

# Leith Wheeler Canadian Dividend Fund

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2022



**Leith Wheeler**  
INVESTMENT COUNSEL LTD.

Quiet Money.®

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 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 decreased by 21.7% in 2022 to \$184.7 million from \$235.9 million at the end of 2021. Of this change, \$4.8 million was attributable to negative investment performance and \$46.4 million to net outflows from unitholders.

For the year ended December 31, 2022, the Canadian Dividend Fund Series A decreased -3.0% before fees, and Series B and F decreased -4.5% and -4.0%, respectively, both after fees and expenses. The S&P/TSX Composite Dividend Index (TSX Dividend) decreased -0.1% over the same period.

In the third quarter, Canadian Dividend Fund outperformed the index. Strength in Energy holdings boosted performance, as rising natural gas prices helped Tourmaline Oil (+10.5%) report another strong quarter. Stock selection and an overweight to Consumer Staples also helped relative results. Performance was partially offset by weakness in Industrials and Information Technology.

In the fourth quarter, the Canadian Dividend Fund provided a positive return and performed in-line with the TSX Dividend Index. An overweight in Information Technology and software company Enghouse Systems (+24.8%) contributed to positive returns. Communication Services holdings also outperformed, led by strength in Rogers Communications (+20.1%) following the announcement in December that a Competition Tribunal rejected the Competition Bureau’s attempts to block the Rogers-Shaw deal. Consumer Discretionary companies Sleep Country (-5.1%) and Canadian Tire (-2.8%) detracted from relative returns as both companies reported earnings that were below expectations. Performance was also impacted by relative underperformance in Financials and an overweight in Utilities.

### Recent Developments

The S&P/TSX Composite Dividend Index returned +6.6% in January 2023.

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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 Leith Wheeler Income Advantage Fund owned 1,606,774 Series A units of the Fund. This holding represents 11.7% of this Fund.

**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 \$ 43,816 for Series B and \$ 55,406 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	2022	2021	2020	2019	2018
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1)</sup>	\$14.87	\$11.93	\$12.31	\$10.56	\$12.89
Increase (decrease) from operations:					
Total revenue	0.50	0.41	0.56	0.43	0.44
Total expenses	-	-	-	-	-
Realized gains (losses) for the year	1.04	0.78	(0.88)	0.18	0.33
Unrealized gains (losses) for the year	(1.87)	2.18	0.83	1.64	(2.29)
Total increase (decrease) from operations <sup>(1)</sup>	(0.33)	3.37	0.51	2.25	(1.52)
Distributions:					
From income (excluding dividends)	(0.03)	(0.02)	(0.01)	-	(0.01)
From dividends	(0.48)	(0.39)	(0.43)	(0.40)	(0.41)
From capital gains	(0.42)	-	-	(0.03)	(0.39)
Return of capital	-	-	-	-	-
Total Annual Distributions <sup>(2)</sup>	(0.93)	(0.41)	(0.44)	(0.43)	(0.81)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$13.50	\$14.87	\$11.93	\$12.31	\$10.56

Series B	2022	2021	2020	2019	2018
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1)</sup>	\$15.02	\$12.15	\$12.28	\$10.50	\$12.79
Increase (decrease) from operations:					
Total revenue	0.95	0.40	(3.33)	0.43	0.39
Total expenses	(0.15)	(0.18)	(0.15)	(0.25)	(0.23)
Realized gains (losses) for the year	2.00	0.76	5.18	0.18	0.30
Unrealized gains (losses) for the year	(3.58)	2.12	(4.85)	1.62	(2.04)
Total increase (decrease) from operations <sup>(1)</sup>	(0.78)	3.10	(3.15)	1.98	(1.58)
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	(0.23)	(0.34)	(0.06)	(0.18)	(0.21)
From capital gains	(0.43)	-	-	(0.03)	(0.39)
Return of capital	-	-	-	-	-
Total Annual Distributions <sup>(2)</sup>	(0.66)	(0.34)	(0.06)	(0.21)	(0.60)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$13.70	\$15.02	\$12.15	\$12.28	\$10.50

## 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>	\$14.02	\$11.26	\$11.56	\$9.82	\$12.17
Increase (decrease) from operations:					
Total revenue	0.63	0.39	(0.25)	0.33	0.59
Total expenses	(0.14)	(0.13)	(0.01)	(0.01)	(0.02)
Realized gains (losses) for the year	1.32	0.73	0.39	0.14	0.44
Unrealized gains (losses) for the year	(2.37)	2.05	(0.37)	1.26	(3.09)
Total increase (decrease) from operations <sup>(1)</sup>	(0.56)	3.04	(0.24)	1.72	(2.08)
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	(0.39)	(0.27)	(0.26)	(0.16)	(0.44)
From capital gains	(0.40)	-	-	(0.03)	(0.37)
Return of capital	-	-	-	-	-
Total Annual Distributions <sup>(2)</sup>	(0.79)	(0.27)	(0.26)	(0.19)	(0.81)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$12.69	\$14.02	\$11.26	\$11.56	\$9.82

(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	2022	2021	2020	2019	2018
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	176,021	226,655	193,091	145,338	95,953
Number of units outstanding (000s) <sup>(1)</sup>	13,038	15,239	16,191	11,804	9,088
Management expense ratio (%) <sup>(2)</sup>	-	-	-	-	-
Management expense ratio before waivers or absorptions (%)	0.02	0.01	0.02	0.02	0.02
Trading expense ratio (%) <sup>(3)</sup>	0.02	0.02	0.08	0.06	0.06
Portfolio turnover rate (%) <sup>(4)</sup>	11.91	17.61	33.47	30.87	28.11
Net assets attributable to holders of redeemable units - per unit (\$)	13.50	14.87	11.93	12.31	10.56

Series B	2022	2021	2020	2019	2018
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	2,566	3,732	2,426	7,744	6,684
Number of units outstanding (000s) <sup>(1)</sup>	187	248	200	630	637
Management expense ratio (%) <sup>(2)</sup>	1.50	1.50	1.50	1.50	1.51
Management expense ratio before waivers or absorptions (%)	1.52	1.51	1.52	1.52	1.53
Trading expense ratio (%) <sup>(3)</sup>	0.02	0.02	0.08	0.06	0.06
Portfolio turnover rate (%) <sup>(4)</sup>	11.91	17.61	33.47	30.87	28.11
Net assets attributable to holders of redeemable units - per unit (\$)	13.70	15.02	12.15	12.28	10.50

Series F (inception September 10, 2015)	2022	2021	2020	2019	2018
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	6,064	5,555	4,632	5,204	5,877
Number of units outstanding (000s) <sup>(1)</sup>	478	396	412	450	598
Management expense ratio (%) <sup>(2)</sup>	1.02	1.03	1.02	1.02	1.02
Management expense ratio before waivers or absorptions (%)	1.04	1.04	1.04	1.04	1.04
Trading expense ratio (%) <sup>(3)</sup>	0.02	0.02	0.08	0.06	0.06
Portfolio turnover rate (%) <sup>(4)</sup>	11.91	17.61	33.47	30.87	28.11
Net assets attributable to holders of redeemable units - per unit (\$)	12.69	14.02	11.26	11.56	9.82

- (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

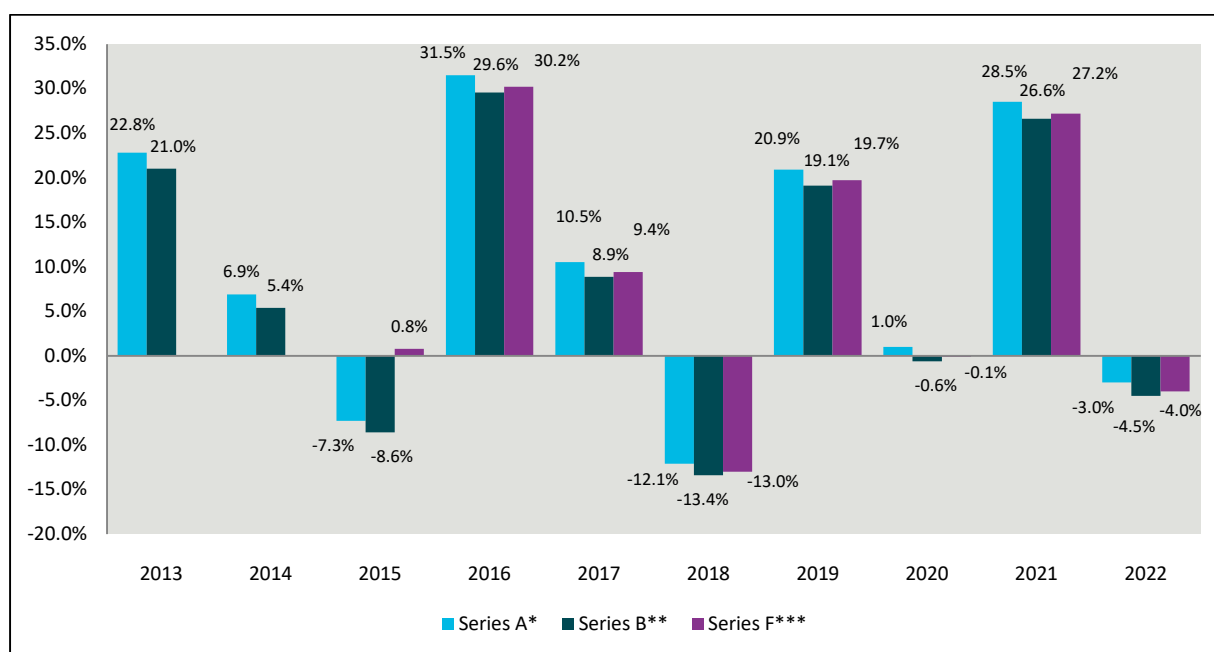
### General

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. Return from inception on December 21, 2010 to December 31, 2010, not annualized.

\*\* Series B units were created on December 23, 2010. Return from inception on December 23, 2010 to December 31, 2010, not annualized.

\*\*\* Series F units were created on September 10, 2015. Return 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 the S&P/TSX Composite Dividend Index, in each case for the year ended December 31, 2022. The S&P/TSX Composite Dividend Index aims to provide a broad-based benchmark of Canadian dividend-paying stocks in the S&P/TSX Composite with positive annual dividend yields as of the latest rebalancing of the S&P/TSX Composite Index. A discussion of the performance of the Fund as compared to the index 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 *	-3.0%	8.0%	6.0%	9.0%
S&P/TSX Composite Dividend Index	-0.1%	8.9%	7.5%	8.5%
Fund – Series B *	-4.5%	6.4%	4.4%	7.4%
S&P/TSX Composite Dividend Index	-0.1%	8.9%	7.5%	8.5%
Fund – Series F **	-4.0%	6.9%	4.9%	n/a
S&P/TSX Composite Dividend Index	-0.1%	8.9%	7.5%	n/a

\* Series A units were created December 21, 2010, Series B units were created on December 23, 2010.

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



## Summary of Investment Portfolio

As at December 31, 2022

### Top 25 Positions

Issuer	% of Net Asset Value
Royal Bank of Canada	7.6%
Toronto-Dominion Bank	6.4%
Toromont Industries Ltd	6.1%
Canadian National Railway Co	6.1%
Saputo Inc	4.5%
Brookfield Infrastructure Partners LP	4.3%
Bank of Montreal	4.0%
Rogers Communications Inc	3.7%
Pembina Pipeline Corp	3.7%
Canadian Natural Resources Ltd	3.5%
Brookfield Corp	2.9%
iA Financial Corp Inc	2.8%
Manulife Financial Corp	2.8%
Hydro One Ltd	2.7%
Metro Inc	2.7%
Open Text Corp	2.7%
First Capital Real Estate Investment Trust	2.6%
Finning International Inc	2.5%
Constellation Software Inc	2.4%
Bank of Nova Scotia	2.2%
Stella-Jones Inc	2.2%
Tourmaline Oil Corp	1.9%
Canadian Tire Corp Ltd	1.9%
Canadian Imperial Bank of Commerce	1.9%
A&W Revenue Royalties Income Fund	1.9%

### Portfolio Allocation

Portfolio Breakdown	% of Net Asset Value
Financials	33.5%
Industrials	18.9%
Energy	9.8%
Consumer Staple	7.2%
Utilities	7.0%
Information Technology	6.7%
Consumer Discretionary	5.0%
Communication Services	4.1%
Real Estate	3.7%
Materials	3.3%
Cash & Other Net Assets	0.8%

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).*