

# Leith Wheeler Canadian Dividend Fund

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE  
June 30, 2016



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 11.3% in the first half of 2016, rising to \$75.1 million from \$67.5 million at the end of 2015. Of this change, \$7.3 million was attributable to investment losses and \$0.3 million to net inflows.

After a volatile start to the year, the TSX Composite Index finished the first half of 2016 strongly, increasing by 9.8%. The positive performance was driven by the Materials sector (+52.3%), which rebounded strongly after a weak year in 2015. Energy stocks also performed well (+19.3%) in the first half of 2016 as we saw oil prices reverse some of the declines experienced in the previous 18 months. Demand for safe haven and yield-oriented sectors increased amid the uncertainty of “Brexit” and continuing declines in bond yields. In this environment, gold (+94.3%) and silver (+101.8%) both performed very well. The weakest sector in the first half of 2016 was Healthcare (-72.3%) as Valeant continued to have difficulty. Information Technology (-5.9%) was the only other sector in the S&P/TSX Index that declined as all other sectors generated a positive return in the first six months of 2016.

The Canadian Dividend Fund outperformed the S&P/TSX Composite during the first six months of 2016, with Series A units of the fund increasing 10.9%. Series B units of the Fund increased by 10.1% and Series F units advanced by 10.4%, both after fees and expenses. The Fund performed well despite holding fewer stocks than the overall market in the Materials sector, and specifically, having no exposure to gold stocks. We do not own any gold companies in the Fund because they trade at expensive valuations, and have not proven to be good long-term businesses.

Among the top contributors to the Fund’s performance in the first half of 2016 were Russel Metals (+48.0%), Encana (+43.6%) and Sleep Country Canada (+40.0%). After a challenging fourth quarter due to worries about a potential dividend cut, Russel Metals’ stock price rose on management’s improved outlook for the business. Encana was up as several oil supply disruptions around the world (from forest fires in Fort McMurray to militant actions in Nigeria) led to tighter conditions, and provided support to oil prices. Despite a weaker environment for consumer demand, Sleep Country increased. The company reported strong same store sales growth and improving margins. The company continues to gain market share in mattresses and bedding accessories. In contrast, Baytex Energy (-37.1%), Manulife Financial (-13.0%), and Constellation Software (-12.9%), detracted from performance. Baytex Energy declined on news that the company suspended its dividend. Based on our expectation for weaker oil prices in 2016 and 2017, and the unlikely probability that the company will re-instate its dividend in the near future we exited the position and the proceeds were allocated to more attractive opportunities in the portfolio. Manulife had a disappointing earnings release, affected by many one-off items. Insurers carry long-term liabilities and when they change their actuarial assumptions to bring liabilities in-line with emerging experience, it can have a large impact on the size of the company’s reserves. In addition, the company took some write-downs on its energy-related investments.

## Management Discussion of Fund Performance (cont.)

Manulife's sales are strong, as is their financial position. We are committed to staying the course while acknowledging this is a higher-risk, higher-reward name. Constellation Software reported first quarter results short of analysts' estimates and as a result the stock declined in the first half of 2016.

We added three new names to the Fund in the first half of 2016: Boardwalk REIT, TransCanada Pipelines and A&W Revenue Royalties Income Fund. Boardwalk REIT is an Alberta-focused rental apartment owner, with 67% of their net operating income generated from the province. The remainder of income comes from properties in Ontario, Saskatchewan and Quebec. Investor concerns over low oil prices and the effects on the Alberta economy have negatively impacted the stock. This created an opportunity for us to buy good-quality assets, at a 30% discount to net-asset-value. Boardwalk has a strong and stable management team, with experience managing the company through difficult environments. The founders own 25% of the company and are well aligned with other shareholders, as they receive distributions as income rather than salaries, bonuses, or options. During the first quarter of 2016, we added a position in TransCanada Pipelines. TransCanada is the one of the largest natural gas and liquids pipeline companies in North America. Due to uncertainty associated with the company receiving regulatory as well as shipper approval for its large, long-distance oil and natural gas pipeline projects, the stock has been under pressure since we sold it in late 2014. As a consequence, the valuation for the business has improved, while earnings and dividend growth remains healthy and above many similar businesses. In addition, during a period of stress for many companies in the energy infrastructure space due to limited access to capital, TransCanada's strong balance sheet and single-A credit rating has served it well. A&W Revenue Royalties Income Fund is a top-line income fund that receives royalties from the more than 830 A&W restaurants operating in Canada. The company has over 60 years of operating history in Canada with established brands such as The Burger Family, A&W Root Beer and Chubby Chicken. In 2015, sales surpassed \$1 billion and as a brand they hold the #5 spot in Canada behind only Tim Horton's, McDonald's, Subway and Starbucks. The management team has shown an ability to adapt to changing trends with their "better Ingredients" campaign leading to same store sales growth of over 5% the past eight quarters. Additionally, management and insiders own 21% of total units outstanding on a fully diluted basis and their average tenure is more than 24 years. We believe A&W will outperform peers as they expand in Ontario and this will support continued earnings and dividend growth.

We eliminated two of the holdings in the Fund during the first half of the year including Baytex Energy, and Enbridge. As mentioned previously, we sold our position in Baytex Energy during the first quarter of 2016. We initiated a small position in Enbridge during the first quarter, but sold the position prior to the end of the quarter. The outlook for this pipeline, gas processing and distribution business became increasingly uncertain in the first quarter due to concerns about the company's access to debt capital markets. The company undertook equity financing at a substantial discount, which we found attractive. In short order, the market priced in several years of future growth and the stock appreciated quickly beyond our three-year-out price target. With the shares trading at an above-average valuation versus alternative investment opportunities, we exited the position.

The outlook for the global economy has become more uncertain following the UK referendum and we expect the trajectory for global growth to be moderately lower. We will continue to closely monitor political and economic developments for signs of any impact on global financial conditions and growth. We feel that our bottom-up approach flourishes in periods of uncertainty, where many stocks are unjustifiably discounted and can be acquired at attractive prices. Going forward, Leith Wheeler will continue to apply its value investment principles to security selection and remain focused on identifying companies with attractive valuations, good business models, and solid management teams.

## Recent Developments

Equity markets were up globally 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, 2016 the Leith Wheeler Income Advantage Fund and Leith Wheeler Income Pooled Fund owns 2,034,699 and 384,555 Series A units of the Fund, respectively, which are both under common management. Combined, the holdings represent 36.3% of this Fund.

## Management Discussion of Fund Performance (cont.)

### 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 \$19,352 for Series B and \$2,164 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>2016 YTD</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1)</sup>	\$10.33	\$11.61	\$12.29	\$10.85	\$9.88	\$9.99
Increase (decrease) from operations:						
Total revenue	0.18	0.42	0.43	0.40	0.40	0.35
Total expenses	-	-	-	-	-	-
Realized gains (losses) for the year	(0.23)	(0.2)	1.24	0.66	0.33	(0.27)
Unrealized gains (losses) for the year	1.17	(0.97)	(0.83)	1.52	0.82	(0.18)
Total increase (decrease) from operations <sup>(1)</sup>	1.12	(0.77)	0.84	2.58	1.55	(0.10)
Distributions:						
From income (excluding dividends)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)
From dividends	(0.19)	(0.41)	(0.42)	(0.38)	(0.34)	(0.27)
From capital gains	-	(0.04)	(1.10)	(0.59)	(0.25)	(0.05)
Return of capital	-	-	-	-	-	-
Total Annual Distributions <sup>(2)</sup>	(0.20)	(0.46)	(1.53)	(0.98)	(0.61)	(0.34)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$11.26	\$10.33	\$11.61	\$12.29	\$10.83	\$9.88

<b>Series B</b>	<b>2016 YTD</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1)</sup>	\$10.32	\$11.62	\$12.34	\$10.87	\$9.89	\$10.00
Increase (decrease) from operations:						
Total revenue	0.17	0.39	0.30	0.39	0.27	1.45
Total expenses	(0.07)	(0.14)	(0.16)	(0.09)	(0.16)	(0.15)
Realized gains (losses) for the year	(0.23)	(0.21)	0.83	0.64	0.23	(1.14)
Unrealized gains (losses) for the year	1.14	(0.89)	(0.56)	1.48	0.57	(0.73)
Total increase (decrease) from operations <sup>(1)</sup>	1.01	(0.85)	0.41	2.42	0.91	(0.57)
Distributions:						
From income (excluding dividends)	-	-	-	-	-	(0.01)
From dividends	(0.11)	(0.27)	(0.29)	(0.19)	(0.19)	(0.14)
From capital gains	-	(0.04)	(1.11)	(0.59)	(0.25)	(0.04)
Return of capital	-	-	-	-	-	-
Total Annual Distributions <sup>(2)</sup>	(0.11)	(0.31)	(1.40)	(0.78)	(0.44)	(0.19)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$11.24	\$10.32	\$11.62	\$12.34	\$10.84	\$9.89

**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>2016 YTD</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Net assets attributable to holders of redeemable units - per unit, beginning of period <sup>(1)</sup> <sup>(3)</sup>	\$9.97	\$10.41	n/a	n/a	n/a	n/a
Increase (decrease) from operations:						
Total revenue	0.18	0.01	n/a	n/a	n/a	n/a
Total expenses	-	(0.01)	n/a	n/a	n/a	n/a
Realized gains (losses) for the year	(0.24)	-	n/a	n/a	n/a	n/a
Unrealized gains (losses) for the year	1.20	(0.02)	n/a	n/a	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	1.14	(0.02)	n/a	n/a	n/a	n/a
Distributions:						
From income (excluding dividends)	-	-	n/a	n/a	n/a	n/a
From dividends	(0.14)	(0.49)	n/a	n/a	n/a	n/a
From capital gains	-	(0.04)	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)	(0.53)	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$10.86	\$9.97	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 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, 2016	2015	2014	2013	2012	2011
Total net assets attributable to holders of redeemable units - (\$000s) <sup>(1)</sup>	71,589	64,368	63,377	48,678	26,700	8,321
Number of units outstanding (000s) <sup>(1)</sup>	6,360	6,231	5,458	3,960	2,461	841
Management expense ratio(%) <sup>(2)</sup>	-	-	-	-	-	-
Management expense ratio before waivers or absorptions (%)	0.04	0.03	0.04	0.05	0.11	-
Trading expense ratio (%) <sup>(3)</sup>	0.05	0.13	0.10	0.12	0.16	0.37
Portfolio turnover rate (%) <sup>(4)</sup>	77.99	83.29	73.62	71.90	70.47	82.82
Net assets attributable to holders of redeemable units per unit (\$)	11.26	10.33	11.61	12.29	10.85	9.90

Series B	June 30, 2016	2015	2014	2013	2012	2011
Total net assets attributable to holders of redeemable units - (\$000s) <sup>(1)</sup>	2,969	2,706	2,604	2,745	1,915	229
Number of units outstanding (000s) <sup>(1)</sup>	264	262	224	222	176	23
Management expense ratio(%) <sup>(2)</sup>	1.50	1.49	1.47	1.47	1.57	1.57
Management expense ratio before waivers or absorptions (%)	1.54	1.53	1.51	1.53	1.69	1.57
Trading expense ratio (%) <sup>(3)</sup>	0.05	0.13	0.10	0.12	0.16	0.37
Portfolio turnover rate (%) <sup>(4)</sup>	77.99	83.29	73.62	71.90	70.47	82.82
Net assets attributable to holders of redeemable units per unit (\$)	11.24	10.32	11.62	12.34	10.87	9.91

Series F (inception September 10, 2015)	June 30, 2016	2015	2014	2013	2012	2011
Total net assets attributable to holders of redeemable units - (\$000s) <sup>(1)</sup>	511	382	n/a	n/a	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	47	38	n/a	n/a	n/a	n/a
Management expense ratio(%) <sup>(2)</sup>	1.03	1.00	n/a	n/a	n/a	n/a
Management expense ratio before waivers or absorptions (%)	1.06	1.03	n/a	n/a	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	0.05	0.13	n/a	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	77.99	83.29	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units per unit (\$)	10.86	9.97	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

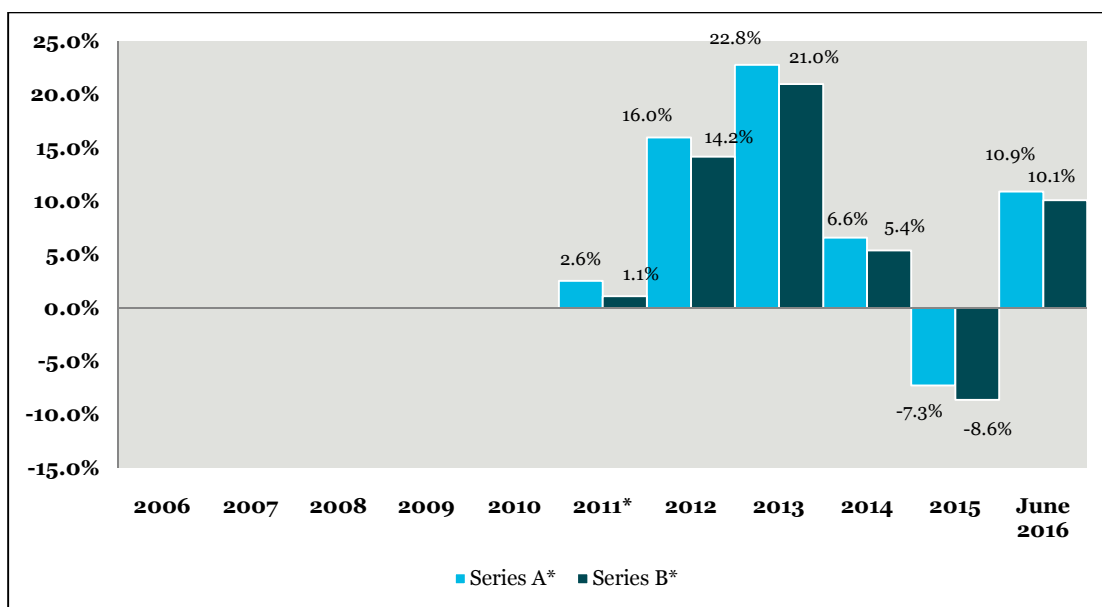
### General

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 units were created December 21, 2010 and Series B units were created on December 23, 2010.

\*\* Series F units were created on September 10, 2015. Investment Performance in respect of Series F 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, 2016

### Top 25 Positions

Issuer	% of Net Asset Value
Bank of Nova Scotia	5.5%
Manulife Financial Corp.	5.0%
Brookfield Infrastructure Partners LP	4.8%
Canadian Imperial Bank of Commerce	4.6%
Royal Bank of Canada	4.5%
National Bank of Canada	4.4%
Saputo Inc.	3.9%
Sleep Country Canada Holdings Inc.	3.8%
Toronto Dominion Bank	3.6%
Finning International Inc.	3.5%
Canadian National Railway Co.	3.5%
Brookfield Asset Management Inc	3.4%
Canadian Natural Resources	3.1%
Constellation Software Inc.	3.0%
Open Text Corp.	3.0%
Mullen Group Ltd.	2.8%
Canadian Tire Corp. Ltd. Class A	2.8%
Bank of Montreal	2.8%
Superior Plus Corp.	2.7%
Great-West Lifeco Inc.	2.7%
CI Financial Corp.	2.6%
Stantec Inc.	2.6%
Hydro One Ltd	2.6%
Western Energy Services Corp.	2.4%
Transcanada Corp	2.4%

### Portfolio Allocation

Portfolio Breakdown	% of Net Asset Value
Financials	45.9%
Industrials	15.2%
Energy	10.6%
Utilities	10.0%
Consumer Discretionary	7.3%
Information Technology	6.1%
Consumer Staples	3.9%
Cash & Other Net Assets	1.0%

The Fund held no short positions as at June 30, 2016.

*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).*