

# Leith Wheeler Income Advantage Fund

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

June 30, 2024



This interim management report of fund performance contains financial highlights, but does not contain either interim or annual financial statements of the investment fund. You can get a copy of the interim or 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.sedarplus.ca](http://www.sedarplus.ca).

Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## Management Discussion of Fund Performance

### Investment Objective and Strategies

To provide investors with a relatively stable source of tax efficient monthly income, with some potential for long term growth through capital appreciation and growth in dividends. The Fund derives its income from allocating its investments primarily among fixed income securities, preferred shares, and dividend paying equities.

Of the total Fund, the investment in fixed income securities will range between 30% to 70%, Canadian equities from 15% to 50%, foreign equities between 0% to 25%, preferred shares between 0% to 25%, mortgages from 0% to 10%, and cash & other net assets between 0% to 5%. The fixed income securities and preferred shares will provide lower risk income and the common shares will provide an opportunity for dividends and capital gains. Investors will participate in a professionally managed portfolio in which specific security selection and asset mix decisions will be made by experienced portfolio managers.

### Risk

The overall risks of investing in the Fund are as described in the Simplified Prospectus. There were no material changes to the Fund during the year that affected the overall level of risk.

### Results of Operations

The Fund's net assets decreased by 13.3% in the first half of 2024 to \$49.4 million from \$57.0 million at the end of 2023. Of this change, \$1.9 million was attributable to positive investment performance and \$9.5 million to net outflows from unitholders.

For the six months ended June 30, 2024, the Income Advantage fund Series A returned +3.9% before fees, and Series F increased +3.4% after fees and expenses.

As of June 30, 2024, the Fund held 52.1% in corporate bonds, 45.8% in Canadian equities, 1.2% in senior loans (through segregated securities and the Leith Wheeler Multi Credit Fund) and 0.9% in cash and other net assets.

The Bank of Canada (the Bank) cut the policy rate by 25 basis points in June to 4.75%, marking a turning point in monetary policy. The Bank stated that monetary policy no longer needed to be as restrictive with continued evidence that underlying inflation is easing. Furthermore, the Bank signaled that further rate cuts would be gradual and data dependent, with a particular focus on further progress in cooling inflationary pressures.

In the first half of 2024, the bond portfolio was positioned with an interest rate sensitivity approximately equal to its benchmark. In addition, the portfolio is structured to benefit from a steepening of the yield curve, the difference between short term and mid/long term bonds yields. The yield curve has been inverted for a couple of years, meaning that longer term bond yields are lower than shorter term bond yields, which historically has been a sign of a pending recession. We believe the yield curve will eventually re-steepen as short-term rates continue to fall and have positioned the portfolio to benefit from this shift.

Corporate credit spreads tightened during the second quarter across all sectors. The Fund benefited from an overweight to corporate bonds. With the outperformance of corporate bonds, we have reduced our exposure over the first half of this year, primarily with trims in the financials and utility sectors.

The high yield portfolio continues to be positioned with a slight bias towards fixed-rate high yield bonds over bank loans, as high yield bond prices offer similar opportunistic valuation discounts to loans. In the first half of 2024, the high yield portfolio benefited from strong security selection in industrials, energy, capital goods, and technology sectors. Sub-investment grade spreads are at the tighter end of the historical range, reflecting a positive economic outlook in the US.

The preferred share portfolio rose +18.1% before fees in the first half of 2024, outperforming the S&P/TSX Preferred Share Index's +14.2% gain. We remain overweight utility issuers and underweight real estate and financial issuers. The latter was positive for performance in the first half of 2024.

The Canadian equity portfolio provided a positive return in the first half of 2024, but lagged the S&P/TSX Index. In the first quarter, an underweight to the Energy sector detracted from relative performance as WTI oil prices rose +16.1%, reaching US\$83.17 per barrel. Stock selection in the materials sector also detracted from relative returns during the period. This trend continued in the second quarter with Materials driving index returns. Given our zero-exposure to gold stocks, the Canadian equity portfolio lagged.

### Recent Developments

In July 2024, the Bank of Canada lowered its key interest rate to 4.50% and the S&P/TSX Composite Index returned +5.9%.

## 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 June 30, 2024, the Fund owned 1,223,323 Series A units of the Leith Wheeler Canadian Dividend Fund, 209,511 Series A units of the Leith Wheeler Multi Credit Fund, and 543,258 Series A units of the Leith Wheeler Preferred Share Fund, which are funds under common management.

### Management Fees and Administration Fees

Management fees and administration fees of each series of the Fund are payable to the Manager and calculated at the following annual percentages, before GST/HST, of the daily NAV of each series of the Fund. Administration fees became effective November 1, 2023.

Fee	Series A	Series F
Management Fees	*	0.70 %
Administration Fees	0.02 %	0.10 %

\* Series A unitholders pay a negotiated management fee

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 six months and for the past five years or for the periods since inception. This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements.

Series A	June 30, 2024	2023	2022	2021	2020	2019
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1)</sup>	\$11.61	\$11.02	\$12.23	\$11.37	\$11.18	\$10.37
Increase (decrease) from operations:						
Total revenue	0.23	0.50	0.49	0.36	0.56	0.38
Total expenses	(0.01)	(0.02)	-	-	-	-
Realized gains (losses) for the year	0.14	(0.09)	(0.11)	0.22	(0.08)	0.06
Unrealized gains (losses) for the year	0.09	0.71	(1.08)	0.74	0.16	0.76
Total increase (decrease) from operations <sup>(1)</sup>	0.45	1.10	(0.70)	1.32	0.64	1.20
Distributions:						
From income (excluding dividends)	(0.20)	(0.28)	(0.26)	(0.19)	(0.20)	(0.16)
From dividends	-	(0.18)	(0.20)	(0.17)	(0.21)	(0.20)
From capital gains	-	-	-	(0.11)	-	(0.03)
Return of capital	-	(0.04)	-	-	-	-
Total Annual Distributions <sup>(2) (4)</sup>	(0.20)	(0.50)	(0.46)	(0.47)	(0.41)	(0.39)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$11.85	\$11.61	\$11.02	\$12.23	\$11.37	\$11.18

Series B <sup>(3)</sup>	June 30, 2024	2023	2022	2021	2020	2019
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1)</sup>	n/a	\$11.50	\$12.52	\$11.62	\$11.35	\$10.54
Increase (decrease) from operations:						
Total revenue	n/a	0.53	0.75	0.38	0.09	0.39
Total expenses	n/a	(0.03)	(0.10)	(0.10)	(0.11)	(0.11)
Realized gains (losses) for the year	n/a	(0.09)	(0.18)	0.23	(0.01)	0.07
Unrealized gains (losses) for the year	n/a	(0.09)	(1.64)	0.78	0.02	0.78
Total increase (decrease) from operations <sup>(1)</sup>	n/a	0.32	(1.17)	1.29	(0.01)	1.13
Distributions:						
From income (excluding dividends)	n/a	(0.05)	(0.05)	(0.07)	(0.08)	(0.08)
From dividends	n/a	(0.06)	(0.10)	(0.16)	(0.17)	(0.21)
From capital gains	n/a	-	-	(0.11)	-	(0.03)
Return of capital	n/a	(0.01)	-	-	-	-
Total Annual Distributions <sup>(2) (4)</sup>	n/a	(0.12)	(0.15)	(0.34)	(0.25)	(0.32)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	n/a	-	\$11.50	\$12.52	\$11.62	\$11.35

**Financial Highlights (cont.)**

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

Series F	June 30, 2024	2023	2022	2021	2020	2019
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1) (3)</sup>	\$10.77	\$10.25	\$11.35	\$10.58	\$10.38	\$9.65
Increase (decrease) from operations:						
Total revenue	0.21	0.46	0.49	0.33	0.30	0.35
Total expenses	(0.05)	(0.02)	(0.08)	(0.09)	(0.03)	(0.04)
Realized gains (losses) for the year	0.13	(0.08)	(0.11)	0.20	(0.04)	0.06
Unrealized gains (losses) for the year	0.08	0.56	(1.07)	0.68	0.08	0.69
Total increase (decrease) from operations <sup>(1)</sup>	0.37	0.92	(0.77)	1.12	0.31	1.06
Distributions:						
From income (excluding dividends)	(0.14)	(0.21)	(0.15)	(0.11)	(0.10)	(0.09)
From dividends	-	(0.14)	(0.17)	(0.17)	(0.18)	(0.20)
From capital gains	-	-	-	(0.10)	-	(0.03)
Return of capital	-	(0.04)	-	-	-	-
Total Annual Distributions <sup>(2) (4)</sup>	(0.14)	(0.39)	(0.32)	(0.38)	(0.28)	(0.32)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$10.99	\$10.77	\$10.25	\$11.35	\$10.58	\$10.38

(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.

(3) Effective October 4, 2023, Series B has been discontinued as there are no unitholders.

(4) Distributions are characterized into income type at year-end.

Financial Highlights (cont.)

Ratios and Supplemental Data

Series A	June 30, 2024	2023	2022	2021	2020	2019
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	39,993	46,183	44,135	42,868	39,424	39,573
Number of units outstanding (000s) <sup>(1)</sup>	3,375	3,979	4,005	3,506	3,466	3,540
Management expense ratio (%) <sup>(2)</sup>	0.02	-	-	-	-	-
Management expense ratio before waivers or absorptions (%)	0.02	0.06	0.05	0.04	0.04	0.04
Trading expense ratio (%) <sup>(3)</sup>	-	0.02	0.01	0.01	0.01	0.01
Portfolio turnover rate (%) <sup>(4)</sup>	30.35	63.73	81.11	56.79	99.60	65.09
Net assets attributable to holders of redeemable units - per unit (\$)	11.85	11.61	11.02	12.23	11.37	11.18

Series B <sup>(5)</sup>	June 30, 2024	2023	2022	2021	2020	2019
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	n/a	n/a	7,097	16,866	18,433	28,544
Number of units outstanding (000s) <sup>(1)</sup>	n/a	n/a	617	1,347	1,586	2,516
Management expense ratio (%) <sup>(2)</sup>	n/a	n/a	0.85	0.85	0.85	0.85
Management expense ratio before waivers or absorptions (%)	n/a	n/a	0.90	0.89	0.89	0.89
Trading expense ratio (%) <sup>(3)</sup>	n/a	n/a	0.01	0.01	0.01	0.01
Portfolio turnover rate (%) <sup>(4)</sup>	n/a	n/a	81.11	56.79	99.60	65.09
Net assets attributable to holders of redeemable units - per unit (\$)	n/a	n/a	11.50	12.52	11.62	11.35

Series F	June 30, 2024	2023	2022	2021	2020	2019
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	9,409	10,777	10,574	10,576	8,372	9,800
Number of units outstanding (000s) <sup>(1)</sup>	856	1,001	1,032	932	791	945
Management expense ratio (%) <sup>(2)</sup>	0.91	0.78	0.76	0.76	0.75	0.75
Management expense ratio before waivers or absorptions (%)	0.91	0.84	0.81	0.80	0.79	0.79
Trading expense ratio (%) <sup>(3)</sup>	-	0.02	0.01	0.01	0.01	0.01
Portfolio turnover rate (%) <sup>(4)</sup>	30.35	63.73	81.11	56.79	99.60	65.09
Net assets attributable to holders of redeemable units - per unit (\$)	10.99	10.77	10.25	11.35	10.58	10.38

- (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.
- (5) Effective October 4, 2023, Series B has been discontinued as there are no unitholders.

Past Performance

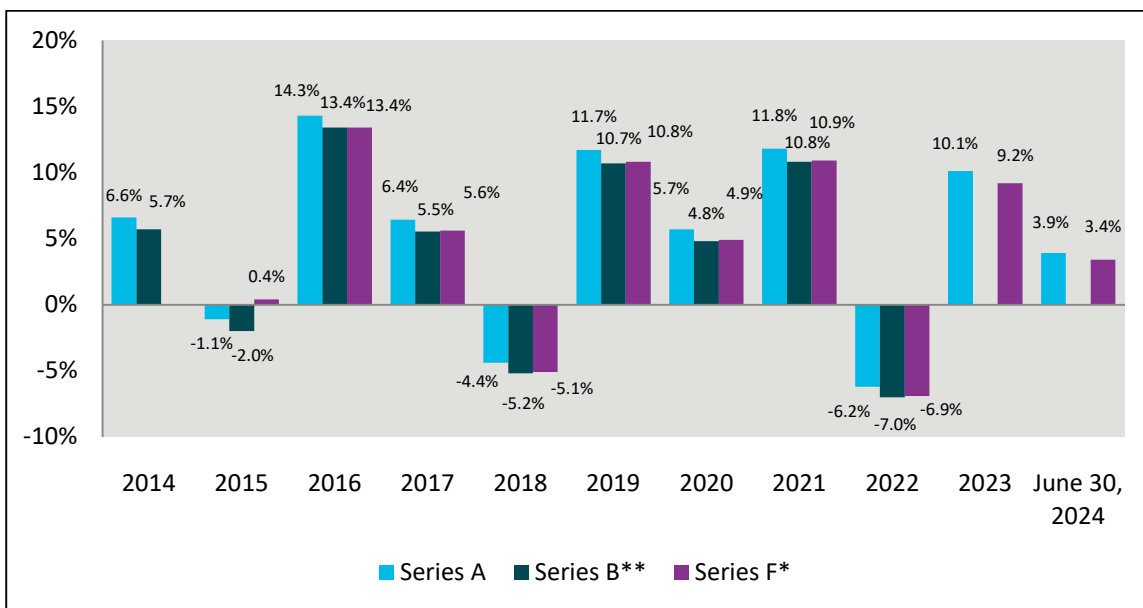
General

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 F units were created on September 10, 2015. Return from September 10, 2015 to December 31, 2015, not annualized.

\*\* Effective October 4, 2023, Series B has been discontinued as there are no unitholders.

## Summary of Investment Portfolio

As at June 30, 2024

### Top 25 Positions

Issuer	% of Net Asset Value
Leith Wheeler Canadian Dividend Fund, Series 'A'	36.0%
Leith Wheeler Preferred Share Fund, Series 'A'	10.2%
Leith Wheeler Multi Credit Fund, Series 'A'	3.7%
TELUS Corporation, Callable, 2.85%, 13/11/2031	1.3%
Manulife Financial Corporation, Variable, Callable, 5.41%, 10/03/2033	1.0%
Choice Properties Real Estate Investment Trust, Series 'M', Callable, 3.53%, 11/06/2029	1.0%
Royal Bank of Canada, 1.83%, 31/07/2028	0.9%
Manulife Financial Corporation, Variable, Callable, 2.82%, 13/05/2035	0.9%
Rogers Communications Inc., Callable, 2.90%, 09/12/2030	0.9%
Inter Pipeline Limited, Series '18', Callable, 6.59%, 09/02/2034	0.8%
Enbridge Gas Inc., Callable, 2.35%, 15/09/2031	0.8%
TransCanada PipeLines Limited, Callable, 2.97%, 09/06/2031	0.8%
Glacier Credit Card Trust, 1.39%, 22/09/2025	0.8%
Dollarama Inc., Callable, 2.44%, 09/07/2029	0.8%
JPMorgan Chase & Company, Variable, Callable, 1.90%, 05/03/2028	0.8%
Bell Canada, Callable, 2.50%, 14/05/2030	0.7%
Enbridge Inc., Callable, 3.10%, 21/09/2033	0.7%
Manulife Financial Corporation, Variable, Callable, 5.05%, 23/02/2034	0.6%
Loblaw Companies Limited, Callable, 2.28%, 07/05/2030	0.6%
Enbridge Pipelines Inc., Callable, 2.82%, 12/05/2031	0.6%
Brookfield Infrastructure Finance ULC, Callable, 4.19%, 11/09/2028	0.6%
Choice Properties Real Estate Investment Trust, Series 'P', Callable, 2.85%, 21/05/2027	0.6%
Hyundai Capital Canada Inc., Callable, 5.57%, 08/03/2028	0.6%
Allied Properties Real Estate Investment Trust, Series 'E', Callable, 3.11%, 08/04/2027	0.6%
AltaGas Limited, Variable, Callable, 8.90%, 10/11/2083	0.5%

### Portfolio Allocation

Portfolio Breakdown	% of Net Asset Value
Corporate Bonds	52.1%
Canadian Equities	45.8%
Senior Loans	1.2%
Cash & Other Net Assets	0.9%

The Fund held no short positions as at June 30, 2024.

*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)*