Leith Wheeler Investment Funds
Quarterly Review – June 30, 2017

	MER %	3 Mo. %	1 Yr %	3 Yrs %	5 Yrs %	10 Yrs %
LW Canadian Equity Fund	1.49	-2.4	15.8	2.2	9.9	4.4
LW Canadian Dividend Fund	1.50	-2.8	17.1	4.4	10.0	n/a
LW U.S. Equity Fund (C$)	1.33	0.6	21.9	11.7	16.7	6.3
LW International Equity Plus Fund (C$)	1.59	3.5	25.0	9.5	11.4	n/a
LW Balanced Fund	1.16	0.5	13.5	6.9	10.3	6.0
LW Unrestricted Diversified Fund*	1.16	-0.3	12.1	5.1	8.9	4.8
LW Income Advantage Fund	0.85	-0.8	9.6	4.2	6.1	n/a
LW Core Bond Fund***	0.79	1.0	-0.5	3.3	2.9	4.2
LW Corporate Advantage Fund***	0.84	0.2	4.2	3.4	n/a	n/a
LW High Yield Bond Fund	0.84	-0.9	13.7	n/a	n/a	n/a
LW High Yield Bond Fund (C$ Hedged)	0.84	1.5	13.6	n/a	n/a	n/a
LW Money Market Fund	0.32	0.1	0.3	0.3	0.3	0.7
Peer Comparison**	**Median %**	**3 Mo. %**	**1 Yr %**	**3 Yrs %**	**5 Yrs %**	**10 Yrs %**
Median Canadian Equity Fund	2.20	-1.0	9.7	2.6	8.8	3.1
Median Dividend & Income Equity Fund	2.08	-0.8	11.5	3.6	8.5	4.4
Median US Equity Fund (C$)	2.14	0.8	15.0	11.5	15.8	5.8
Median International Equity Fund (C$)	2.21	4.4	18.2	6.5	11.8	1.4
Median Global Equity Balanced Fund	2.38	0.8	10.2	5.7	9.2	3.8
Median Cdn Fixed Income Balanced Fund	2.05	0.4	3.7	3.3	4.5	3.6
Median Fixed Income Fund	1.47	0.7	-0.1	3.2	5.1	5.1
Median High Yield Fixed Income	1.42	1.2	8.6	6.5	11.8	1.4
Median Money Market Fund	0.69	0.0	0.1	0.2	0.3	0.6

Note: Returns reflect changes in unit value and distributions reinvested. Fund performance numbers are after Management Expense Ratios (MERs). They do not take into account, however, charges or commissions that an external broker may charge for purchasing/redeeming the mutual funds which would have reduced returns. Past returns do not necessarily indicate future performance. Returns are Compound Annual Returns for the periods ending June 30, 2017 with the exception of the 3 Month return.
** The Unrestricted Diversified Fund is available to discretionary clients only in non-registered accounts. MER is unaudited as it is a non-prospectus fund ** Source: Fund Data *** LW Core Bond Fund formerly named LW Fixed Income Fund; LW Corporate Advantage Fund formerly named LW Corporate Fixed Income Fund*

Capital market returns remained solid for the first half of 2017, but moderated during the second quarter. U.S. and International equity markets continued to perform well, but returns Canadian dollars were reduced by a material strengthening in the Canadian dollar. Continued weakness in energy prices led to modest negative returns for Canadian equity markets, despite ongoing improvement in the Canadian economy. Returns to Canadian fixed income investors remained strong due to the ongoing rally in corporate bonds, despite rising short-term interest rates.

The ongoing strength of global equity and credit markets is occurring against a backdrop of solid economic growth and healthy labour markets. The global economy has grown over the past year at an above-trend rate and unemployment rates globally now are at pre-financial crisis lows. In Canada, the economy has accelerated since the beginning of the year, achieving the fastest pace of year-on-year growth since 2011.

Due to the pick-up in global growth, short term interest rates have more pressure to increase. The move to higher rates has already commenced in the United States, but other central banks around the world, including Canada, have become more likely to hike rates recently. The Bank of Canada, in particular, signaled an imminent intention to move away from ultra-low interest rates, surprising markets and triggering an increase in short-term rates.

This shift is occurring, however, amid two significant factors that are likely to keep central banks cautious in their path to normalize interest rates. First, developed market economies have experienced under 2% core inflation for two decades. Second, the historical relationship between unemployment rates and core inflation, which is used extensively by central banks in determining policy rates, has broken down. Put simply, the strength in the labour market since the global financial crisis is not translating into wage gains, or inflation.

While we believe our equity portfolios still offer attractive returns going forward, we have continued to trim individual positions that have experienced strong returns. Ultimately, we remain focused on the long-term fundamentals of the businesses we own and will continue to use our bottom-up, value approach to uncover opportunities in our funds.

Canadian Equity Fund

Over the second quarter, the TSX Composite Index fell 1.6%, as weakness in commodity prices led to declines in the Energy (-8.3%) and Materials (-6.4%) sectors and dragged down the overall performance of the Index. On the other hand, many sectors provided positive returns, including some of the more stable or perceived “safe” sectors such as Utilities (+2.6%), Telecom (+2.5%), and Consumer Staples (+1.7%). While Canadian equity returns have lagged other developed market returns in the first six months of 2017, this comes after a year of very strong performance for the TSX.

The Canadian Equity fund lagged the Index over the quarter mainly due to the underperformance of its holdings in Consumer Staples (Saputo fell 9.8% on comments from President Trump indicating he would target the dairy industry in the renegotiation of NAFTA) and Information Technology (Open Text declined 9.1% on weaker earnings than expected). Although several of our Energy and Materials stocks experienced weakness, the impact on relative results was mostly offset by holding fewer stocks in these sectors than the overall market. On the positive side, Fund performance was helped by the outperformance of it Financials holdings (Onex Corp increased by 8.8% during the quarter).

Canadian Dividend Fund

The Canadian Dividend Fund also lagged the Index in the second quarter mainly due to the poor performance of a few of the Fund’s holdings in the Energy and Consumer Staples sectors. Crude oil prices fell 8% in the quarter, which impacted the performance of Cardinal Energy (-32.7%) and Canadian Natural Resources (-13.4%). On the positive side, Fund performance was helped by the outperformance of its Financials holdings, as well as its underweight in the Materials sector. CI Financial contributed positively as shares rose 5.9% in the quarter. Brookfield Asset Management increased 5.7% during the quarter as the company continues to grow its fee-bearing capital and earnings.

U.S. Equity Fund

During the second quarter, the S&P 500 Index was up by 3.1% in US dollars, but after a strong 2016, the US dollar has weakened relative to the Canadian dollar, resulting in a return of 0.4% for the Index in Canadian dollar terms. Health Care (+4.4%) was the strongest performing sector during the quarter as it continued to make headlines as Republicans in Congress made another attempt at replacing the Affordable Care Act. While most sectors provided positive returns, Telecommunications (-9.4%) and Energy stocks (-8.7%) lagged the overall market. Continuing competitive pressure within the industry weakened Telecommunication stocks, while softer oil prices and disappointment around the OPEC supply agreement caused Energy to be one of the worst performing sectors.

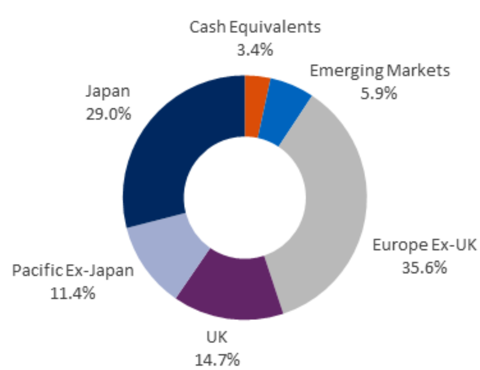
The U.S. Equity Fund posted positive returns and outperformed the S&P 500 benchmark during the second quarter. On a sector level basis, the outperformance of Fund holdings within Consumer Discretionary and Consumer Staples added most to performance, while an overweight in Energy and an underweight in Technology stocks detracted most from performance. After a strong first quarter, shares of Royal Caribbean Cruises (+8.9%) and Carnival Corp. (+9.1%) were again among the fund’s top contributors in the second quarter after a challenging 2016. In the Consumer Staples sector, Coca-Cola European Partners (+6.4%) was the top performer during the quarter.

During the quarter, the Energy sector was once again among the worst performing sectors. Most of the share price declines occurred after the May 25th OPEC meeting, during which production cuts were extended to the end of the first quarter of 2018. However, the market was disappointed that additional cuts were not made, in light of continued growth in US unconventional oil production and an oil inventory oversupply that remains stubborn. This weighed on the shares of holdings ConocoPhillips (-13.7%) and Hess Corp. (-10.9%), whose financial results are heavily weighted to oil prices.

International Equity Plus Fund

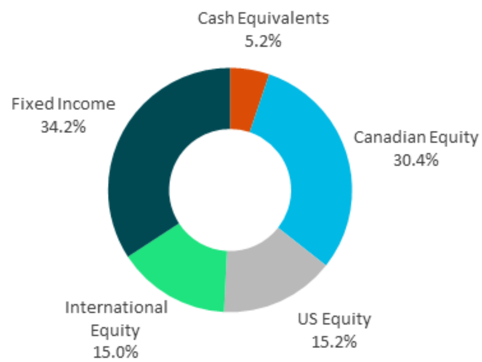
International equity markets continued their upward trend in the second quarter with the MSCI EAFE Index advancing by 3.4% in Canadian dollar terms. The International Equity Plus Fund outperformed the benchmark slightly, returning 3.5% after fees and expenses during the quarter. European markets were bolstered by improving confidence in Europe and the results of the French election. Markets were led by the Financial and Consumer Staples sectors while the Energy and Telecommunication provided modest negative returns during the quarter.

The country weightings of the International Equity Plus Fund at June 30, 2017 were:



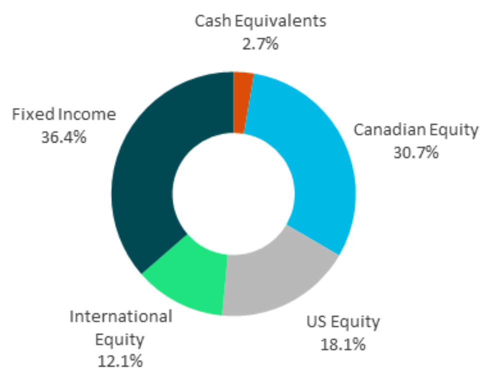
Balanced Fund

The Balanced Fund advanced by 0.2% in the second quarter of 2017 after fees and expenses. The asset mix for the Fund at June 30, 2017 was:



Unrestricted Diversified Fund

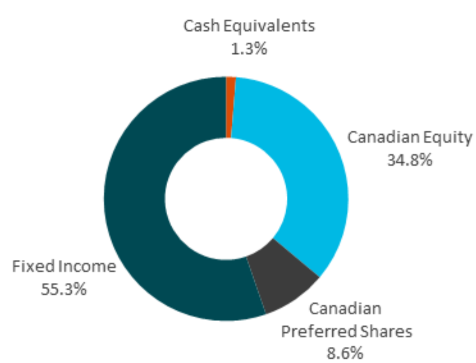
The Unrestricted Diversified Fund declined by 0.3% in the second quarter of 2017 after fees and expenses. The asset mix for the Fund at June 30, 2017 was:



Income Advantage Fund

The Income Advantage Fund declined 0.8% during the quarter, primarily due to the decline in dividend paying common stocks and investment grade corporate bonds. The fund's preferred share holdings were the largest contributor to positive performance followed by the fund's high yield bond holdings.

The asset mix for the Income Advantage Fund at June 30, 2017 was:



Core Bond Fund

Fixed income returns were positive during the quarter as further credit tightening, particularly in provincial credit spreads, more than offset the increase in short-term interest rates. The Core Bond Fund outperformed the FTSE TMX Canada Universe Bond Index during the quarter, primarily due to active interest rate management. In addition, fund performance was helped by the overweight to corporate credit which generated a yield advantage.

Central bank commentary globally shifted towards a more likely potential to increase interest rates following sustained above-trend growth, although developed market central banks are clearly at different stages in this cycle. The United States, having already started the process of tightening monetary policy, has now laid the groundwork for starting to shrink its balance sheet later this year. The European Central Bank suggested during the quarter that it will also start tapering its asset purchase program in the near future. Bond markets responded with caution to this policy change from central banks.

In Canada, this shift was particularly abrupt, where the Bank of Canada surprised markets with an unexpected change in the tone of its communications, opening the door for a rate hike in July. Despite stronger economic data in Canada, we had not anticipated such a strong shift in the Bank of Canada's narrative given that core inflation remains well below their 2% target. Our view is that short-term rates have now overshot even the most optimistic expectations for policy normalization in Canada. We remain positioned to benefit from potential declines in short-term rates.

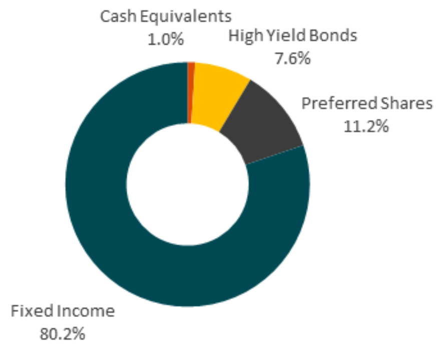
Within the corporate bond component of the Core Bond Fund, we remain overweight the financials and real estate sectors which we believe continue to offer attractive risk adjusted returns. We continued to reduce our exposure to provincial government bonds as they appear relatively expensive.

The outlook for the Canadian economy has improved over the past quarter, with growth significantly above-trend and a material improvement in the labour market. However, our outlook for fixed income markets remains cautious due to relatively expensive valuations in both corporate and provincial bonds. In addition, with inflation materially below the Bank of Canada's target and with a household sector still highly indebted and sensitive to increases in interest rates, we see limited prospects for a significant rise in interest rates.

Corporate Advantage Fund

The Corporate Advantage Fund rose slightly during the quarter primarily due to the performance of preferred shares and high yield bonds. Investment grade corporate bonds declined slightly during the quarter. We added to our position in preferred shares and investment grade bond and took some profit by trimming our weight in high yield bonds.

The asset mix of the Corporate Advantage Fund at June 30, 2017 was:



High Yield Bond Fund

The high yield bond market realized positive returns in the second quarter, primarily benefiting from the higher coupon income associated with the asset class. Returns were also driven by modest credit spread tightening in higher-rated, high yield bonds. Lower-rated, high yield bonds underperformed during the quarter, tempering some of their recent strong outperformance over the prior 12 months.

The High Yield Bond Fund underperformed the Bank of America Merrill Lynch BB-B High Yield Constrained Index (CAD Hedged) during the quarter, due to our interest rate positioning. Additionally, BB-rated bonds outperformed with the rally in interest rates, as the rating category tends to be more sensitive to moves in interest rates. The fund holds fewer BB-rated bonds than the Index. We maintain an overweight in B-rated bonds where we see some quality companies trading at reasonable valuations. Moreover, the high yield portfolio maintains strong outperformance versus the Index over the longer term.

All sectors in the portfolio had positive returns, with companies from the technology, services and healthcare sectors being the biggest contributors to performance. Seagate Technology, a data storage company, continued to perform well, the weakest performer in the fund was Weatherford, an oil and gas service company, as concerns in the oil and gas market persisted throughout the second quarter.

Although valuations are increasingly expensive relative to historical data, relative to investment-grade bonds and equity markets, high yield still offers favourable return potential. The positive momentum in US economic indicators is supportive for balance sheet strength of high yield issuers. Default rates remain very low, especially outside of the energy and mining sectors, and corporate leverage is stable. Furthermore, high yield bonds have historically performed well in a rising interest rate environment due to their shorter duration and higher coupons.

The High Yield Bond 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.

Questions about your portfolio?

If you have questions about your Leith Wheeler portfolio, funds or services, please contact your Portfolio Manager or Karey Irwin at 604-683-3391 or 1-888-292-1122.

How to reach us:

Leith Wheeler Investment Funds Ltd.
1500 - 400 Burrard Street
Vancouver, BC
V6C 3A6
Phone: 604.683.3391 or 1.888.292.1122
Fax: 604.683.0323
Email: info@leithwheeler.com
Website: Leithwheeler.com