

# Leith Wheeler Corporate Advantage Fund

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2022



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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 relatively stable source of monthly income. The Fund will invest in fixed income securities (including corporate bonds, preferred shares, high-yield debt, loans, convertible debt and guaranteed mortgages). The Fund primarily invests in a range of Canadian securities and may also invest in foreign securities. The Fund will also invest in broad range of companies and is not restricted by capitalization or industry sector, although portfolio diversification is a consideration in the selection of securities of the Fund. Under normal circumstances, the Fund will keep its portfolio fully invested to the greatest extent possible.

This Fund invests in a mix of assets to provide a source of income. The asset mix includes investment-grade fixed income securities, providing the lower risk portion of the portfolio, and preferred shares, high-yield debt, loans, convertible debt and guaranteed mortgages, which provide additional income with less liquidity and potentially more credit risk. The allocation of investments in the Fund's portfolio is determined by the Manager to optimize the income and balance the risk of the portfolio using the follow target ranges for the asset mix: investment grade fixed income securities 25% - 100%; preferred shares 0% - 30%; high-yield debt 0% - 20%; loans 0% - 10%; convertible debt 0% - 20% and guaranteed mortgages 0% - 10%.

### 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 0.4% in 2022 to \$148.8 million from \$149.4 million at the end of 2021. Of this change, \$12.6 million was attributable to negative investment performance and \$12 million to net inflows from unitholders.

For the twelve months ended December 31, 2022, the Corporate Advantage Fund Series A decreased -8.0% before fees, and Series B and F decreased -8.7% and -8.5%, respectively, both after fees and expenses.

The Corporate Advantage Fund is invested in a core portfolio of investment grade bonds with a concentration in high quality corporate issuers, including an allocation to preferred shares, high yield bonds, and senior loans. The asset mix of the Fund at the end of December was 77.4% investment grade corporate bonds, 11.4% preferred shares, 9.8% high yield bonds and senior loans (through the Leith Wheeler Multi Credit Fund), 0.1% hedging and 1.3% cash and equivalents.

The Bank of Canada and the US Federal Reserve increased their policy rate by a cumulative total of about 4% in 2022 and have indicated that they are close to the end of their rate tightening cycles. However, central banks and markets have lower confidence about the time frame for getting back to inflation targets. The government bond yield curve also continued to invert as shorter-term yields rose more than longer-term yields. Compared to the beginning of the year, short term government bond yields increased approximately 4.0% while long-term bond yields rose 1.75%.

Corporate bond portfolio returns were negative for 2022 as central banks pursued tighter monetary policy throughout the year to combat inflation, and credit spreads widened. Inflation in Canada and the US have exhibited signs of rolling over since the peaks reached in the summer of 2022. Corporate credit strengthened towards the end of the year as the market started to anticipate the end of central bank interest hikes and the portfolio has benefited. We added to credit throughout the year on weakness and continue to position the portfolio overweight with a bias towards short-dated, higher quality issuers.

High yield portfolio returns were positive in the second half of the year, following the deeply negative first half of 2022. Credit spreads in the high yield market tightened in the second half of 2022, ending the year at 4.0%. Expected default rates for both high yield bonds and bank loans remain at levels near the long-term average. The high yield portfolio continues to be positioned with a bias towards owning fixed rate high yield bonds over bank loans, as high yield bond prices offer opportunistic valuation discounts to loans. Currently, bank loans represent approximately one-quarter of the overall portfolio.

We believe that most of the pain from rising bond yields was transmitted to investors in the first half of 2022. With yields now substantially higher, we think that the overall return outlook from fixed income is relatively attractive.

The preferred share market was down 10 of 12 months in 2022 due to bearish market sentiment as rates rose. In terms of volume, Canadian preferred share ETFs had the worst showing since 2017, as investors withdrew a total of \$1.2 billion from ETFs in 2022. The Leith Wheeler Preferred Share Fund declined by -18.9% in 2022 and underperformed the S&P/TSX Preferred Share Index by 0.81%. The Fund remains overweight rate reset preferreds at 84.7%, and underweight perpetual preferreds at 14.0%. The Fund has no exposure to floating rate preferred shares, which make up 3.4% of the Index.

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## Management Discussion of Fund Performance (cont.)

### Recent Developments

In January 2023, the Bank of Canada raised its key interest rate to 4.5%, and the S&P/TSX Preferred Share Index rose +7.3%.

### 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 1,663,446 Series A units of the Leith Wheeler Multi Credit Fund and 2,146,744 Series A units of the Leith Wheeler Preferred Share 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 0.75% and 0.50%, respectively. During the year, the Fund paid the Manager \$42,924 for Series B and \$79,189 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.

<b>Series A (inception May 29, 2014)</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Net assets attributable to holders of redeemable units - per unit, beginning of period <sup>(1)</sup>	\$10.42	\$10.53	\$10.12	\$9.89	\$10.21
Increase (decrease) from operations:					
Total revenue	0.37	0.31	0.32	0.34	0.36
Total expenses	-	-	-	-	-
Realized gains (losses) for the year	(0.47)	0.08	0.05	0.09	(0.03)
Unrealized gains (losses) for the year	(0.76)	(0.12)	0.32	0.24	(0.38)
Total increase (decrease) from operations <sup>(1)</sup>	(0.86)	0.27	0.69	0.67	(0.05)
Distributions:					
From income (excluding dividends)	(0.30)	(0.27)	(0.26)	(0.26)	(0.23)
From dividends	(0.05)	(0.05)	(0.07)	(0.07)	(0.08)
From capital gains	-	(0.07)	(0.04)	(0.10)	-
Return of capital	-	-	-	-	-
Total Annual Distributions <sup>(2)</sup>	(0.35)	(0.39)	(0.37)	(0.43)	(0.31)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$9.24	\$10.42	\$10.53	\$10.12	\$9.89

<b>Series B (inception May 29, 2014)</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Net assets attributable to holders of redeemable units - per unit, beginning of period <sup>(1)</sup>	\$10.26	\$10.36	\$9.90	\$9.69	\$9.95
Increase (decrease) from operations:					
Total revenue	0.35	0.33	0.24	0.39	(0.68)
Total expenses	(0.06)	(0.08)	(0.05)	(0.21)	(0.18)
Realized gains (losses) for the year	(0.46)	0.09	0.04	0.11	0.06
Unrealized gains (losses) for the year	(0.72)	(0.14)	0.24	0.28	0.71
Total increase (decrease) from operations <sup>(1)</sup>	(0.89)	0.20	0.47	0.57	(0.09)
Distributions:					
From income (excluding dividends)	(0.18)	(0.17)	(0.15)	(0.18)	(0.11)
From dividends	(0.04)	(0.05)	(0.05)	(0.07)	(0.07)
From capital gains	-	(0.07)	(0.03)	(0.10)	-
Return of capital	-	-	-	-	-
Total Annual Distributions <sup>(2)</sup>	(0.22)	(0.29)	(0.23)	(0.35)	(0.18)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$9.14	\$10.26	\$10.36	\$9.90	\$9.69

## 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 period <sup>(1)</sup>	\$9.98	\$10.05	\$9.63	\$9.44	\$9.69
Increase (decrease) from operations:					
Total revenue	0.34	0.31	0.36	0.29	0.37
Total expenses	(0.05)	(0.05)	(0.07)	(0.01)	(0.02)
Realized gains (losses) for the year	(0.44)	0.08	0.06	0.08	(0.04)
Unrealized gains (losses) for the year	(0.69)	(0.13)	0.35	0.21	(0.38)
Total increase (decrease) from operations <sup>(1)</sup>	(0.84)	0.21	0.70	0.57	(0.07)
Distributions:					
From income (excluding dividends)	(0.24)	(0.15)	(0.19)	(0.22)	(0.13)
From dividends	(0.05)	(0.05)	(0.06)	(0.07)	(0.05)
From capital gains	-	(0.07)	(0.03)	(0.10)	-
Return of capital	-	-	-	-	-
Total Annual Distributions <sup>(2)</sup>	(0.29)	(0.27)	(0.28)	(0.39)	(0.18)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$8.85	\$9.98	\$10.05	\$9.63	\$9.44

(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 May 29, 2014)	2022	2021	2020	2019	2018
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	126,924	125,959	95,760	115,955	128,309
Number of units outstanding (000s) <sup>(1)</sup>	13,741	12,088	9,090	11,458	12,971
Management expense ratio (%) <sup>(2)</sup>	-	-	-	-	-
Management expense ratio before waivers or absorptions (%)	0.02	0.02	0.02	0.02	0.02
Trading expense ratio (%) <sup>(3)</sup>	0.01	0.01	0.01	-	0.01
Portfolio turnover rate (%) <sup>(4)</sup>	139.79	76.48	167.19	101.88	112.09
Net assets attributable to holders of redeemable units - per unit (\$)	9.24	10.42	10.53	10.12	9.89

Series B (inception May 29, 2014)	2022	2021	2020	2019	2018
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	5,139	6,182	5,230	8,266	8,111
Number of units outstanding (000s) <sup>(1)</sup>	562	603	505	835	837
Management expense ratio (%) <sup>(2)</sup>	0.80	0.80	0.80	0.79	0.79
Management expense ratio before waivers or absorptions (%)	0.82	0.82	0.82	0.81	0.81
Trading expense ratio (%) <sup>(3)</sup>	0.01	0.01	0.01	-	0.01
Portfolio turnover rate (%) <sup>(4)</sup>	139.79	76.48	167.19	101.88	112.09
Net assets attributable to holders of redeemable units - per unit (\$)	9.14	10.26	10.36	9.90	9.69

Series F (inception September 10, 2015)	2022	2021	2020	2019	2018
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	16,707	17,307	22,018	26,336	24,915
Number of units outstanding (000s) <sup>(1)</sup>	1,888	1,734	2,191	2,734	2,638
Management expense ratio (%) <sup>(2)</sup>	0.53	0.54	0.54	0.53	0.53
Management expense ratio before waivers or absorptions (%)	0.55	0.56	0.56	0.55	0.55
Trading expense ratio (%) <sup>(3)</sup>	0.01	0.01	0.01	-	0.01
Portfolio turnover rate (%) <sup>(4)</sup>	139.79	76.48	167.19	101.88	112.09
Net assets attributable to holders of redeemable units - per unit (\$)	8.85	9.98	10.05	9.63	9.44

- (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

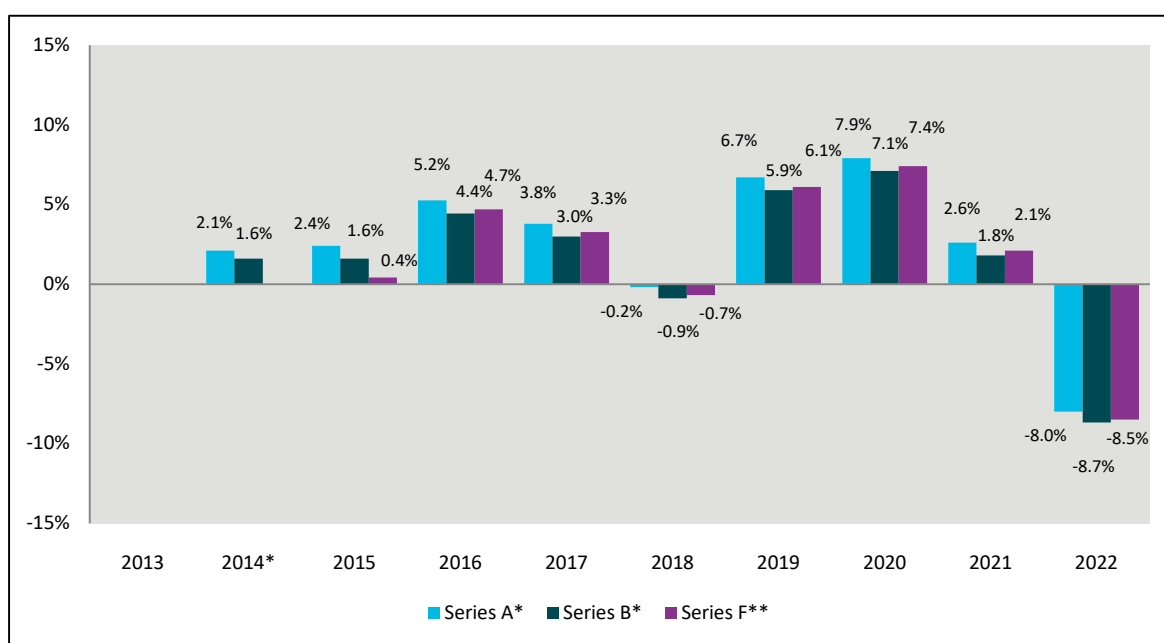
### General

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 and Series B units were created May 29, 2014. Return from May 29, 2014 to December 31, 2014, 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 a blended benchmark return for the year ended December 31, 2022. The blended benchmark (the "Benchmark") is comprised of 50% FTSE Canada Short Term Corporate Bond Index and 50% FTSE Canada Mid Term Corporate Bond Index. Each of these indices is used as a proxy to measure returns for the associated asset classes. The FTSE Canada Short Term Corporate Bond Index measures the total return attributable to bonds with maturities 5 years and under. The FTSE Canada Mid Term Corporate Bond Index measures the total return attributable to bonds with maturities between 5 to 10 years. A discussion of the performance of the Fund as compared to this broad-based 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 *	-8.0%	0.6%	1.7%	n/a
Benchmark	-7.2%	-0.1%	1.6%	n/a
Fund – Series B *	-8.7%	-0.2%	0.9%	n/a
Benchmark	-7.2%	-0.1%	1.6%	n/a
Fund – Series F **	-8.5%	0.1%	1.1%	n/a
Benchmark	-7.2%	-0.1%	1.6%	n/a

\* Series A and Series B units were created May 29, 2014.

\*\* 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
Leith Wheeler Preferred Share Fund Series A	11.3%
Leith Wheeler Multi Credit Fund Series A	9.5%
Bell Telephone Co of Canada or Bell Canada 2.50% May 14, 2030	2.0%
BP Capital Markets PLC 4.38% June 22, 2025	1.6%
Toronto-Dominion Bank 3.10% April 22, 2030	1.6%
Bank of Nova Scotia 1.40% November 01, 2027	1.5%
Toronto-Dominion Bank 4.86% March 04, 2031	1.5%
Royal Bank of Canada 1.83% July 31, 2028	1.4%
TransCanada PipeLines Ltd 3.00% September 18, 2029	1.3%
Bank of America Corp 2.93% April 25, 2025	1.3%
Choice Properties Real Estate Investment Trust 2.85% May 21, 2027	1.2%
Bank of Montreal 6.53% October 27, 2032	1.2%
Transcanada Trust 5.30% March 15, 2077	1.1%
North West Redwater Partnership / NWR Financing Co Ltd 4.25% June 01, 2029	1.1%
Cenovus Energy Inc 3.50% February 07, 2028	1.0%
Brookfield Infrastructure Finance ULC 4.19% September 11, 2028	1.0%
Shaw Communications Inc 2.90% December 09, 2030	1.0%
Enbridge Gas Inc 2.35% September 15, 2031	1.0%
Bank of Montreal 1.55% May 28, 2026	0.9%
Manulife Financial Corp 2.82% May 13, 2035	0.9%
Cash & Other Net Assets	0.9%
Inter Pipeline Ltd 5.76% February 17, 2028	0.9%
OMERS Realty Corp 5.38% November 14, 2028	0.8%
Pembina Pipeline Corp 4.24% June 15, 2027	0.8%
Toronto-Dominion Bank 1.90% September 11, 2028	0.8%

### Portfolio Allocation

Portfolio Breakdown	% of Net Asset Value
Bonds	77.4%
Preferred Shares	11.4%
High Yield Bonds	7.0%
Senior Loans	2.8%
Cash & Other Net Assets	1.3%
Hedging	0.1%

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)*