Leith Wheeler INVESTMENT FUNDS LTD.

Quiet Money.

Leith Wheeler Investment Funds
Quarterly Review - December 31, 2017

	MER %	3 Mo. %	1 Yr %	3 Yrs %	5 Yrs %	10 Yrs %
LW Canadian Equity Fund	1.49	4.9	8.5	6.7	9.9	5.4
LW Canadian Dividend Fund	1.50	5.0	8.9	8.8	10.5	n/a
LW U.S. Equity Fund (C$)	1.33	5.2	9.5	11.2	17.7	8.5
LW U.S. Dividend Fund (USD)	1.33	5.8	15.9	n/a	n/a	n/a
LW U.S. Small /Mid-Cap Fund (C$)	1.33	7.7	10.9	n/a	n/a	n/a
LW International Equity Plus Fund (C$)	1.59	5.2	17.8	11.4	11.5	3.6
LW Emerging Markets Fund (C$)**	1.69	n/a	n/a	n/a	n/a	n/a
LW Balanced Fund	1.16	3.7	7.7	6.9	9.1	5.6
LW Income Advantage Fund	0.85	2.4	5.5	5.5	6.0	n/a
LW Core Bond Fund	0.79	1.8	1.9	2.1	2.5	3.8
LW Corporate Advantage Fund	0.84	1.0	3.0	3.0	n/a	n/a
LW High Yield Bond Fund	0.84	1.3	0.2	n/a	n/a	n/a
LW High Yield Bond Fund (C$ Hedged)	0.84	4.5	10.6	n/a	n/a	n/a
LW Multi Credit Fund**	1.00	n/a	n/a	n/a	n/a	n/a
LW Money Market Fund	0.32	0.2	0.5	0.3	0.3	0.6
Peer Comparison*	**Median %**	**3 Mo. %**	**1 Yr %**	**3 Yrs %**	**5 Yrs %**	**10 Yrs %**
Median Canadian Equity Fund	2.15	3.7	6.7	5.2	8.5	3.9
Median Dividend & Income Equity Fund	2.06	3.6	7.5	5.8	8.3	5.3
Median US Equity Fund (C$)	2.04	6.1	12.7	10.0	16.8	7.2
Median International Equity Fund (C$)	2.14	3.7	18.0	9.2	10.5	2.6
Median Global Equity Balanced Fund	2.31	3.6	8.9	6.2	9.0	4.6
Median Cdn Fixed Income Balanced Fund	2.05	2.3	3.7	3.1	4.2	3.8
Median Fixed Income Fund	1.38	1.5	1.6	1.5	1.8	3.5
Median High Yield Fixed Income	1.35	0.7	4.8	4.1	4.2	5.4
Median Money Market Fund	0.69	0.1	0.3	0.2	0.2	0.4

Note: Returns reflect changes in unit value and distributions reinvested. Fund performance numbers are for Series B, 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 December 31, 2017 with the exception of the 3 Month return.

**Source: Fund Data **Estimated MER as funds under 1 year old; performance will be available after one year*

The fourth quarter of 2017 rounded out what was a very strong year for investment performance across most asset classes.

Equity market returns were solid, particularly in the United States where expectations of late-cycle stimulus (in the form of tax cuts) provided a boost to valuations into year-end and drove the market 7.2% higher (in Canadian dollars) over the fourth quarter and 13.8% for the year. These returns also were delivered with limited market volatility; in fact, 2017 marked the first year since the early 1980s where S&P 500 returns were positive in every calendar month. While our US equity portfolio has performed well during the year, it has lagged a strong market due to lack of exposure to the expensive “FANG” (Facebook, Amazon, Netflix, and Google) stocks.

Canadian equity markets had a similarly strong quarter and year, rising 4.5% and 9.1% respectively, following rising corporate earnings and better than expected GDP growth. International markets were also very strong, with the MSCI EAFE Index rising 4.8% and 16.8% for the quarter and year, respectively.

Meanwhile, bond markets were also well behaved with fears of capital losses from rising bond yields (“when interest rates go up, bond prices go down”) proving to be misplaced. The bigger story for bond markets – particularly in the fourth quarter – was the decline in long bond yields, despite rising short-term yields. Corporate bonds, including both investment-grade and high yield, were relatively calm with spreads tightening only marginally during the quarter, further augmenting returns.

This Goldilocks scenario has emerged from the ongoing strength (and longevity) of the current period of economic expansion, combined with and supported by ongoing global monetary stimulus. Although recent focus has been on policy tightening in the United States and Canada, this has to be considered alongside ongoing monetary stimulus in the rest of the world, particularly in Japan and Europe where their respective central banks continue to hold short-term real interest rates below zero through monetary operations and ongoing asset purchases. In addition, a weakening in the Canadian dollar and a recovery in commodity prices both worked to add to the outlook for Canadian investors.

Our outlook for 2018 remains positive, as fiscal stimulus combined with easy global monetary conditions continues to provide a tailwind to growth and investment returns. However, we are mindful of recent outsized investment returns and rising valuations in many asset classes, prompting us to adopt a more conservative view in portfolio allocations heading into the New Year.

Canadian Equity Fund

The TSX Composite ended the year on a positive note, increasing 4.5% as every sector rose over the quarter. After a stellar year of performance in 2016, the Canadian market delivered a solid result, finishing the year up 9.1%. Consumer Discretionary (+22.8%), Industrials (+19.7%), and Financials (+13.3%) were among the top contributors to performance over the year as strong consumer spending, better economic growth, and rising interest rates helped propel these sectors higher. Although oil prices ended the year up over US$60, the Energy sector (-7.1%) was the weakest performer in 2017 as investors worried about a potential border adjustment tax (BAT), NAFTA renegotiations, and pipeline availability.

The Canadian Equity Fund outperformed the TSX Composite Index over quarter, rising 4.9% after fees and expenses. It lagged the market slightly in 2017, returning 8.5% after fees and expenses. Companies that provided strong returns in 2017 included BRP (+65.0%), Toromont Industries

(+32.1%), First Quantum Minerals (+32.0%) and Brookfield Infrastructure (+30.9%). On the other hand, weak investor sentiment in the Energy sector, including Cardinal Energy (-48.1%), Tourmaline Oil (-36.6%) and Seven Generations (-43.2%) detracted from fund performance.

Over the fourth quarter, the Fund's holdings in the Materials, Financials, and Information Technology outpaced their respective TSX Index sectors. This was offset somewhat by not having exposure to Health Care (+46.7%) as it was the best performing sector in the Index. The sector was led by medical marijuana producer Canopy Growth, up an astounding 177.4% despite reporting a net loss in the latest year.

Canadian Dividend Fund

Similar to the Canadian Equity Fund, the Canadian Dividend Fund performed well in the quarter and year, returning 5.0% and 8.9% after fees and expenses respectively.

An overweight and the outperformance of fund holdings in the Financials sector contributed to the strong returns. Canadian Western Bank (CWB) was among the top performers, increasing 17.2% over the quarter. CWB reported solid quarterly results with good loan growth, increasing net interest margins, and low loan losses. We added CWB to the portfolio in the third quarter and continued to add to our position in early October. Other notable performers included CIBC (+13.4%), CI Financial (+10.4%) and Royal Bank (+7.3%).

Some of the fund's holdings in the Energy sector were the weakest performers in the fund over the quarter. Tourmaline Oil declined 10.2% after it cut spending and production plans for 2018 amid low natural gas prices. We view this as a prudent move as the company will focus excess free cash flow on dividends and improving its already strong balance sheet. We added to Tourmaline over the quarter as the company continues to trade at a large discount to peers, while having a strong management team, very low leverage and above-average per share growth. Seven Generations (-9.9%) was also weaker over the quarter after providing production guidance for 2018 that was weaker than expected. The reduction gives the company a larger buffer should it experience downtime at facilities or pipeline delays, as the company did in 2017. We also added to our position in Seven Generations.

U.S. Equity Fund

The S&P 500 had a strong quarter and year, up 7.2% and 13.8%, respectively. Information Technology continued strongly in to the fourth quarter, ending the year ahead of all sectors with a total return of 29.7%. Amazon, which had a price-to-earnings ratio of almost 300 at the end of the year, significantly contributed to Consumer Discretionary as well as overall market performance. Trailing these two sectors were Materials and Financials, as commodity prices and interest rates both increased during the year, supporting their performance.

The U.S. Equity Fund had a good absolute return but lagged the strong S&P 500 during the quarter, returning 5.2% after fees and expenses. This underperformance was primarily driven by weakness in stock selection, thematically due to shifting consumer purchasing habits and spending contractions, and natural disasters that occurred in the later part of the year. Meanwhile, tax reform, a solid housing market, and merger and acquisition news have helped add to performance on top of strong earnings reports by several stocks.

XL Group Ltd. (-9.9%) was a detractor during the quarter as a range of events caused significant weakness in the stock. There were six catastrophic events (Hurricanes Harvey, Irma, and Maria, the Mexico City earthquake, and the northern and southern California fires) that will likely lead to record-high industry insured losses in excess of $135 billion. The retail and apparel environment has also been a very difficult part of the market, as bricks and mortar retailers are cutting back on inventories due to competition from eCommerce, declining foot traffic in malls, and consumer discretionary spending contractions. These trends caused weakness in the shares of Newell Brands (-26.7%) and Hanesbrands, Inc (-14.0%).

Meanwhile, a solid housing market in the U.S. has boosted earnings growth for Owens Corning (+20.1%) and Lowe's Companies (+17.5%). Owens Corning outperformed in the fourth quarter and for the full year as improving results through the year led to upward revisions in earnings forecasts. Underlying fundamentals remain strong in the roofing and composite businesses and a recovery in the insulation business appears imminent. The company is executing well in all three business segments and will also see a positive benefit from tax reform. The shares remain attractive, trading at 16 times normalized earnings.

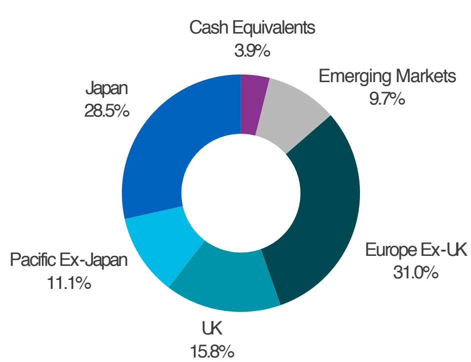
After a tumultuous year of battling Apple over licensing payments, shares of Qualcomm Inc. (+25.2%) rebounded in the fourth quarter as rumors began to swirl that Broadcom was interested in acquiring the company. In November, Broadcom officially offered to buy Qualcomm for $70/ share of cash and stock. Qualcomm rejected the offer, saying it dramatically undervalues the company and setting the stage for a potential proxy battle. Shares of Qualcomm remain attractive at less than 14 times earnings per share with a 3.5% dividend yield compared to the overall market of 18.5 times and 1.8%, respectively.

Lastly, managed care business Anthem, Inc. (+19.5%) performed well during the quarter and the year, adding to relative performance over both periods. Improving pricing, cost, and utilization trends, along with tailwinds from corporate tax reform and political relief from the reduced impact of the Affordable Care Act, all contributed to the stock's outperformance. Anthem trades at a compelling valuation and offers significant upside to our target price.

International Equity Plus Fund

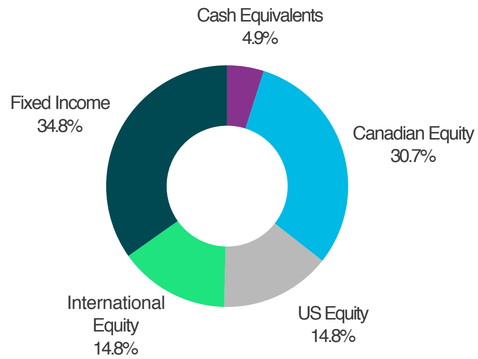
Global equity markets were strong in local currency in 2017, led by Emerging and Asian markets. Currency had a negative impact on return in the year, as the Canadian dollar strengthened on balance against other currencies. The International Equity Plus Fund performed well during the quarter and year, returning 5.2% and 17.8%, respectively, in Canadian dollars and after fees and expenses., The fund outperformed the MSCI EAFE Index (C$), which returned 4.8% and 17.8% over the same time periods. Some of the Fund's Financials holdings helped overall performance while Energy stocks detracted.

The country weightings of the International Equity Plus Fund at December 31, 2017 were:



Balanced Fund

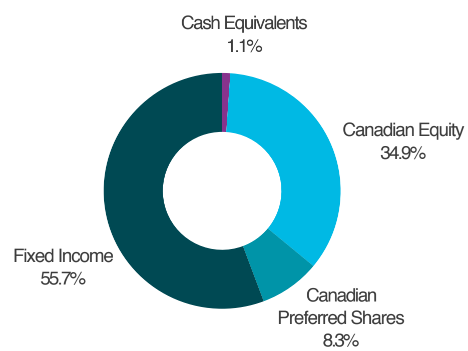
The Balanced Fund advanced by 3.7% in the fourth quarter and 7.7% for the year 2017 after fees and expenses. The asset mix for the Fund at December 31, 2017 was:



Income Advantage Fund

The Leith Wheeler Income Advantage Fund was up 2.4% in the fourth quarter, after fees and expenses. Over the quarter Canadian equities in the Fund increased by 5.5%, preferred shares by 2.7%, investment grade bonds by 0.8%, and high yield bonds by 0.5%. In the 2017 calendar year, the fund returned 5.5% after fees and expenses.

The asset mix for the Income Advantage Fund at December 31, 2017 was:



Core Bond Fund

Fixed income portfolios performed strongly in the fourth quarter, as the rise in short-term bond yields following earlier rate hikes from the Bank of Canada were more than offset by declining long-term bond yields. Meanwhile, both corporate and provincial credit spreads were marginally tighter during the quarter – providing an additional tailwind to returns.

The Core Bond Fund returned 1.8% in the fourth quarter after fees and expenses, slightly behind the FTSE TMX Canada Universe Bond Index which advanced 2.0% during the quarter.

Following two interest rate hikes in the third quarter, the Bank of Canada left the overnight lending rate unchanged in the fourth quarter at one percent, adopting a more cautious stance with regard to the timing of further rate hikes. Core inflation measures in Canada are rising but remain well below the Bank of Canada's inflation target of two percent. Although the Canadian economy continues to grow strongly and employment growth has accelerated, the Bank of Canada remains concerned about labour market slack (particularly relating to youth unemployment). In addition, the Bank of Canada has yet to see a sustained improvement in export growth, with further challenges on the horizon relating to the renegotiation of the North American Free Trade Agreement.

Corporate credit spreads were relatively stable during the quarter, with most issues exhibiting a marginal compression in spreads into year-end in line with the rally in broader risk assets. By sector, we remain modestly overweight financials, particularly through deposit notes issued by the major Canadian banks. We also continue to be overweight the resources sector, adding to recent maple issuers such as BHP Billiton Finance Limited, and local issuers such as Toromont Industries.

Provincial bonds continue to outperform, with spreads in several provinces reaching new multi-year lows and recent spread tightening being relatively indiscriminate between provinces. We continue to position the portfolio underweight provincial bonds, given our view that valuations on the larger issuers appear expensive in absolute terms. However, we remain overweight the provincial bonds of Alberta and Manitoba, which we believe continue to offer good relative value compared to the larger issuers of Ontario, Quebec and British Columbia.

Looking ahead, the Fund is positioned with the expectation of a modest increase in bond yields in 2018, with an overweight in corporate bonds, underweight in provincial bonds, and a reduced overweight in government agency bonds.

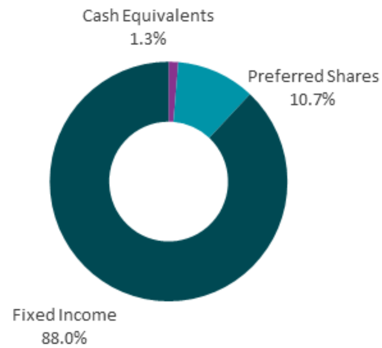
Our outlook for the Canadian economy remains positive, as an economy that benefits from strong global growth, low interest rates, and a relatively weak currency. We expect the Bank of Canada to raise the overnight lending rate by 50 basis points to 1.50% in 2018 - slightly less tightening than what is currently priced into financial markets - due to concerns over low core inflation, weak exports and high levels of household indebtedness.

Our forecast is for bond yields to rise only modestly in 2018 toward our forecast of 2.40% for 10-year Government of Canada bonds. Any increase in interest rates should be modest enough to keep debt servicing costs at reasonable levels, which in turn will support global credit markets. However, current valuations on corporate and provincial bonds warrant caution as we draw towards the later stages of this credit cycle. Finally, we are increasingly mindful of risks surrounding acceleration in global inflation, with the timing of fiscal stimulus coinciding with full employment in the United States, and any potential impact of any shift in expectations relating to when European and Japanese policymakers might start to remove monetary accommodation.

Corporate Advantage Fund

The Leith Wheeler Corporate Advantage Fund was up 1.0% in the fourth quarter, after fees and expenses. The Fund's preferred shares, investment grade bonds and high yield bonds rose by 2.9%, 0.8%, and 0.5%, respectively.

The asset mix of the Corporate Advantage Fund at December 31, 2017 was:



High Yield Bond Fund

The high yield bond market realized modest positive returns during the quarter with our high yield fund outperforming the Bank of America Merrill Lynch BB-B High Yield Constrained Index (CAD Hedged). The high yield market was stronger than absolute performance would suggest given the increase in five-year treasury yields from 1.94% to 2.21%. Benchmark returns in excess of treasuries were 0.64% for the quarter, highlighting the resilience of the high yield market to the move in interest rates. During the fourth quarter, the Leith Wheeler High Yield Bond Fund returned 1.3% and the Leith Wheeler High Yield Bond Fund (CAD Hedged) returned 4.5% both after fees and expenses.

Performance during the quarter varied by sector, with the dispersion of returns increasing through the quarter. The Fund primarily benefited from being underweight Cable & Satellite TV and overweight Technology & Electronics and Leisure.

We remain positive on high yield debt over the longer term, however valuations based on spreads are at the tighter end of their historical range. Spreads indicate forward expectations of default rates (a measure of market stress) continue to be very low as strong U.S. economic data and tax reform provide positive momentum. Relative to investment-grade bonds and equity markets, 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 over the rest of the year will continue to be generated from the high coupon income.

New Funds in 2017

We are always on the lookout for opportunities to enhance the return and risk management characteristics of our client offering. Over the past few years, we have added capabilities in both equities and fixed income. As a result, we launched two new funds in 2017: the Leith Wheeler Multi-Credit Fund, and the Leith Wheeler Emerging Markets Fund (with the latter sub-advised by Barrow, Hanley, Mewhinney & Strauss, LLC). For information on these funds, please contact your Investment Funds Advisor or visit our website.

Announcement regarding Edinburgh Partners

You may have seen the announcement last week that Edinburgh Partners has agreed to be acquired by Franklin Resources, Inc., the parent of Franklin Templeton Investments. Edinburgh Partners has been a strategic partner of Leith Wheeler since it began sub-advising the Leith Wheeler International Equity Plus Fund (IEPF) for our clients in March 2016. The IEPF currently represents about 15% of the Leith Wheeler Balanced Fund.

We have had, and continue to enjoy, an excellent relationship with Edinburgh and this change in their ownership structure is not expected to impact our partnership. When we chose to partner with Edinburgh, it was because our due diligence revealed a deep team, with a disciplined approach, and a value philosophy that mirrored our own. These factors are not expected to change, and we are in fact heartened by the appointment of Edinburgh's Dr. Sandy Nairn to the position of Chairman of Templeton Global Equity Group. Templeton is also an organization he knows well, as he spent 10 years working with Sir John Templeton in his previous role as EVP and Director of Global Research. As before, Sandy will remain investment partner and CEO of Edinburgh Partners.

With that said, our first commitment is to protecting and promoting the best interests of our clients. As an independent money manager, we understand the value of that independence in a partner and so we will monitor the integration closely to ensure the partnership continues to meet or exceed our expectations. We have already met with Sandy in person and feel confident that our goals remain aligned, and that the new ownership structure won't impede Edinburgh's ability to continue providing diligent, insightful management of our clients' international equities.

If you have any questions or concerns, please don't hesitate to contact us.

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.

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