

Leith Wheeler Investment Funds Quarterly Review – March 31, 2018

	MER %	3 Mo. %	1 Yr %	3 Yrs %	5 Yrs %	10 Yrs %
LW Canadian Equity Fund	1.49	-3.8	2.5	5.1	8.0	5.3
LW Canadian Dividend Fund	1.50	-4.0	2.1	7.1	8.5	n/a
LW U.S. Equity Fund (C\$)	1.32	-1.3	4.2	7.7	14.3	8.9
LW U.S. Dividend Fund (USD)	1.35	-4.5	6.4	n/a	n/a	n/a
LW U.S. Small /Mid-Cap Fund (C\$)	1.31	1.4	7.4	n/a	n/a	n/a
LW International Equity Plus Fund (C\$)	1.59	-0.4	10.2	7.0	10.6	3.7
LW Balanced Fund	1.16	-1.3	3.7	4.7	7.7	5.6
LW Income Advantage Fund	0.85	-1.2	1.7	4.4	5.1	n/a
LW Core Bond Fund	0.79	0.0	0.8	0.8	2.4	3.7
LW Corporate Advantage Fund	0.79	0.2	0.9	2.2	n/a	n/a
LW High Yield Bond Fund	0.89	3.1	1.3	n/a	n/a	n/a
LW High Yield Bond Fund (C\$ Hedged)	0.89	0.2	4.1	n/a	n/a	n/a
LW Money Market Fund	0.32	0.2	0.6	0.4	0.4	0.5
Peer Comparison*	Median %	3 Mo. %	1 Yr %	3 Yrs %	5 Yrs %	10 Yrs %
Median Canadian Equity Fund	2.15	-4.2	0.7	2.8	6.7	3.9
Median Dividend & Income Equity Fund	2.06	-4.4	0.0	3.5	6.2	5.4
Median US Equity Fund (C\$)	2.04	0.2	8.6	7.6	14.4	8.3
Median International Equity Fund (C\$)	2.13	0.7	11.4	5.4	9.5	3.6
Median Global Equity Balanced Fund	2.32	-0.6	4.9	3.9	7.7	5.1
Median Cdn Fixed Income Balanced Fund	2.06	-0.4	1.3	1.6	3.7	3.7
Median Fixed Income Fund	1.36	-0.1	0.4	0.3	1.6	3.3
Median High Yield Fixed Income	1.40	-0.3	2.1	3.2	3.7	5.4
Median Money Market Fund	0.70	0.2	0.4	0.2	0.3	0.4

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 March 31 2018 with the exception of the 3 Month return.

**Source: Fund Data*

After a period of strong investment returns and low volatility in 2017, the first quarter of 2018 proved significantly more turbulent. U.S. and other international equity markets fell sharply in January as a rise in U.S. bond yields prompted global equity market investors to revisit their assumptions about both the economic recovery and equity market valuations. The modestly positive Canadian-dollar global returns for the full quarter masked that significant intra-quarter volatility.

The Canadian equity market underperformed other regions in the quarter, falling 4.5% as the economy moderated from unusually strong growth in 2017 and investor uncertainty about the outcome of ongoing trade negotiations ticked up. Although the Canadian Equity Fund was also down, it outperformed the TSX

Composite thanks to solid returns from Consumer Discretionary holdings BRP and Stingray Digital, and by avoiding some weak areas of the market such as the Utilities, Telecoms, and Pipelines sectors.

The U.S. Equity Fund benefited from its positions in insurer XL Group Ltd in the quarter (+58% after it received a takeover bid from AXA), Hewlett Packard Enterprise (+23% on strong earnings) and its zero-weight in Facebook (-9% on concerns about fallout from privacy breaches) but lagged the S&P 500 Index. Key detractors included weakness at Micro Focus International (-61% on management turnover and lowered guidance – since sold) and a strong performance from zero-weight in Amazon (+24%).

Despite some strong performance from stock picks in the Real Estate and Consumer Discretionary sectors, the International Equity Plus Fund lagged that of the broader market this quarter. Key detractors to performance were from holdings in the Industrials and Healthcare sectors.

Meanwhile, bond markets have remained relatively well-behaved. Although interest rates initially rose during January, they quickly reversed course when market volatility emerged, resulting in government bond yields and investment-grade credit spreads being only modestly higher and wider at quarter-end. Similarly, both investment grade and high yield credit spreads have only responded modestly to the weakening in equity markets.

We adopted a more conservative allocation in our balanced portfolios as we headed into the new year. Fortunately, this move proved to be prudent given the weakness in equity markets so far in 2018. While it hurts in the short-term, we actually welcome this volatility as it more accurately reflects market risk. With a worrying near-complacency emerging in a number of risk metrics through the end of 2017, the clearing mechanism of the market between buyers and sellers needed to become more two-sided. Volatility also creates investment opportunities, particularly for us as a fundamental, bottom-up value-based investment managers.

Canadian Equity Fund

The TSX Composite got off to a rocky start in 2018, with nine out of the 11 sectors delivering negative returns in the first quarter. The market was dragged down by Health Care (-13.5%) and Energy (-9.4%). With interest rates rising over the quarter, some of the interest rate-sensitive sectors were also among the weakest performers, including Utilities (-5.9%) and Telecom (-6.7%), as well as the Pipelines (-13.3%) sub-sector within Energy. The one bright spot was Information Technology, which was up 10.2%.

Although the Canadian Equity Fund also declined during the quarter (-3.8% after fees and expenses), on a relative basis, it outperformed the TSX Composite index (-4.5%). Relative results were helped by the Fund's weightings in the Energy and Information Technology sectors, as well as the positive performance of its Consumer Discretionary holdings. On the weaker side, the Fund was impacted by the underperformance of some of its Financials holdings.

In the Energy sector, our underweight helped relative results, largely due to having no exposure to Pipelines. We have recently avoided these investments due to high valuations and low growth prospects. On the other hand, general weakness in the sector due to uncertainty around government regulations (carbon taxes, project approvals) impacted several companies in the Fund, including oil producers Cardinal Energy (-12.5%) and Raging River (-22.0%). Although Raging River reported good quarterly results, its shares fell on the company's announcement that it would undergo a strategic review which could result in a merger, sale, or corporate split. This news was unexpected, but with its valuation hitting new lows despite a strong balance sheet and attractive net margins, management wants to find alternative ways to enhance shareholder value.

In Information Technology, Constellation Software was the top performer in the Fund, increasing 14.9% as the company reported solid results. Revenues were up 22% in their fourth quarter, helped by better-than-

expected organic growth, while acquisition activity continues to be robust. We trimmed our position on the recent stock price appreciation.

Consumer Discretionary stocks held in the Fund increased 5.0% over the quarter, significantly outperforming the overall sector, which was down 2.9%. BRP (+6.6%), Stingray Digital (+5.0%), and Canadian Tire (+3.9%) performed well as they all reported strong quarterly results.

In Financials, the Fund's holdings underperformed relative to the TSX sector. Canadian Western Bank (CWB) was among the bottom performers, falling 15.2% as the company reported net interest margins over the first quarter that were below expectations. This should be transitory as the shortfall was largely the result of holding an elevated level of cash and securities to pay for its \$850 million acquisition of a leasing portfolio that closed on January 31st. On the positive side, the company's loan losses continue to be low and its pipeline for loan growth looks strong. Our three-year-out returns look very attractive and we have recently added to our position.

Canadian Dividend Fund

The Canadian Dividend Fund declined 4.0% after fees and expenses during the quarter. Similar to the Canadian Equity Fund, on a relative basis, it outperformed the TSX Composite Index. Relative results were helped by the Fund's weightings in the Energy and Information Technology sectors, as well as the positive performance of Consumer Discretionary holdings held in the Fund. Underperformance of some of the Fund's Financials holdings comprised the key detractors to performance over the quarter.

U.S. Equity Fund

The S&P 500 Index maintained strength through January but volatility returned to the market in February and March, pulling the broad market into negative territory for the quarter. For Canadian investors, a stronger U.S. dollar resulted in a positive return of 2.0% for the Index in Canadian dollar terms. Information Technology led the market again and was one of only two sectors that beat the broad market. As interest rates rose during the quarter, the weakest areas of the market have been the "bond proxy" sectors such as Consumer Staples, Telecommunications, REITs, and Utilities.

The U.S. Equity Fund declined 1.3% after fees and expenses during the quarter, lagging the S&P 500. This underperformance was due to stock selection, primarily in the Information Technology, Consumer Discretionary and Industrials sectors. With few value stocks in the Information Technology sector meeting our criteria, the resulting underweight remained the largest detractor to relative performance. Strong performances from the Fund's Financials holdings and underweight in the bond proxy sectors have benefited Fund performance.

Within Industrials, General Electric (-19.9%) was a weak spot. The fall in demand for new gas turbines due to growing renewables penetration has put pressure on General Electric's (GE) Power segment and consequently, on the share price. However, within several years, we believe margins could expand as the company and peers reduce their capacity and cost structure to a lower-demand environment. Most of GE's Power profits are generated by servicing an installed base that has a multi-decade useful life, which forms the basis for long-term cash generation in Power even if there is no recovery for new turbines.

Furthermore, a larger-than-expected charge from GE Capital has led to balance sheet concerns and a widening of credit spreads. However, GE has substantial liquidity, and forthcoming non-core asset sales should reduce leverage, which should support an investment grade rating. With the stock at 10 times earnings and at the low end of its valuation range, there should be substantial upside for long-term investors.

On the positive side, Financials stock XL Group Ltd. (+62.7%) was a strong contributor to performance. The French insurance conglomerate AXA announced that it was going to acquire XL Group for nearly a 70% premium. We viewed the implied valuation AXA put on XL Group as more than fair and we exited our position.

U.S. Dividend Fund (US\$)

The U.S. Dividend Fund declined by 4.5% during the quarter after fees and expense, trailing the S&P 500 which declined by 0.8% (in U.S. dollars). Similar to the U.S. Equity Fund, being underweight stocks in the Information Technology sector was the biggest detractor from performance while holdings in the Financials and Real Estate sectors helped performance.

U.S. Small/Mid Cap Equity Fund

The U.S. small/mid-cap market saw increased volatility in the first quarter of 2018 as investor concerns mounted over rising interest rates, inflation, and the possibility of a near-term U.S.-China trade war. A majority of the Russell 2500 Index sectors were down during the quarter.

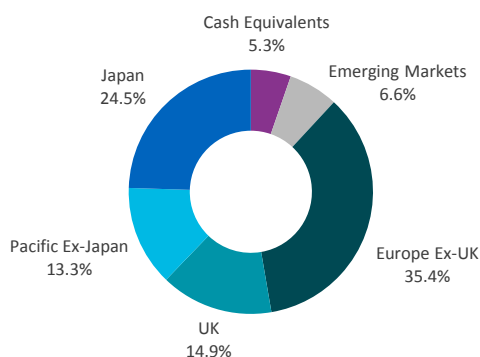
The U.S. Small/Mid Cap Equity Fund advanced by 1.4% after fees and expenses, but lagged the Russell 2500 Index which was up 2.5%. This was largely due to sector positioning as we had an underweight position to two of the three best-performing sectors, Information Technology (+7.0%) and Financials (+2.0%), and no exposure to Health Care, which rose 5.8% in the quarter.

In Industrials, the Fund benefited from its positions in On Assignment (+27.4%) and USG (+4.8%), although the value added was partially offset by declines in Maxar Technologies (-27.7%), Air Lease (-11.2%), and Carlisle (-7.8%).

International Equity Plus Fund

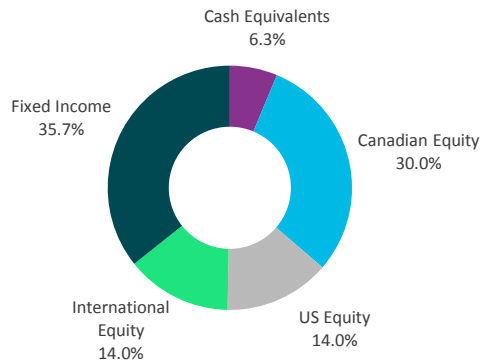
Global equity markets experienced a rise in volatility in the first quarter due to increased concerns about a potential global trade war and inflationary pressures. The International Equity Plus Fund lagged the market, declining 0.4% after fees and expenses while the EAFE Index advanced by 2.0% in the same time period. Top contributors to performance included Galaxy Entertainment and DBS Group. The biggest detractors from performance during the quarter were PostNL and Commerzbank AG.

The country weightings of the International Equity Plus Fund at March 31, 2018 were:



Balanced Fund

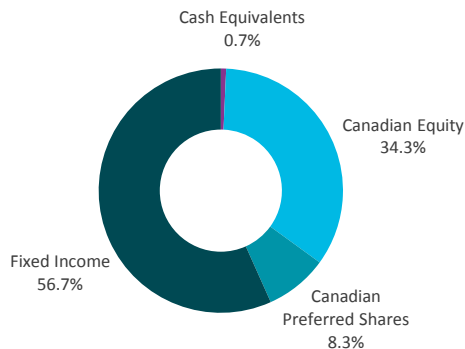
The Balanced Fund declined by 1.3% after fees and expenses in the first quarter of 2018. The asset mix for the Fund at March 31, 2018 was:



Income Advantage Fund

The Income Advantage Fund declined by 1.2% in the first quarter, after fees and expenses. Over the quarter, Canadian equities in the Fund were the biggest detractor from performance while preferred shares, high yield and corporate bonds helped performance.

The asset mix for the Income Advantage Fund at March 31, 2018 was:



Core Bond Fund

Fixed income portfolios were relatively stable during the quarter compared to other asset classes. Returns were positive but relatively modest, with the rise in bond yields (due to a combination of rising interest rates and widening credit spreads) largely offsetting the returns from bond yields in the Core Bond Fund. The Fund returned 0.0% during the quarter after fees and expenses, slightly below the FTSE TMX Canada Universe Bond Index, which was up 0.2%. Performance was helped by a combination of tactical interest rate risk management and an overweight in investment-grade corporate bonds.

The Bank of Canada raised the overnight lending rate to 1.25% in January (as anticipated), and market expectations at the end of the quarter suggest two more 0.25% increases before the end of 2018. These expectations were even higher during the quarter and, in our view, incorporated an outlook for economic growth in Canada that is too optimistic. In addition, the Bank of Canada continues to reference the slow

pace of wage gains as evidence of labour market slack, combined with other uncertainties including a slowdown in export growth and the outlook for the future of the North American Free Trade Agreement (NAFTA). We believe that this will ensure that the Bank of Canada is particularly cautious in the removal of monetary stimulus from the economy.

Although corporate credit spreads widened for the first time in over two years during the quarter, bonds posted a more modest net correction than was seen in other asset classes, such as equities. The Core Bond Fund remains materially overweight corporate bonds, relative to the underlying benchmark. However, these holdings are predominantly comprised of issues with maturities that are shorter than the FTSE TMX Canada Universe Bond Index. As a result, these corporate bonds are less sensitive to changes in credit spreads. In addition, the Fund's corporate bond holdings are biased towards higher quality issuers, or senior issues within the capital structure, making the Fund even more resilient to a widening in credit spreads.

Provincial bond spreads also widened during the quarter, reversing an almost two-year period of consistent spread tightening due to a combination of strong demand from international buyers and constrained supply of Canadian dollar-denominated bonds. We continue to position the portfolio to be underweight in provincial bonds, given our view that valuations are high, particularly for the larger, more liquid issuers.

Our outlook for the Canadian economy remains positive, as the economy benefits from strong global growth, low interest rates, and further weakening in the Canadian dollar. However, uncertainties are rising as ongoing NAFTA negotiations remain outstanding and increased protectionist rhetoric threatens growth, most notably in open economies with floating exchange rates, such as Canada.

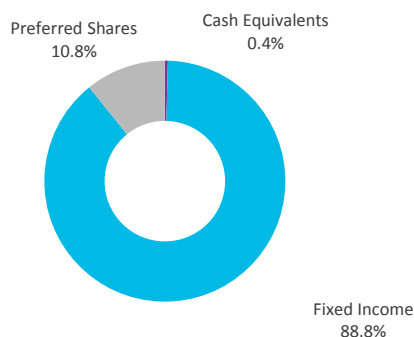
Absent a material shock to the global economy, we expect central banks in both the US and Canada to continue to raise interest rates and remove monetary stimulus. We expect the Bank of Canada to raise interest rates twice over the next twelve months, and for the yield on 10-year Government of Canada (GoC) bonds to rise towards 2.50%.

These are relatively benign forecasts, and we continue to believe that any increase in interest rates will be modest enough to keep debt servicing costs at reasonable levels, avoiding significant stress in provincial and corporate credit markets. The market volatility we have seen so far is a healthier return to normal market conditions, and is creating opportunities to redeploy capital into fixed income investments at more attractive valuations in the near future.

Corporate Advantage Fund

The Corporate Advantage Fund returned 0.2% after fees and expenses in the first quarter. All asset classes in the Fund provided positive returns during the quarter, but the Fund's Preferred Share and High Yield Bond holdings were the biggest positive contributors to performance.

The asset mix of the Corporate Advantage Fund at March 31, 2018 was:



High Yield Bond Fund

The ICE Bank of America Merrill Lynch BB-B High Yield Constrained Index (CAD Hedged) was down during the quarter due to a sharp sell-off in government bonds and heightened equity market volatility. Following a positive January, the high yield market weakened, as inflation fears and tighter central bank policy fears rippled across markets.

The High Yield Bond Fund returned 3.1% after fees and expenses in the quarter, outperforming the Index which was up 1.8%. The CAD Hedged series of the Fund returned 0.2% after fees and expenses (versus -1.3% for the benchmark). This strong performance was due, in part, to positive security selection within the telecommunications and healthcare sectors, and by not owning some liquid, lower yielding BB-rated names that sold off with the move in interest rates. We continue to be overweight B-rated bonds offering better value and total return opportunities.

Fund holdings in Community Health Systems (+2.7%) were a strong contributor to performance. We exited the name after speculation around the company's upcoming refinancing of unsecured debt resulted in outperformance. The top performing bond in the Fund during the quarter was Frontier Communications (+7.0%), which rose on news the company had decided to eliminate its dividend and commit to further deleveraging its balance sheet.

Senior loans were also a meaningful contributor to performance during the quarter. Loans benefit from rising interest rates due to their floating rate coupons. They are also less affected by equity market volatility given their higher position in the capital structure and are thus regarded as safer assets. A strong performer was CenturyLink (+3.3%), which offers a 5% yield and is fully collateralized by tangible assets.

While spreads are at the tighter end of their historical range, we remain positive on high yield debt over the longer term. Spreads indicate forward expectations of default rates (a measure of market stress) and offer a metric for relative valuations. They continue to be very low as strong US economic data and tax reform provide positive momentum. Relative to investment-grade bonds and equity markets, though, high yield still offers favourable return potential. In a rising interest rate environment, high yield bonds have historically performed well due to their shorter duration and higher coupons.

The High Yield Bond Fund remains conservatively positioned, with the expectation that returns 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 Investment Funds Advisor at 604-683-3391 or 1-888-292-1122.

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Leith Wheeler Funds. Forward-looking statements include statements that predict future events, conditions or results - including strategy, expected performance or prospects, opportunities, risks and possible future actions. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to risks, uncertainties and assumptions about the Funds and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in the forward-looking statements. These statements require us to make assumptions and are subject to inherent risks and uncertainties. Our predictions and other forward-looking statements may not prove to be accurate, or a number of factors could cause actual events, results, performance, etc. to differ materially from the targets, expectations, estimates or intentions. These factors could include, among others, market and general economic conditions, interest rates, regulation, competition and the risks set out in the Funds' Simplified Prospectus. Do not place undue reliance on our forward-looking statements. Please note the Funds have no intention of updating any forward-looking statements, whether as a result of new information, future events or otherwise.

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Additional information about the Leith Wheeler Funds is available in the Funds' Annual Information Form, Fund Facts, Management Report of Fund Performance and financial statements. You can get a copy of the Simplified Prospectus, and the other documents, at no cost by calling 1-866-292-1122, on our website at <http://www.leithwheeler.com> or by contacting your dealer. These documents and other information about the Funds, such as information circulars and material contracts, are available at www.sedar.com.

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