

Financial Statements  
(Expressed in United States dollars)

## **LEITH WHEELER U.S. DIVIDEND FUND**

And Independent Auditor's Report thereon  
Years ended December 31, 2022 and 2021

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Leith Wheeler U.S. Dividend Fund (the "Fund") have been prepared by the Manager, Leith Wheeler Investment Counsel Ltd. The Manager is responsible for the preparation and presentation of the Fund's financial statements and the development of internal controls over the financial reporting process.

The Board of Directors of the Manager is responsible for reviewing and approving the financial statements and for overseeing the Manager's performance of its financial reporting responsibilities. The Board of Directors has approved the accompanying financial statements of the Fund.

KPMG LLP, the external auditors of the Fund, were appointed by the Manager. As explained in their auditor's report, KPMG LLP have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements.

### Leith Wheeler Investment Counsel Ltd.

"James F. Gilliland"

President and Chief Executive Officer

"Cecilia Wong"

Chief Financial Officer

March 30, 2023



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## INDEPENDENT AUDITOR'S REPORT

To the Unitholders of the Leith Wheeler U.S. Dividend Fund

### ***Opinion***

We have audited the financial statements of the Leith Wheeler U.S. Dividend Fund (the "Fund"), which comprise:

- the statements of financial position as at December 31, 2022 and December 31, 2021
- the statements of comprehensive income for the years then ended
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2022 and December 31, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### ***Other Information***

Management is responsible for the other information. Other information comprises:

- the Annual Management Report of Fund Performance filed with the relevant Canadian Securities Commissions

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in the Annual Management Report of Fund Performance filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

### ***Responsibilities of the Manager and Those Charged with Governance for the Financial Statements***

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as issued by the IASB, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.



Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants

Vancouver, Canada  
March 30, 2023

# LEITH WHEELER U.S. DIVIDEND FUND

## Statements of Financial Position

(Expressed in thousands of United States dollars except for per unit amounts)

December 31, 2022 and 2021

	Note	2022	2021
<b>Assets</b>			
Cash		\$ 102	\$ 116
Interest and dividends receivable		43	36
Investments		18,342	18,808
<b>Net assets</b> , attributable to holders of redeemable units		<b>\$ 18,487</b>	<b>\$ 18,960</b>
Represented by:			
Series A		\$ 18,442	\$ 18,773
Series B		3	129
Series F		42	58
		<b>\$ 18,487</b>	<b>\$ 18,960</b>
Net assets, attributable to holders of redeemable units per unit:			
Series A		\$ 12.07	\$ 11.95
Series B		12.34	12.14
Series F		12.21	12.04

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board of  
Leith Wheeler Investment Counsel Ltd.,  
in its capacity as Manager.

"James F. Gilliland" Director "Jonathon D. Palfrey" Director

# LEITH WHEELER U.S. DIVIDEND FUND

Statements of Comprehensive Income

(Expressed in thousands of United States dollars except for per unit amounts)

Years ended December 31, 2022 and 2021

	Note	2022	2021
Revenue:			
Dividend income		\$ 518	\$ 462
Changes in fair value of investments:			
Net realized gain (loss)		1,436	1,721
Net change in unrealized appreciation (depreciation)		(1,265)	2,210
Total revenue (loss)		689	4,393
Expenses:			
Management fees	1	2	2
Withholding taxes	2	57	51
Commissions and transaction costs		5	11
Filing fees		8	8
Audit fees		9	11
GST/HST		1	1
Custodial fees		2	3
Independent review committee fees		1	2
Legal fees		-	3
Total operating expenses		85	92
Expenses waived or absorbed by Manager		(21)	(28)
Net operating expenses		64	64
Increase (decrease) in net assets attributable to holders of redeemable units from operations excluding distributions		625	4,329
Distributions to holders of redeemable units:			
From net investment income		(449)	(384)
		(449)	(384)
Increase (decrease) in net assets attributable to holders of redeemable units		\$ 176	\$ 3,945
Increase (decrease) in net assets attributable to holders of redeemable units:			
Series A		\$ 186	\$ 3,915
Series B		(10)	11
Series F		-	19
		\$ 176	\$ 3,945
Increase (decrease) in net assets attributable to holders of redeemable units per unit (excluding distributions):			
Series A		\$ 0.40	\$ 2.68
Series B		(1.40)	1.74
Series F		0.16	2.90

The accompanying notes are an integral part of these financial statements.

# LEITH WHEELER U.S. DIVIDEND FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units  
(Expressed in thousands of United States dollars)

Years ended December 31, 2022 and 2021

Series A	2022	2021
Balance, beginning of year	\$ 18,773	\$ 15,951
Increase (decrease) in net assets attributable to holders of redeemable units	186	3,915
Redeemable unit transactions:		
Issue of redeemable units	1,001	3,009
Reinvestments of distributions	448	382
Redemption of redeemable units	(1,966)	(4,484)
Net increase (decrease) from redeemable unit transactions	(517)	(1,093)
Balance, end of year	\$ 18,442	\$ 18,773

Series B	2022	2021
Balance, beginning of year	\$ 129	\$ 28
Increase (decrease) in net assets attributable to holders of redeemable units	(10)	11
Redeemable unit transactions:		
Issue of redeemable units	28	104
Reinvestment of distributions	1	2
Redemption of redeemable units	(145)	(16)
Net increase (decrease) from redeemable unit transactions	(116)	90
Balance, end of year	\$ 3	\$ 129

Series F	2022	2021
Balance, beginning of year	\$ 58	\$ 78
Increase (decrease) in net assets attributable to holders of redeemable units	-	19
Redeemable unit transactions:		
Issue of redeemable units	-	-
Reinvestment of distributions	-	-
Redemption of redeemable units	(16)	(39)
Net increase (decrease) from redeemable unit transactions	(16)	(39)
Balance, end of year	\$ 42	\$ 58

The accompanying notes are an integral part of these financial statements.



# LEITH WHEELER U.S. DIVIDEND FUND

## Statements of Cash Flows

(Expressed in thousands of United States dollars)

Years ended December 31, 2022 and 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 176	\$ 3,945
Adjustments for:		
Net realized (gain) loss from investments	(1,436)	(1,721)
Net change in unrealized (appreciation) depreciation from investments	1,265	(2,210)
Dividend income	(518)	(462)
Proceeds from sale of investments	6,113	9,287
Purchase of investments	(5,476)	(8,236)
Dividends received	511	463
	635	1,066
Financing activities:		
Proceeds from issue of redeemable units	1,029	3,113
Reinvestments of distributions	449	384
Payments on redemption of redeemable units	(2,127)	(4,539)
	(649)	(1,042)
Net increase (decrease) in cash	(14)	24
Cash, beginning of year	116	92
Cash, end of year	\$ 102	\$ 116

The accompanying notes are an integral part of these financial statements.

# LEITH WHEELER U.S. DIVIDEND FUND

Schedule of Investment Portfolio

(Expressed in thousands of United States dollars)

December 31, 2022

Security	Number of holdings	Cost	Fair value	% of Net assets
<b>U.S. Equity:</b>				
<b>Communication Services:</b>				
Comcast Corp	10,914	\$ 512	\$ 382	
		512	382	<b>2.1</b>
<b>Consumer Discretionary:</b>				
Advance Auto Parts Inc	1,319	259	194	
		259	194	<b>1.0</b>
<b>Consumer Staple:</b>				
Coca-Cola Europacific Partners PLC	10,671	485	590	
Molson Coors Beverage Co	5,720	301	295	
Philip Morris International Inc	8,975	833	908	
Procter & Gamble Co	3,260	433	494	
		2,052	2,287	<b>12.4</b>
<b>Energy:</b>				
Enbridge Inc	12,150	489	475	
Hess Corp	4,370	272	620	
Phillips 66	7,992	628	832	
Valero Energy Corp	1,797	129	228	
		1,518	2,155	<b>11.7</b>
<b>Financials:</b>				
Allstate Corp	5,186	608	704	
Chubb Ltd	2,867	412	632	
JPMorgan Chase & Co	4,450	487	597	
Northern Trust Corp	4,207	410	372	
US Bancorp	8,745	424	381	
Wells Fargo & Co	14,830	538	612	
		2,879	3,298	<b>17.8</b>
<b>Health Care:</b>				
Becton Dickinson and Co	1,498	372	381	
Cigna Corp	2,624	542	869	
CVS Health Corp	6,447	496	601	
Humana Inc	473	193	242	
Johnson & Johnson	2,739	422	484	
Medtronic PLC	5,403	552	420	
Merck & Co Inc	9,152	702	1,016	
Perrigo Co PLC	6,100	267	208	
UnitedHealth Group Inc	1,208	358	640	
		3,904	4,861	<b>26.3</b>
<b>Industrials:</b>				
Deere & Co	677	141	290	
General Dynamics Corp	1,790	298	444	
Raytheon Technologies Corp	6,280	513	634	
Stanley Black & Decker Inc	6,442	806	484	
		1,758	1,852	<b>10.0</b>

# LEITH WHEELER U.S. DIVIDEND FUND

Schedule of Investment Portfolio (continued)  
(Expressed in thousands of United States dollars)

December 31, 2022

Security	Number of holdings	Cost	Fair value	% of Net assets
<b>U.S. Equity (continued):</b>				
<b>Information Technology:</b>				
Oracle Corp	8,195	\$ 527	\$ 670	
		<u>527</u>	<u>670</u>	<u>3.6</u>
<b>Materials:</b>				
Air Products and Chemicals Inc	2,544	671	784	
DuPont de Nemours Inc	7,440	549	511	
International Flavors & Fragrances Inc	3,862	513	405	
		<u>1,733</u>	<u>1,700</u>	<u>9.2</u>
<b>Real Estate:</b>				
Corporate Office Properties Trust	6,700	175	174	
		<u>175</u>	<u>174</u>	<u>0.9</u>
<b>Utilities:</b>				
Entergy Corp	3,491	320	393	
Pinnacle West Capital Corp	4,948	355	376	
		<u>675</u>	<u>769</u>	<u>4.2</u>
<b>TOTAL U.S. EQUITY</b>		<b>\$ 15,992</b>	<b>\$ 18,342</b>	<b>99.2</b>
<b>TRANSACTION COSTS</b>		<u>(3)</u>		
<b>TOTAL INVESTMENT PORTFOLIO</b>		<b>\$ 15,989</b>	<b>\$ 18,342</b>	<b>99.2</b>
<b>OTHER ASSETS LESS LIABILITIES</b>			<u>145</u>	<u>0.8</u>
<b>NET ASSETS</b>			<b>\$ 18,487</b>	<b>100.0</b>

The accompanying notes are an integral part of these financial statements.

# LEITH WHEELER U.S. DIVIDEND FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of United States dollars or units)

Years ended December 31, 2022 and 2021

The Fund Specific Information contained herein should be read in conjunction with the "Notes to Financial Statements - General Information related to all Leith Wheeler Investment Funds" beginning after the "Notes to Financial Statements - Fund Specific Information".

## 1. Management fees and expenses:

Management fees in respect of Series B are calculated at a maximum of 1.25% per annum, before GST/HST, of the daily Net Asset Value of Series B. Management fees in respect of Series F are calculated at a maximum of 0.95% per annum, before GST/HST, of the daily Net Asset Value of Series F. Management fee distributions for the year ended December 31, 2022 were nil (2021 - nil). No management fees were paid with respect to Series A units.

## 2. Withholding tax and other income taxes:

Certain dividends and interest income received by the Fund are subject to withholding tax imposed in the country of origin. During the year ended December 31, 2022, withholding tax rates were between 0% and 35% (2021 - between 0% and 35%).

The Fund has capital losses of approximately \$350,000 (2021 - \$1,955,000) available for utilization against capital gains in future years. The Fund has non-capital losses of nil (2021 - nil) available for utilization against net realized capital gains or non-capital gains in future years.

## 3. Redeemable units:

The redeemable unit transactions for the Fund during the years ended December 31, 2022 and 2021 are as follows:

	Outstanding units at beginning of year	Issued during the year	Issued on reinvestment of distributions	Redeemed during the year	Outstanding units at end of year
Series A:					
2022	1,571	84	39	(166)	1,528
2021	1,661	277	34	(401)	1,571
Series B:					
2022	11	2	-	(13)	-
2021	3	9	-	(1)	11
Series F:					
2022	5	-	-	(1)	4
2021	8	-	-	(3)	5

# LEITH WHEELER U.S. DIVIDEND FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of United States dollars or units)

Years ended December 31, 2022 and 2021

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## 4. Financial risk management:

The investment objective of the Fund is to provide superior long-term investment returns by investing in equity securities trading on the major markets in the United States. The Fund may also invest in convertible securities of U.S. issuers or equivalent equity securities. The Fund is not exposed to significant credit or interest rate risks. Furthermore, as the functional currency of the Fund is U.S. dollars and its net assets are comprised principally of U.S. dollar denominated instruments, the Fund is not exposed to significant currency risk. However, unitholders may be directly exposed to currency risk outside the Fund if the account holding the Fund is denominated in Canadian dollars.

For a comprehensive discussion of the risks applicable to the Fund refer to note 6 under the “General Information related to all Leith Wheeler Investment Funds”. Financial risks applicable to the Fund are discussed in more detail below.

### (a) Liquidity risk:

The Fund’s redeemable units are due on demand. The Fund’s remaining liabilities are due within twelve months of the year-end of the Fund.

### (b) Market risk:

#### (i) Other price risk:

For this Fund, the most significant exposure to other price risk arises from its investment in equity instruments. As at December 31, 2022 and 2021, had the relevant benchmark/broad-based indices increased or decreased by 5%, with all other variables held constant, the net assets attributable to holders of redeemable units would have increased or decreased by approximately \$917,000 and \$940,000, respectively. In practice, actual results may differ from this sensitivity analysis and these differences could be material.

## 5. Fair value of financial instruments:

For a general discussion of the Fund’s fair value measurements, refer to note 7 under the “General Information related to all Leith Wheeler Investment Funds”.

### (a) Fair value hierarchy - financial instruments measured at fair value:

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

# LEITH WHEELER U.S. DIVIDEND FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of United States dollars or units)

Years ended December 31, 2022 and 2021

## 5. Fair value of financial instruments (continued):

(a) Fair value hierarchy - financial instruments measured at fair value (continued):

All fair value measurements below are recurring.

<b>December 31, 2022</b>	Level 1		Level 2		Level 3		Total
Equities - Long	\$	18,342	\$	-	\$	-	\$ 18,342

<b>December 31, 2021</b>	Level 1		Level 2		Level 3		Total
Equities - Long	\$	18,808	\$	-	\$	-	\$ 18,808

During the year, there were no transfers of financial instruments between the three levels (2021 - nil).

# LEITH WHEELER U.S. DIVIDEND FUND

Notes to Financial Statements - General Information Related to All Leith Wheeler Investment Funds  
(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2022 and 2021

## 1. Reporting entity:

The Leith Wheeler Investment Funds (individually, a "Fund" and collectively, the "Funds") consist of:

Fund	Inception
Leith Wheeler Balanced Fund	September 22, 1987
Leith Wheeler Canadian Dividend Fund	December 21, 2010
Leith Wheeler Canadian Equity Fund	April 27, 1994
Leith Wheeler Carbon Constrained Canadian Equity Fund	September 27, 2017
Leith Wheeler Core Bond Fund	April 27, 1994
Leith Wheeler Corporate Advantage Fund	May 29, 2015
Leith Wheeler Emerging Markets Equity Fund	May 19, 2017
Leith Wheeler High Yield Bond Fund	May 27, 2015
Leith Wheeler Income Advantage Fund	December 21, 2010
Leith Wheeler International Equity Plus Fund	October 31, 2007
Leith Wheeler Money Market Fund	April 27, 1994
Leith Wheeler Multi Credit Fund	May 30, 2017
Leith Wheeler Preferred Share Fund	May 22, 2018
Leith Wheeler Short Term Income Fund	December 15, 2016
Leith Wheeler U.S. Dividend Fund	September 26, 2016
Leith Wheeler U.S. Equity Fund	April 27, 1994
Leith Wheeler U.S. Small/Mid-Cap Equity Fund	October 27, 2016

The Funds were established under the laws of British Columbia pursuant to various trust indentures between Leith Wheeler Investment Counsel Ltd., as manager (the "Manager"), and Canada Trust Company, as trustee. The Funds' current trustee is CIBC Mellon Trust Company and the Funds' custodian is CIBC Mellon.

The trust indentures for all the above Funds allow for an unlimited number of series and an unlimited number of units of each series. Currently authorized series of units are as follows: Series A and Series A (CAD Hedged), Series B and Series B (CAD Hedged), Series F and Series F (CAD Hedged), Series FP1 and Series I1.

Series A and Series A (CAD Hedged) units have no management fees. Unitholders of Series A and Series A (CAD Hedged) units pay a negotiated fee directly to the Manager and are available to investors that satisfy certain criteria related to the nature of the investors and certain other matters as established by the Manager. Series B and Series B (CAD Hedged) units carry management fees and are available to all investors. Series F, Series F (CAD Hedged), Series FP1 and Series I1 units carry reduced management fees and are available to investors who have accounts with dealers who have signed a fee-based agreement with the Manager.

# LEITH WHEELER U.S. DIVIDEND FUND

Notes to Financial Statements - General Information Related to All Leith Wheeler Investment Funds  
(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2022 and 2021

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## 1. Reporting entity (continued):

The Leith Wheeler High Yield Bond Fund has Series A, Series A (CAD Hedged), Series B and Series B (CAD Hedged) and Series F and Series F (CAD Hedged) units outstanding. The Leith Wheeler U.S. Dividend Fund has Series A, Series B, Series F and Series FP1 units outstanding. The Leith Wheeler Short Term Income Fund has Series A, Series B, Series F and Series I1 units outstanding. The Leith Wheeler Balanced Fund, Leith Wheeler Canadian Dividend Fund, Leith Wheeler Carbon Constrained Canadian Equity Fund, Leith Wheeler Corporate Advantage Fund, Leith Wheeler Emerging Markets Equity Fund, Leith Wheeler Income Advantage Fund, Leith Wheeler International Equity Plus Fund, Leith Wheeler Multi Credit Fund, Leith Wheeler Preferred Share Fund, Leith Wheeler U.S. Equity Fund and Leith Wheeler U.S. Small/Mid-Cap Equity Fund have Series A, Series B and Series F units outstanding. All other remaining Funds have Series A and Series B units outstanding.

The information provided in these financial statements and notes thereto is for the years ended December 31, 2022 and 2021. In the year a Fund or series is established, "period" represents the time period from inception to December 31 of that fiscal year.

The general information related to all Funds presented here should be read in conjunction with each respective Fund's "Notes to Financial Statements - Fund Specific Information".

The Funds are unit trusts domiciled in Canada. The address of the Funds' registered office is at 1500 - 400 Burrard Street, Vancouver B.C., V6C 3A6.

## 2. Basis of preparation:

### (a) Statement of compliance:

The financial statements of the Funds have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The financial statements were authorized for issue by the Manager on March 30, 2023.

### (b) Basis of measurement:

The financial statements have been prepared on a historical cost basis except for investments and derivatives, which are measured at fair value.

### (c) Functional and presentation currency:

The Funds', with the exception of the Leith Wheeler U.S. Dividend Fund, have their subscriptions, redemptions, price and performance denominated in Canadian dollars, which is their functional and presentation currency. The Leith Wheeler U.S. Dividend Fund has its subscriptions, redemptions, price and performance denominated in U.S. dollars, which is the functional and presentation currency of that respective Fund.

### (d) Use of estimates and judgment:

The preparation of financial statements in conformity with IFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.



# LEITH WHEELER U.S. DIVIDEND FUND

Notes to Financial Statements - General Information Related to All Leith Wheeler Investment Funds  
(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2022 and 2021

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## 2. Basis of preparation (continued):

### (d) Use of estimates and judgment (continued):

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected.

## 3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### (a) Financial instruments:

#### (i) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities are recognized initially on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. The Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset that is a debt instrument is measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

A financial asset that is a debt instrument is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and sell financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

# LEITH WHEELER U.S. DIVIDEND FUND

Notes to Financial Statements - General Information Related to All Leith Wheeler Investment Funds  
(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2022 and 2021

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## 3. Significant accounting policies (continued):

### (a) Financial instruments (continued):

#### (i) Recognition and measurement (continued):

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition the Fund may irrevocably elect to measure financial assets that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL when doing so results in more relevant information.

Financial assets are not reclassified subsequent to their initial recognition, unless the Fund changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Fund has not classified any of its financial assets as FVOCI.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at fair value through profit or loss, such as derivatives liabilities. The Fund may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

#### (ii) Fair value through profit and loss:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statements of comprehensive income in the period in which they occur. The Fund's derivative financial assets and derivative financial liabilities and investments in securities and investments sold short are classified as FVTPL.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

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## 3. Significant accounting policies (continued):

### (a) Financial instruments (continued):

#### (ii) Fair value through profit and loss (continued):

The fair value of financial assets and liabilities that are not traded in an active market, including non-publicly traded derivative instruments, is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

#### (iii) Amortized cost:

Financial assets and liabilities classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method, less any impairment losses. The Fund classifies cash, dividends receivable, interest receivable, subscriptions receivable, balances due from brokers, daily variation margins, other receivables, bank indebtedness, management fees payable, performance fees payable, redemptions payable, balances due to brokers and other accrued liabilities as amortized cost.

### (b) Redeemable units:

The Funds classify financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The redeemable units are designated as financial liabilities at FVTPL because they are managed and their performance evaluated on a fair value basis. The redeemable units provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Fund's valuation policies at each redemption date. Distributions to holders of redeemable units are recognized in comprehensive income when they are authorized and no longer at the discretion of the Manager.

### (c) Increase (decrease) in net assets attributable to holders of redeemable units per unit (excluding distributions):

The increase (decrease) in net assets attributable to holders of redeemable units per unit (excluding distributions) is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units, prior to the deduction of distributions recognized in comprehensive income, by the weighted average number of units outstanding during the period.

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## 3. Significant accounting policies (continued):

### (d) Foreign exchange:

The financial statements of the Funds are denominated in Canadian dollars, with the exception of the Leith Wheeler U.S. Dividend Fund, which is denominated in U.S. dollars. Foreign denominated investments and other foreign denominated assets and liabilities are translated into functional currency using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses are recognized in the statement of comprehensive income.

### (e) Income recognition:

Interest income is recognized on an accrual basis. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Income and capital gains distributions from pooled fund investments are recorded at the distribution date and maintain the same classification. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments and unrealized appreciation/depreciation in investments are determined on the average cost basis of the respective investments.

### (f) Income taxes:

The Funds qualify as unit trusts under the Income Tax Act (Canada). All of the Funds' net income for tax purposes and net capital gains realized in any year are required to be distributed to unitholders such that no income tax is payable by the Funds. As a result, the Funds do not record income taxes.

Net capital losses are available to be carried forward indefinitely and applied against future net realized capital gains. Non-capital losses may be carried forward up to 20 years to reduce future taxable income.

## 4. Related party transactions:

### (a) Management fees:

The Manager is paid a management fee by the Funds, calculated daily and paid quarterly, as compensation for its services. No management fees are paid by the Funds with respect to Series A and Series A (CAD Hedged) units. Series A and Series A (CAD Hedged) unitholders pay a negotiated fee directly to the Manager outside of the Fund for investment management services.

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## 4. Related party transactions (continued):

### (b) Operating expenses:

The Manager is also entitled to reimbursement of reasonable operating expenses incurred on behalf of the Fund in connection with charges made for registry and transfer agency services, dividend and distribution crediting services, services required in connection with the provision of information and reports to unitholders and holding unitholders' meetings, independent review committee, interest expense, accounting, audit, recordkeeping and legal fees, and custodian and safekeeping charges. The Funds pay brokerage commissions, transaction costs and taxes.

The Manager has at times absorbed certain expenses incurred on behalf of the Funds, in which case such amounts are shown as a deduction from expenses in the respective Fund's statement of comprehensive income. The Manager is under no legal obligation to continue these arrangements, and may terminate them at any time.

## 5. Capital management:

The redeemable units issued by the Funds represent the capital of the Funds. The Funds are not subject to any internally or externally imposed restrictions on its capital. The Funds' objectives in managing the redeemable units are to ensure a stable base to maximize returns to all investors and to manage liquidity risk arising from redemptions.

## 6. Financial risk management:

The following is a general discussion of the financial risks to which the Funds are exposed. Refer to the discussion on financial risk management (note 4) in the Fund Specific Information following each Fund's financial statements for information specific to the respective Fund.

In February 2022, events concerning Russia and Ukraine have resulted in sanctions being levied against Russian interests by numerous countries. As a result of this ongoing situation the price and liquidity of Russian securities issuers have declined significantly, including extended halting of trading. The duration and impact of this situation remains unclear at this time. Direct exposure to Russian securities, where applicable, is disclosed in the notes section of the respective fund.

### Risk management framework:

The Funds use financial instruments in order to achieve their respective investment objectives. The Funds' investments are presented in each Fund's respective schedule of investment portfolio, which groups securities by asset type, geographic region and/or market segment.

The use of financial instruments subjects the Funds to a variety of financial instrument risks. The Funds' risk management practices include setting investment policies to limit exposures to financial instrument risks and employing experienced and professional investment advisors to invest the Funds' capital in securities within the constraints of investment policies. The Manager regularly monitors the Funds' performance and compliance with the investment policies.

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## 6. Financial risk management (continued):

The significant financial instrument risks, to which the Funds are exposed, along with the specific risk management practices related to those risks, are discussed below.

### (a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from debt securities held, derivative financial assets, cash, and other receivables due to the Fund. The carrying value of these financial instruments as recorded in the statements of financial position reflects the Fund's maximum exposure to credit risk.

The risk management strategy for the Funds is to invest primarily in debt obligations of high credit quality issuers and to limit the amount of credit exposure with respect to any one corporate issuer.

Credit risk is mitigated by investing primarily in rated instruments. The Funds receive daily rating updates, which are reviewed accordingly. Credit risk is monitored on a daily basis by the Manager in accordance with the Funds' investment policies. If the credit risk is not in accordance with the investment policy or guidelines of the Fund, then the Manager is obliged to rebalance the portfolio as soon as practicable.

The Funds' activities may give rise to settlement risk. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities, or other assets as contractually agreed. For the majority of transactions, the Funds mitigate this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

### (b) Liquidity risk:

Liquidity risk is the risk that the Funds will encounter difficulty in meeting the obligations associated with their financial liabilities that are settled by delivering cash or another financial asset.

The Funds' policy and the Manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, including estimated redemptions of units, without incurring unacceptable losses or risking damage to the Funds' reputation.

The Funds' prospectus provides for the daily cash redemptions of redeemable units and the Funds are therefore exposed to the liquidity risk of meeting unitholder redemptions at any time.

Liquidity risk is managed by investing the majority of a Funds' assets in investments that are traded in an active market and can be readily disposed. In addition, the Funds retain sufficient cash positions to maintain liquidity. The Funds are also subject to the requirements of NI 81-102, where each respective Fund shall not purchase an illiquid asset if, immediately after the purchase, more than 10 percent of the net assets of that particular Fund, taken at market value at the time of purchase, would consist of illiquid assets.

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## 6. Financial risk management (continued):

### (c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Funds' income or the fair value of their holdings of financial instruments.

The Funds' market risk is managed on a daily basis by the Manager in accordance with the policies and procedures in place.

### (i) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of interest-bearing financial instruments will fluctuate as a result of changes in market interest rates. In general, as interest rates rise, the fair value of interest bearing financial instruments will fall. Financial instruments with a longer term to maturity will generally have a higher interest rate risk.

Interest rate risk management practices include setting target durations based on the appropriate benchmark indices and monitoring the Funds' durations relative to the benchmarks. If interest rates are anticipated to rise, the Funds' durations can be shortened to limit potential losses. Conversely, if interest rates are anticipated to fall, the durations can be lengthened to increase potential gains.

### (ii) Currency risk:

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of a Fund, will fluctuate due to changes in foreign exchange rates. Equities in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to a Fund's functional currency in determining fair value.

Currency risk may be moderated by the Manager through the use of foreign currency contacts to hedge foreign currency exposures.

### (iii) Other price risk:

Other price risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer, or factors affecting all instruments traded in the market.

Other price risk is moderated by the Manager through a careful selection of securities within specified limits and the Funds' price risk is managed through diversification of the respective Fund. The Manager monitors the Funds' overall market positions on a daily basis and positions are maintained within established ranges.

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## 7. Fair value of financial instruments:

### (a) Valuation models:

The Funds measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs that are unobservable.

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. Observable prices and model inputs are usually available in the market for listed debt and equity securities, and exchange-traded derivatives, such as futures. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values. Where observable market prices and model inputs are not available, the Funds determine fair values using other valuation techniques. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Funds' equity and futures positions are classified as Level 1 when the security is actively traded and a reliable quoted market price is observable.

Investments in securities of another investment fund are classified as Level 1 when the investment fund is actively traded and a reliable price is observable.

Bonds and other debt securities are valued based on a matrix pricing process using multiple dealer quotations or alternative pricing sources supported by observable inputs and are classified within Level 2.

Forward foreign currency contracts are valued using present value techniques and market observable input data and accordingly are classified as Level 2.

Short-term investments and money market securities are classified as Level 2 as these instruments are valued at amortized cost, which approximates their fair value.

The Funds' net assets attributable to holders of redeemable units are classified as Level 2 since the carrying amount approximates fair value as the units are measured at the redemption amount.

Refer to the fair value of financial instruments (note 5) in the Fund Specific Information following each Fund's respective financial statements for further discussion of the respective Fund's fair value measurements.



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## **7. Fair value of financial instruments (continued):**

### **(b) Financial instruments not measured at fair value:**

The carrying value of cash, subscriptions receivable, amounts due from brokers, interest and dividends receivable, redemptions payable, amounts due to or from brokers, management fees payable, due to Manager, accounts payable, and distributions payable, approximates their fair value given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments.