Management expense ratio(%) <sup>(2)</sup>	1.50	1.50	1.49	1.47	1.47	1.57
Management expense ratio before waivers or absorptions (%)	1.51	1.53	1.53	1.51	1.53	1.69
Trading expense ratio (%) <sup>(3)</sup>	0.03	0.11	0.13	0.10	0.12	0.16
Portfolio turnover rate (%) <sup>(4)</sup>	35.16	78.59	83.29	73.62	71.90	70.47
Net assets attributable to holders of redeemable units per unit (\$)	12.38	12.56	10.32	11.62	12.34	10.87

Series F (inception September 10, 2015)	June 30, 2017	2016	2015	2014	2013	2012
Total net assets attributable to holders of redeemable units - (\$000s) <sup>(1)</sup>	2,266	1,214	382	n/a	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	192	102	38	n/a	n/a	n/a
Management expense ratio(%) <sup>(2)</sup>	1.03	1.03	1.00	n/a	n/a	n/a
Management expense ratio before waivers or absorptions (%)	1.04	1.05	1.03	n/a	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	0.03	0.11	0.13	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	35.16	78.59	83.29	n/a	n/a	n/a
Net assets attributable to holders of redeemable units per unit (\$)	11.78	11.95	9.97	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

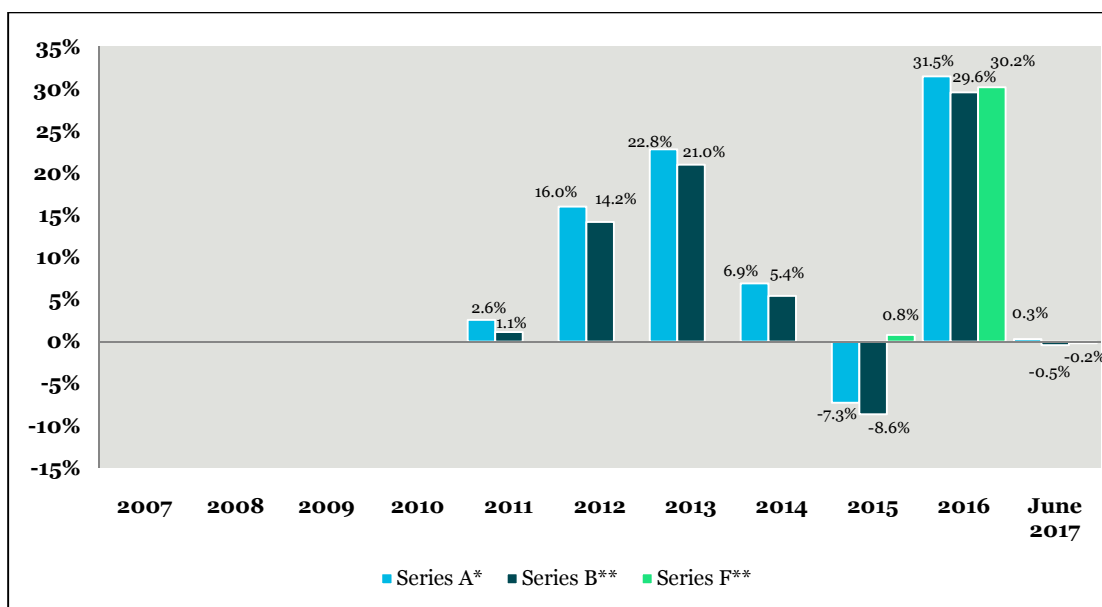
### General

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 return from inception on December 21, 2010 to December 31, 2010, not annualized.

\*\* Series B return from inception on December 23, 2010 to December 31, 2010, not annualized.

\*\*\*Series F return from inception on September 10, 2015 to December 31, 2015, not annualized.

## Summary of Investment Portfolio

As at June 30, 2017

### Top 25 Positions

Issuer	% of Net Asset Value
Bank of Nova Scotia	6.1%
Royal Bank of Canada	5.7%
CI Financial Corp.	5.5%
Toronto Dominion Bank	5.4%
Canadian Imperial Bank of Commerce	5.2%
Sun Life Financial Inc.	4.6%
Canadian Natural Resources	4.4%
Brookfield Infrastructure Partners LP	4.2%
Canadian National Railway Co.	3.9%
Saputo Inc.	3.8%
Manulife Financial Corp.	3.8%
Hydro One Ltd	3.4%
Mullen Group Ltd.	3.3%
Bank of Montreal	3.2%
Canadian Real Estate Investment Trust	3.1%
Great-West Lifeco Inc.	3.0%
Open Text Corp.	3.0%
Slate Retail REIT	2.8%
Stantec Inc.	2.7%
Finning International Inc.	2.6%
Toromont Industries Ltd.	2.4%
Brookfield Asset Management Inc	2.3%
Russel Metals Inc.	2.3%
First Capital Realty Inc.	2.2%
Cardinal Energy Ltd	2.1%

### Portfolio Allocation

Portfolio Breakdown	% of Net Asset Value
Financials	44.7%
Industrials	15.1%
Energy	9.8%
Utilities	8.8%
Real Estate	8.2%
Information Technology	4.6%
Consumer Discretionary	4.2%
Consumer Staples	3.8%
Cash and Other Net Assets	0.8%

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

*The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available at [www.leithwheeler.com](http://www.leithwheeler.com).*