

# Leith Wheeler U.S. Small/Mid-Cap Equity 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 superior long-term investment returns and income by investing primarily in a broad range of small and mid-capitalization U.S. companies. The Fund is not restricted by industry sector or size, although portfolio diversification is a consideration in the selection of securities in the Fund. Under normal circumstances, the Fund will keep its portfolio fully invested, to the greatest extent possible, in equity securities.

Our strategy employs a value approach to the management of equities. The Fund aims to maximize the long-term rate of return while preserving investment capital by avoiding investment strategies that expose portfolio assets to excessive risk; to outperform the Russell 2500 Index over a full market cycle; and to achieve an above-average ranking relative to similar mandates over a full market cycle.

### 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 increased by 2.1% in 2022 to \$19.8 million from \$19.4 million at the end of 2021. Of this change, \$1.3 million as attributable to negative investment performance and \$1.7 million to net inflows from unitholders.

For the twelve months ended December 31, 2022, the US Small/Mid-Cap Equity Fund Series A decreased -6.8% before fees, and Series B and F decreased -8.1% and -7.8%, respectively, both after fees and expenses. The Russell 2500 Index (C\$) decreased -12.5% over the same period.

Among the Index's eleven sectors, Energy was the biggest winner in 2022 on the back of higher oil and gas prices. Communication Services (-27.0%), Information Technology (-23.0%), and Health Care (-22.9%) were among the laggards.

The Fund's relative outperformance was driven by broad based stock selection, in particular within the Health Care, Industrials, and Financials sectors.

Life insurance company Globe Life (+39.1%) was the biggest contributor to outperformance over the year. Premiums, underwriting margins, and operating income increased as COVID and excess non-COVID claims continued to recede. Moreover, higher rates are starting to slowly increase the company's investment income growth. Globe Life continues to buy back shares, currently trading at an attractive valuation.

Other notable contributors in 2022 included Industrials holdings Booz Allen Hamilton (+34.9%), Univar Solutions (+20.4%), and health care provider Universal Health Services (+17.4%).

Among detractors, the largest US used car retailer Carmax (-49.8%) reported weak quarterly results as industry conditions deteriorated. We believe Carmax's favourable competitive position in the used car retailing business remains and will likely widen during this downturn.

Market volatility led to many portfolio changes over the year: five new positions were added to the Fund (Hillman Solutions, Crown Holdings, First Republic Bank, SEI Investments Company, and Cable One) while six were sold (CBRE Group, Cogent Communications, Frontdoor, Prosperity Bancshares, Starwood Property Trust, and STORE Capital).

As always, bottom-up, fundamental analysis is key to our investment decision-making process, and we continue to seek out companies with sustainable competitive advantages and reasonable business valuations.

### Recent Developments

The Russell 2500 Index (C\$) gained +8.1% 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 Balanced Fund owned 861,407 Series A units of the Fund, a fund under common management. This holding represents approximately 62.2% 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 1.25% and 0.95%, respectively. During the year, the Fund paid the Manager \$7,057 for Series B and \$13,759 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 October 27, 2016)</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 year <sup>(1)</sup> | \$16.02     | \$14.50     | \$13.84     | \$11.27     | \$11.77     |
| Increase (decrease) from operations:  |             |             |             |             |             |
| Total revenue   | 0.17        | 0.23        | 0.28        | 0.14        | 0.67        |
| Total expenses  | -           | -           | -           | -           | -           |
| Realized gains (losses) for the year  | 0.56        | 2.41        | (0.32)      | 0.18        | (0.07)      |
| Unrealized gains (losses) for the year  | (1.76)      | 1.53        | 1.70        | 2.31        | (0.74)      |
| Total increase (decrease) from operations <sup>(1)</sup>  | (1.03)      | 4.17        | 1.66        | 2.62        | (0.14)      |
| Distributions:  |             |             |             |             |             |
| From income (excluding dividends)   | -           | -           | (0.01)      | (0.01)      | (0.03)      |
| From dividends  | (0.19)      | (0.22)      | (0.20)      | (0.20)      | (0.38)      |
| From capital gains  | (0.40)      | (2.44)      | (0.16)      | (0.08)      | -           |
| Return of capital   | -           | -           | -           | -           | -           |
| Total Annual Distributions <sup>(2)</sup>   | (0.59)      | (2.66)      | (0.37)      | (0.29)      | (0.41)      |
| Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>       | \$14.33     | \$16.02     | \$14.50     | \$13.84     | \$11.27     |

| <b>Series B (inception October 27, 2016)</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 year <sup>(1)</sup> | \$15.88     | \$14.38     | \$13.81     | \$11.24     | \$11.74     |
| Increase (decrease) from operations:  |             |             |             |             |             |
| Total revenue   | 0.44        | 0.25        | 0.39        | 0.15        | (0.67)      |
| Total expenses  | (0.20)      | (0.22)      | (0.17)      | (0.26)      | (0.49)      |
| Realized gains (losses) for the year  | 1.42        | 2.60        | (0.45)      | 0.19        | 0.07        |
| Unrealized gains (losses) for the year  | (4.48)      | 1.64        | 2.34        | 2.52        | 0.74        |
| Total increase (decrease) from operations <sup>(1)</sup>  | (2.82)      | 4.27        | 2.11        | 2.60        | (0.35)      |
| Distributions:  |             |             |             |             |             |
| From income (excluding dividends)   | -           | -           | -           | -           | -           |
| From dividends  | (0.01)      | (0.02)      | (0.11)      | (0.04)      | (0.25)      |
| From capital gains  | -           | (2.40)      | (0.16)      | (0.07)      | -           |
| Return of capital   | -           | -           | -           | -           | -           |
| Total Annual Distributions <sup>(2)</sup>   | (0.01)      | (2.42)      | (0.27)      | (0.11)      | (0.25)      |
| Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>       | \$14.58     | \$15.88     | \$14.38     | \$13.81     | \$11.24     |

## Financial Highlights (cont.)

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

| Series F (inception October 27, 2016)   | 2022    | 2021    | 2020    | 2019    | 2018    |
|---|---------|---------|---------|---------|---------|
| Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1)</sup> | \$16.04 | \$14.54 | \$13.93 | \$11.32 | \$11.78 |
| Increase (decrease) from operations:  |         |         |         |         |         |
| Total revenue   | 0.17    | 0.23    | 0.43    | 0.14    | 0.85    |
| Total expenses  | (0.15)  | (0.18)  | (0.19)  | (0.03)  | (0.07)  |
| Realized gains (losses) for the year  | 0.56    | 2.38    | (0.49)  | 0.19    | (0.09)  |
| Unrealized gains (losses) for the year  | (1.77)  | 1.50    | 2.56    | 2.46    | (0.93)  |
| Total increase (decrease) from operations <sup>(1)</sup>  | (1.19)  | 3.93    | 2.31    | 2.77    | (0.24)  |
| Distributions:  |         |         |         |         |         |
| From income (excluding dividends)   | -       | -       | -       | -       | -       |
| From dividends  | (0.04)  | (0.07)  | (0.12)  | (0.06)  | (0.25)  |
| From capital gains  | (0.41)  | (2.45)  | (0.17)  | (0.07)  | -       |
| Return of capital   | -       | -       | -       | -       | -       |
| Total Annual Distributions <sup>(2)</sup>   | (0.45)  | (2.52)  | (0.29)  | (0.13)  | (0.25)  |
| Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>       | \$14.34 | \$16.04 | \$14.54 | \$13.93 | \$11.32 |

(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 October 27, 2016)  | 2022   | 2021   | 2020   | 2019  | 2018  |
|--|--------|--------|--------|-------|-------|
| Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup> | 18,162 | 16,740 | 13,228 | 9,767 | 4,329 |
| Number of units outstanding (000s) <sup>(1)</sup>                                    | 1,268  | 1,045  | 912    | 706   | 384   |
| Management expense ratio (%) <sup>(2)</sup>  | -      | -      | -      | -     | -     |
| Management expense ratio before waivers or absorptions (%)                           | 0.16   | 0.14   | 0.23   | 0.38  | 0.41  |
| Trading expense ratio (%) <sup>(3)</sup>   | 0.06   | 0.09   | 0.15   | 0.09  | 0.08  |
| Portfolio turnover rate (%) <sup>(4)</sup>   | 31.50  | 40.53  | 51.70  | 19.08 | 27.14 |
| Net assets attributable to holders of redeemable units - per unit (\$)               | 14.33  | 16.02  | 14.50  | 13.84 | 11.27 |

| Series B (inception October 27, 2016)  | 2022  | 2021  | 2020  | 2019  | 2018  |
|--|-------|-------|-------|-------|-------|
| Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup> | 168   | 1,096 | 1,502 | 693   | 462   |
| Number of units outstanding (000s) <sup>(1)</sup>                                    | 12    | 69    | 104   | 50    | 41    |
| Management expense ratio (%) <sup>(2)</sup>  | 1.33  | 1.32  | 1.33  | 1.32  | 1.31  |
| Management expense ratio before waivers or absorptions (%)                           | 1.49  | 1.46  | 1.56  | 1.70  | 1.72  |
| Trading expense ratio (%) <sup>(3)</sup>   | 0.06  | 0.09  | 0.15  | 0.09  | 0.08  |
| Portfolio turnover rate (%) <sup>(4)</sup>   | 31.50 | 40.53 | 51.70 | 19.08 | 27.14 |
| Net assets attributable to holders of redeemable units - per unit (\$)               | 14.58 | 15.88 | 14.38 | 13.81 | 11.24 |

| Series F (inception October 27, 2016)  | 2022  | 2021  | 2020  | 2019  | 2018  |
|--|-------|-------|-------|-------|-------|
| Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup> | 1,502 | 1,542 | 1,032 | 479   | 418   |
| Number of units outstanding (000s) <sup>(1)</sup>                                    | 105   | 96    | 71    | 34    | 37    |
| Management expense ratio (%) <sup>(2)</sup>  | 1.04  | 1.03  | 1.00  | 1.00  | 1.01  |
| Management expense ratio before waivers or absorptions (%)                           | 1.20  | 1.17  | 1.23  | 1.38  | 1.42  |
| Trading expense ratio (%) <sup>(3)</sup>   | 0.06  | 0.09  | 0.15  | 0.09  | 0.08  |
| Portfolio turnover rate (%) <sup>(4)</sup>   | 31.50 | 40.53 | 51.70 | 19.08 | 27.14 |
| Net assets attributable to holders of redeemable units - per unit (\$)               | 14.34 | 16.04 | 14.54 | 13.93 | 11.32 |

(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

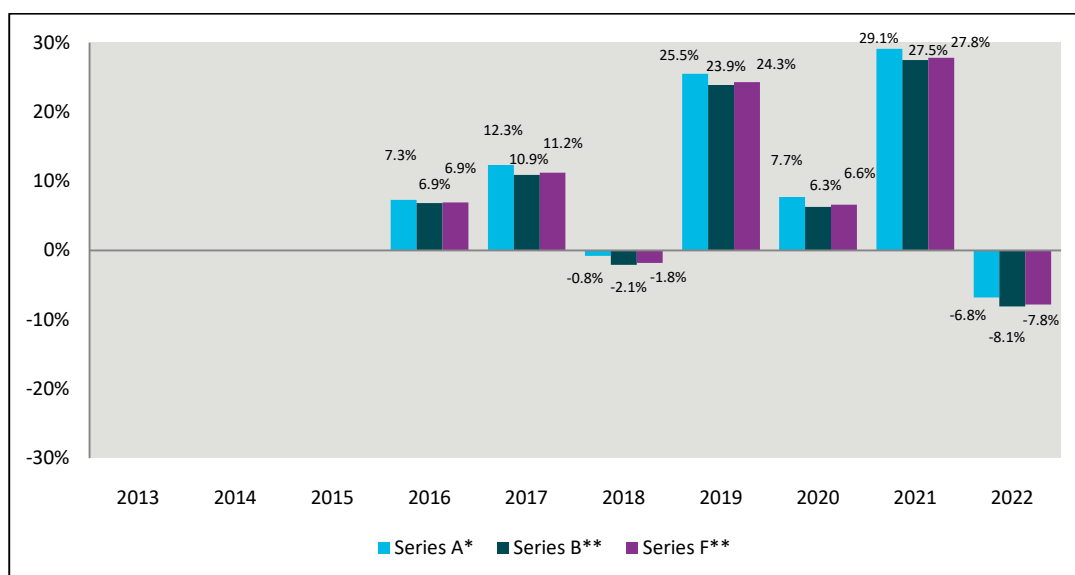
### General

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 on October 27, 2016. Return from October 27, 2016 to December 31, 2016, not annualized.

\*\* Series B and Series F units were created on October 27, 2016. Performance start date for Series B and Series F is October 31, 2016 which is the date by which the fund was offered under a prospectus. Returns from October 31, 2016 to December 31, 2016, not annualized.

### 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 Russell 2500 Index, in each case for the year ended December 31, 2022. The Russell 2500 Index is a broad index of 2,500 stocks that covers the small and mid-cap market capitalizations (up to the \$10 billion in market capitalization) of U.S. based listed equities. 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 *               | -6.8%  | 9.0%    | 10.0%   | n/a      |
| Benchmark                       | -12.5% | 6.5%    | 7.5%    | n/a      |
| Fund – Series B **              | -8.1%  | 7.6%    | 8.6%    | n/a      |
| Benchmark                       | -12.5% | 6.5%    | 7.5%    | n/a      |
| Fund – Series F **              | -7.8%  | 7.9%    | 8.9%    | n/a      |
| Benchmark                       | -12.5% | 6.5%    | 7.5%    | n/a      |

\* Series A units were created on October 27, 2016.

\*\* Series B and Series F units were created on October 27, 2016. Performance start date for Series B and Series F is October 31, 2016 which is the date by which the fund was offered under a prospectus.

## Summary of Investment Portfolio

As at December 31, 2022

### Top 25 Positions

| Issuer                                | % of Net Asset Value |
|---------------------------------------|----------------------|
| Cash & Other Net Assets               | 8.7%                 |
| Henry Schein Inc                      | 7.0%                 |
| Univar Solutions Inc                  | 6.4%                 |
| Universal Health Services Inc         | 5.2%                 |
| Keysight Technologies Inc             | 5.1%                 |
| Globe Life Inc                        | 5.1%                 |
| Booz Allen Hamilton Holding Corp      | 4.6%                 |
| Brookfield Infrastructure Partners LP | 4.6%                 |
| SEI Investments Co                    | 4.3%                 |
| ASGN Inc                              | 4.1%                 |
| First Republic Bank/CA                | 4.0%                 |
| Cable One Inc                         | 3.6%                 |
| Crown Holdings Inc                    | 3.6%                 |
| Carlisle Cos Inc                      | 3.2%                 |
| Gentex Corp                           | 3.1%                 |
| Lamar Advertising Co                  | 3.0%                 |
| Snap-on Inc                           | 3.0%                 |
| Wyndham Hotels & Resorts Inc          | 2.9%                 |
| Old Republic International Corp       | 2.8%                 |
| Hillman Solutions Corp                | 2.7%                 |
| CarMax Inc                            | 2.6%                 |
| Middleby Corp                         | 2.5%                 |
| Tri Pointe Homes Inc                  | 2.4%                 |
| MKS Instruments Inc                   | 2.4%                 |
| Mohawk Industries Inc                 | 2.0%                 |

### Portfolio Allocation

| Portfolio Breakdown     | % of Net Asset Value |
|-------------------------|----------------------|
| Industrials             | 26.7%                |
| Financials              | 16.2%                |
| Consumer Discretionary  | 13.0%                |
| Health Care             | 12.2%                |
| Cash & Other Net Assets | 8.7%                 |
| Information Technology  | 7.5%                 |
| Utilities               | 4.6%                 |
| Materials               | 4.5%                 |
| Communication Services  | 3.6%                 |
| Real Estate             | 3.0%                 |

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).*