

# Leith Wheeler Balanced Fund

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE  
December 31, 2022



This annual management report of fund performance contains financial highlights, but does not contain complete annual financial statements of the investment fund. You can get a copy of the 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

To provide investors with a relatively stable, superior long-term rate of return, through a balanced portfolio of common shares and fixed income securities. This Fund invests primarily in Canadian issuers and may invest in foreign securities. The Fund invests in a broad range of companies and is not restricted by capitalization or industry sectors although portfolio diversification is a consideration in the selection of securities for the Fund.

Although Leith Wheeler Investment Counsel Ltd. (the “Manager”) will change the investment mix between fixed income and equity securities as opportunities arise, a portion of the Fund will be maintained in each class. The allocation is determined by the Manager, as opportunities arise, although the Fund’s equity portion will range between 40% and 75% of its total assets. The maximum invested in foreign securities is not expected to exceed 40% of the net assets of the Fund at the time of investment. The fixed income securities provide lower risk income while the common shares provide an opportunity for capital gains. Investors participate in a professionally managed portfolio in which specific security selection and asset mix decisions will be made by experienced portfolio managers.

### 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 decreased by 9.6% in 2022 to \$239.7 million from \$265.1 million at the end of 2021. Of this change, \$13.8 million was attributable to negative investment performance and \$11.6 million of net outflows from unitholders.

For the year ended December 31, 2022, the Balanced Fund Series A decreased -4.8% before fees, Series B decreased -5.9% after fees and expenses, and Series F decreased -5.7% after fees and expenses.

Equity markets ended the third quarter lower, with the S&P/TSX Composite and MSCI EAFE Index (C\$) declining -1.4% and -2.6%, respectively. The S&P 500 was also down in local currency but provided positive returns in Canadian dollar terms, as the US dollar has been strong as of late. Bond markets increased during the quarter. The fund’s holdings in Canadian equities, US equities, international equities, and fixed income outperformed their respective broad market indices in the third quarter.

The fourth quarter was positive for equity markets, with the S&P/TSX Composite, S&P 500 (C\$) and MSCI EAFE Index (C\$) increasing +6.0%, +5.3%, and +14.9%, respectively. The S&P 500 was also down in local currency but provided positive returns in Canadian dollar terms. Bond markets were roughly flat on the quarter. The fund’s holdings in US equities, international equities, and fixed income each outperformed their respective broad market indices in the fourth quarter. The fund’s Canadian equity holdings marginally underperformed the S&P/TSX Composite Index.

Value stocks greatly outperformed growth stocks in 2022 as valuation multiples compressed in an environment of higher interest rates and inflation. We believe that the valuation of growth stocks remains high and that value stocks should continue to perform well as inflation moderates and interest rate policy softens. It remains to be seen whether we enter a prolonged period of meaningful economic slowdown in 2023, but we believe that the strong businesses held in your portfolio should provide resilience in uncertain periods.

Our view on the outlook for fixed income is constructive at current yields. We believe that most of the impact from rising bond yields has already been felt by investors. With yields now substantially higher, we think that the overall return outlook from fixed income is relatively attractive.

### Recent Developments

Equity and bond indices all increased in January 2023: S&P/TSX Composite Index (+7.4%); S&P 500 (C\$) (+4.4%), MSCI EAFE – Net Index (C\$) (+6.2%); and FTSE Canada Universe Bond Index (+3.1%).

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## Management Discussion of Fund Performance (cont.)

### 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 December 31, 2022, the Fund owned 2,938,714 Series A units of the Leith Wheeler International Equity Plus Fund, 861,407 Series A units of the Leith Wheeler U.S. Small/Mid-Cap Equity Fund, and 1,461,624 Series A units of the Leith Wheeler Multi Credit Fund, which are funds under common management.

### 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 1.10% and 0.85%, respectively. During the year, the Fund paid the Manager \$ 978,241 for Series B and \$27,585 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 commissions, transaction 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 five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

Series A (inception September 10, 2015)	2022	2021	2020	2019	2018
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1)</sup>	\$29.56	\$27.21	\$26.16	\$23.81	\$25.81
Increase (decrease) from operations:					
Total revenue	0.65	0.96	0.78	0.83	0.67
Total expenses	-	-	-	-	-
Realized gains (losses) for the year	0.10	1.13	0.30	0.43	0.37
Unrealized gains (losses) for the year	(1.78)	1.84	0.91	2.01	(1.85)
Total increase (decrease) from operations <sup>(1)</sup>	(1.03)	3.93	1.99	3.27	(0.81)
Distributions:					
From income (excluding dividends)	(0.32)	(0.25)	(0.22)	(0.19)	(0.29)
From dividends	(0.63)	(0.50)	(0.52)	(0.49)	(0.43)
From capital gains	-	(0.82)	(0.05)	(0.18)	(0.21)
Return of capital	-	-	-	-	-
Total Annual Distributions <sup>(2)</sup>	(0.95)	(1.57)	(0.79)	(0.86)	(0.93)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$27.16	\$29.56	\$27.21	\$26.16	\$23.81

Series B	2022	2021	2020	2019	2018
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1)</sup>	\$30.28	\$27.91	\$26.81	\$24.37	\$26.32
Increase (decrease) from operations:					
Total revenue	1.38	0.99	0.76	0.84	0.84
Total expenses	(0.20)	(0.24)	(0.30)	(0.28)	(0.26)
Realized gains (losses) for the year	0.21	1.16	0.30	0.43	0.47
Unrealized gains (losses) for the year	(3.79)	1.86	0.88	2.03	(2.33)
Total increase (decrease) from operations <sup>(1)</sup>	(2.40)	3.77	1.64	3.02	(1.28)
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	(0.18)	(0.46)	(0.45)	(0.36)	(0.32)
From capital gains	-	(0.84)	(0.05)	(0.18)	(0.22)
Return of capital	-	-	-	-	-
Total Annual Distributions <sup>(2)</sup>	(0.18)	(1.30)	(0.50)	(0.54)	(0.54)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$28.12	\$30.28	\$27.91	\$26.81	\$24.37

## Financial Highlights (cont.)

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

Series F (inception September 10, 2015)	2022	2021	2020	2019	2018
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1)</sup>	\$28.88	\$26.56	\$25.43	\$23.08	\$25.22
Increase (decrease) from operations:					
Total revenue	0.81	0.95	0.61	0.79	1.11
Total expenses	(0.25)	(0.26)	(0.24)	(0.20)	(0.31)
Realized gains (losses) for the year	0.13	1.11	0.24	0.41	0.64
Unrealized gains (losses) for the year	(2.23)	1.79	0.70	1.94	(3.13)
Total increase (decrease) from operations <sup>(1)</sup>	(1.54)	3.59	1.31	2.94	(1.69)
Distributions:					
From income (excluding dividends)	(0.05)	-	-	-	(0.14)
From dividends	(0.32)	(0.44)	(0.39)	(0.36)	(0.51)
From capital gains	-	(0.80)	(0.05)	(0.17)	(0.21)
Return of capital	-	-	-	-	-
Total Annual Distributions <sup>(2)</sup>	(0.37)	(1.24)	(0.44)	(0.53)	(0.86)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$26.61	\$28.88	\$26.56	\$25.43	\$23.08

(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.

# Financial Highlights (cont.)

## Ratios and Supplemental Data

Series A (inception September 10, 2015)	2022	2021	2020	2019	2018
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	167,796	140,981	126,739	118,828	23,801
Number of units outstanding (000s) <sup>(1)</sup>	6,178	4,770	4,657	4,542	1,000
Management expense ratio (%) <sup>(2)</sup>	-	-	-	-	-
Management expense ratio before waivers or absorptions (%)	-	-	-	-	-
Trading expense ratio (%) <sup>(3)</sup>	0.01	0.02	0.03	0.04	0.03
Portfolio turnover rate (%) <sup>(4)</sup>	69.45	57.06	69.53	58.14	64.22
Net assets attributable to holders of redeemable units - per unit (\$)	27.16	29.56	27.21	26.16	23.81

Series B	2022	2021	2020	2019	2018
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	68,682	120,753	101,897	95,174	82,212
Number of units outstanding (000s) <sup>(1)</sup>	2,443	3,988	3,651	3,549	3,373
Management expense ratio (%) <sup>(2)</sup>	1.16	1.16	1.16	1.17	1.17
Management expense ratio before waivers or absorptions (%)	1.16	1.16	1.16	1.17	1.17
Trading expense ratio (%) <sup>(3)</sup>	0.01	0.02	0.03	0.04	0.03
Portfolio turnover rate (%) <sup>(4)</sup>	69.45	57.06	69.53	58.14	64.22
Net assets attributable to holders of redeemable units - per unit (\$)	28.12	30.28	27.91	26.81	24.37

Series F (inception September 10, 2015)	2022	2021	2020	2019	2018
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1) (5)</sup>	3,254	3,408	3,319	3,866	4,606
Number of units outstanding (000s) <sup>(1)</sup>	122	118	125	152	200
Management expense ratio (%) <sup>(2)</sup>	0.92	0.93	0.92	0.93	0.94
Management expense ratio before waivers or absorptions (%)	0.92	0.93	0.92	0.93	0.94
Trading expense ratio (%) <sup>(3)</sup>	0.01	0.02	0.03	0.04	0.03
Portfolio turnover rate (%) <sup>(4)</sup>	69.45	57.06	69.53	58.14	64.22
Net assets attributable to holders of redeemable units - per unit (\$)	26.61	28.88	26.56	25.43	23.08

- (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

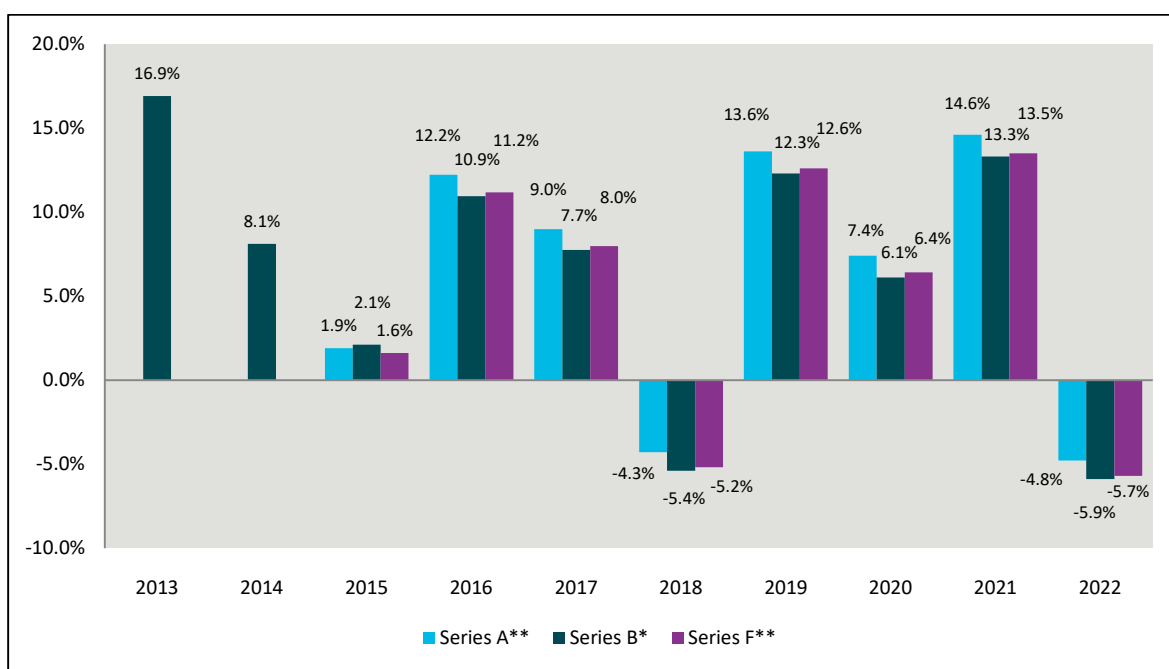
### General

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.



\* This Series of the Fund was renamed Series B as of August 28, 2015.

\*\* Series A and Series F units were created on September 10, 2015. Return for Series A and Series F from September 10, 2015 to December 31, 2015, not annualized.

**Past Performance (cont.)****Annual Compound Returns**

The following table compares the historical annual compound return of the Fund (before fees for Series A and after fees for Series B and F) with a blended benchmark return for the year ended December 31, 2022. At the end of December 2022, the blended benchmark (the "Benchmark") was comprised of 35% FTSE Canada Universe Bond Index, 30% S&P/TSX Composite Index, 15% S&P 500 Total Return Index (C\$), 15% MSCI EAFE Index (C\$) and 5% FTSE Canada 91 day T-Bill Index. The FTSE Canada Universe Bond Index measures the total return attributable to bonds, and includes representative bond issues by issuer, quality, and term. The S&P/TSX Composite Index is the headline index and the principal broad market measure for the Canadian equity markets. S&P 500 Total Return Index (C\$) includes a representative sample of 500 of the top companies in leading industries of the U.S. economy. The MSCI EAFE Index (C\$) represents the performance of large and mid-cap securities across 21 Developed Markets countries outside of North America (Europe, Australasia and the Far East). It aims to include 85% of the free float-adjusted market capitalization in each industry group, within each country. The FTSE Canada 91 Day T-Bill Index measures the return attributable to 91 Day Treasury Bills. A discussion of the performance of the Fund as compared to the benchmark is found in the Results of Operations section of this document.

For the Years ended December 31	1 Year	3 Years	5 Years	10 Years
Fund – Series A **	-4.8%	5.4%	5.0%	n/a
Benchmark***	-8.7%	3.5%	4.6%	n/a
Fund – Series B *	-5.9%	4.2%	3.7%	6.4%
Benchmark***	-8.7%	3.5%	4.6%	6.7%
Fund – Series F **	-5.7%	4.4%	4.0%	n/a
Benchmark***	-8.7%	3.5%	4.6%	n/a

\* This Series of the Fund was renamed Series B as of August 28, 2015.

\*\* Series A and Series F units were created on September 10, 2015.

\*\*\* We have chosen a custom blended benchmark that has similar asset class(es) and risk and return characteristics to the Fund. However, the characteristics of the benchmark will not match that of the Fund due to our active management of the Fund.



## Summary of Investment Portfolio

As at December 31, 2022

### Top 25 Positions

Issuer	% of Net Asset Value
Leith Wheeler International Equity Plus Fund Series A	12.0%
Leith Wheeler Multi Credit Fund Series A	5.2%
Leith Wheeler U.S. Small/Mid-Cap Equity Fund Series A	5.1%
Canada Housing Trust No 1 3.55% September 15, 2032	3.5%
Royal Bank of Canada	2.2%
Toromont Industries Ltd	1.9%
Toronto-Dominion Bank	1.9%
Canadian National Railway Co	1.8%
Canadian Government Bond 1.50% April 01, 2025	1.7%
Constellation Software Inc	1.4%
Saputo Inc	1.2%
Brookfield Infrastructure Partners LP	1.2%
Bank of Montreal	1.1%
Canadian Natural Resources Ltd	1.1%
Tourmaline Oil Corp	1.1%
Cash & Other Net Assets	1.1%
CGI Inc	1.1%
Rogers Communications Inc	1.0%
Waste Connections Inc	1.0%
Canadian Government Bond 4.00% June 01, 2041	1.0%
Pembina Pipeline Corp	0.9%
Open Text Corp	0.9%
Brookfield Corp	0.8%
iA Financial Corp Inc	0.8%
Manulife Financial Corp	0.8%

### Portfolio Allocation

Portfolio Breakdown	% of Net Asset Value
Bonds	31.5%
Canadian Equities	31.0%
U.S. Equities	18.9%
International Equities	11.4%
High Yield Bonds	3.5%
Cash & Other Net Assets	2.2%
Senior Loans	1.5%

The Fund held no short positions as at December 31, 2022.

*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)*