

Financial Statements of

**LEITH WHEELER BALANCED FUND**

Years ended December 31, 2018 and 2017

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Leith Wheeler Balanced 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 auditors' 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 29, 2019



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## INDEPENDENT AUDITORS' REPORT

To the Unitholders of the Leith Wheeler Balanced Fund

### ***Opinion***

We have audited the financial statements of the Leith Wheeler Balanced Fund (the "Fund"), which comprise:

- the statements of financial position as at December 31, 2018 and December 31, 2017
- 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, 2018 and December 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### ***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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' 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***

The Manager 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 auditors' 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 auditors' 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 International Financial Reporting Standards (IFRS), 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.

### ***Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

*KPMG LLP*

Chartered Professional Accountants

Vancouver, Canada  
March 29, 2019

# LEITH WHEELER BALANCED FUND

Statements of Financial Position

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

December 31, 2018 and 2017

	Note	2018	2017
<b>Assets</b>			
Cash		\$ 165	\$ 155
Amounts due from brokers		146	121
Interest and dividends receivable		294	268
Subscriptions receivable		3	125
Investments		110,631	111,052
		111,239	111,721
<b>Liabilities</b>			
Amounts due to brokers		392	102
Management fees payable	1	228	202
Redemptions payable		-	46
		620	350
<b>Net assets, attributable to holders of redeemable units</b>		<b>\$ 110,619</b>	<b>\$ 111,371</b>
Represented by:			
Series A		\$ 23,801	\$ 13,348
Series B		82,212	96,402
Series F		4,606	1,621
		\$ 110,619	\$ 111,371
Net assets, attributable to holders of redeemable units per unit:			
Series A		\$ 23.81	\$ 25.81
Series B		24.37	26.32
Series F		23.08	25.22

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

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

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

# LEITH WHEELER BALANCED FUND

Statements of Comprehensive Income

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

Years ended December 31, 2018 and 2017

	Note	2018	2017
<b>Revenue:</b>			
Interest income		\$ 1,146	\$ 1,241
Dividend income		1,880	1,787
Other income		582	423
Changes in fair value of investments:			
Net realized gain		2,049	2,068
Net change in unrealized appreciation (depreciation)		(10,072)	3,841
<b>Total revenue (loss)</b>		<b>(4,415)</b>	<b>9,360</b>
<b>Expenses:</b>			
Management fees	1	1,095	1,034
Withholding taxes	2	116	98
GST/HST		72	59
Commissions and transaction costs		35	28
<b>Total operating expenses</b>		<b>1,318</b>	<b>1,219</b>
Management fee distributions	1	(296)	(312)
<b>Net operating expenses</b>		<b>1,022</b>	<b>907</b>
Increase (decrease) in net assets attributable to holders of redeemable units from operations excluding distributions			
		(5,437)	8,453
Distributions to holders of redeemable units:			
From net investment income		(1,686)	(1,814)
From net realized gains on investments		(891)	(138)
Management fee distributions	1	(296)	(312)
		(2,873)	(2,264)
Increase (decrease) in net assets attributable to holders of redeemable units			
		\$ (8,310)	\$ 6,189
Increase (decrease) in net assets attributable to holders of redeemable units:			
Series A		\$ (985)	\$ 734
Series B		(6,964)	5,365
Series F		(361)	90
		\$ (8,310)	\$ 6,189
Increase (decrease) in net assets attributable to holders of redeemable units per unit (excluding distributions):			
Series A		\$ (0.81)	\$ 2.12
Series B		(1.28)	1.99
Series F		(1.69)	1.85

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

# LEITH WHEELER BALANCED FUND

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

Years ended December 31, 2018 and 2017

Series A	2018	2017
Balance, beginning of year	\$ 13,348	\$ 11,434
Increase (decrease) in net assets attributable to holders of redeemable units	(985)	734
Redeemable unit transactions:		
Issue of redeemable units	12,239	3,814
Reinvestment of distributions	528	359
Redemption of redeemable units	(1,329)	(2,993)
Net increase from redeemable unit transactions	11,438	1,180
Balance, end of year	\$ 23,801	\$ 13,348
<b>Series B</b>	<b>2018</b>	<b>2017</b>
Balance, beginning of year	\$ 96,402	\$ 89,486
Increase (decrease) in net assets attributable to holders of redeemable units	(6,964)	5,365
Redeemable unit transactions:		
Issue of redeemable units	13,579	16,141
Reinvestment of distributions	1,903	1,560
Redemption of redeemable units	(22,708)	(16,150)
Net increase (decrease) from redeemable unit transactions	(7,226)	1,551
Balance, end of year	\$ 82,212	\$ 96,402
<b>Series F</b>	<b>2018</b>	<b>2017</b>
Balance, beginning of year	\$ 1,621	\$ 1,374
Increase (decrease) in net assets attributable to holders of redeemable units	(361)	90
Redeemable unit transactions:		
Issue of redeemable units	3,501	329
Reinvestment of distributions	113	28
Redemption of redeemable units	(268)	(200)
Net increase from redeemable unit transactions	3,346	157
Balance, end of year	\$ 4,606	\$ 1,621

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



# LEITH WHEELER BALANCED FUND

## Statements of Cash Flows

(Expressed in thousands of dollars)

Years ended December 31, 2018 and 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ (8,310)	\$ 6,189
Adjustments for:		
Net realized gain from investments	(2,049)	(2,068)
Net change in unrealized (appreciation) depreciation from investments	10,072	(3,841)
Amounts due from brokers	(25)	91
Interest income	(1,146)	(1,241)
Dividend income	(1,880)	(1,787)
Amounts due to brokers	290	(63)
Management fees payable	26	19
Redemptions payable	(46)	(101)
Subscriptions receivable	122	(106)
Proceeds from sale of investments	111,341	91,511
Purchases of investments	(118,943)	(94,681)
Interest received	1,139	1,242
Dividends received	1,861	1,781
	(7,548)	(3,055)
Financing activities:		
Proceeds from issue of redeemable units	29,319	20,284
Reinvestment of distributions	2,544	1,947
Payments on redemption of redeemable units	(24,305)	(19,343)
	7,558	2,888
Net increase (decrease) in cash	10	(167)
Cash, beginning of year	155	322
Cash, end of year	\$ 165	\$ 155

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

# LEITH WHEELER BALANCED FUND

Schedule of Investment Portfolio  
(Expressed in thousands of dollars)

December 31, 2018

Security	Coupon rate %	Maturity	Par value	Cost	Fair value	% of Net assets
<b>BONDS AND GUARANTEES</b>						
<b>Corporate Bonds and Guarantees:</b>						
407 International Inc.	3.720	11-May-48	\$ 52	\$ 52	\$ 51	
407 International Inc	5.960	3-Dec-35	84	119	109	
AIMco Realty Investors	2.270	26-Jun-24	45	45	43	
Alectra Inc	3.960	30-Jul-42	68	71	70	
Alliance Pipeline LP	7.180	30-Jun-23	37	45	41	
Allied Properties Real Estate Investment Trust	3.640	21-Apr-25	13	13	12	
AltaGas Canada Inc.	4.260	5-Dec-28	92	92	93	
AltaGas Ltd	3.570	12-Jun-23	265	260	261	
AltaGas Ltd	3.980	4-Oct-27	94	90	90	
AltaLink LP	4.920	17-Sep-43	86	108	102	
Arrow Lakes Power	5.520	5-Apr-41	58	58	68	
Bank of Montreal	1.610	28-Oct-21	435	424	421	
Bank of Montreal	1.880	31-Mar-21	350	346	344	
Bank of Montreal	2.890	20-Jun-23	175	175	175	
Bank of Nova Scotia	1.830	27-Apr-22	321	311	311	
Bank of Nova Scotia	1.900	2-Dec-21	381	371	371	
Bank of Nova Scotia	2.270	13-Jan-20	76	77	76	
Bank of Nova Scotia	2.360	8-Nov-22	198	198	194	
BCE Inc	4.000	27-May-24	179	191	183	
Bell Canada	2.900	12-Aug-26	40	40	38	
Bell Canada	3.350	22-Mar-23	76	79	76	
Bell Canada	3.550	2-Mar-26	150	152	149	
Blackbird Infrastructure 407 GP	1.710	8-Oct-21	84	83	83	
BMW Canada Auto Trust	2.140	20-Jan-20	220	220	220	
BMW Canada Inc	1.780	19-Oct-20	238	234	234	
BMW Canada Inc	1.880	11-Dec-20	45	45	44	
Brookfield Infrastructure Finance ULC	3.450	11-Mar-22	159	160	159	
Brookfield Infrastructure Finance ULC	3.540	30-Oct-20	155	155	156	
Brookfield Infrastructure Finance ULC	4.190	11-Sep-28	140	140	138	
Bruce Power LP	2.840	23-Jun-21	334	338	333	
Canadian Imperial Bank of Commerce	1.640	12-Jul-21	426	416	414	
Canadian Imperial Bank of Commerce	1.660	20-Jan-20	171	171	170	
Canadian Imperial Bank of Commerce	2.900	14-Sep-21	285	285	286	
Canadian Imperial Bank of Commerce	3.420	26-Jan-26	140	140	141	
Canadian National Railway Co	2.750	18-Feb-21	58	58	58	
Canadian National Railway Co	3.200	31-Jul-28	78	78	78	
Canadian Natural Resources Ltd	2.050	1-Jun-20	16	16	16	
Canadian Natural Resources Ltd	2.600	3-Dec-19	478	477	477	
Canadian Real Estate Investment Trust	2.950	18-Jan-23	90	89	88	
CU Inc	4.720	9-Sep-43	50	56	57	
CU Inc	5.900	20-Nov-34	80	100	100	
Canadian Utilities Ltd	9.920	1-Apr-22	213	310	259	
Canadian Western Bank	2.380	23-Jan-20	403	401	401	
Canadian Western Bank	3.080	14-Jan-19	96	97	96	
Capital Power Corp	5.280	16-Nov-20	63	68	65	
Choice Properties LP	3.600	20-Apr-20	81	85	82	
Choice Properties REIT	3.010	21-Mar-22	275	275	272	
CT Real Estate Investment Trust	2.850	9-Jun-22	105	108	103	
Daimler Canada Finance Inc	1.780	19-Aug-19	45	45	45	
Dollarama Inc	2.200	10-Nov-22	117	115	112	
Dollarama Inc	2.340	22-Jul-21	158	158	154	
Enbridge Gas Distribution Inc	2.500	5-Aug-26	18	18	17	
Enbridge Gas Distribution Inc	4.000	22-Aug-44	45	47	46	
Enbridge Inc	4.260	1-Feb-21	57	61	58	
Enbridge Inc	4.530	9-Mar-20	55	58	56	
Enbridge Pipelines Inc	3.450	29-Sep-25	145	145	145	
Fair Hydro Trust	3.360	15-May-33	212	211	214	
Fair Hydro Trust	3.520	15-May-38	52	52	53	
Ford Auto Securitization Trust	2.320	15-Oct-20	60	45	45	
Ford Auto Securitization Trust	2.530	15-Feb-21	379	379	378	
Ford Floorplan Auto Securitization Trust	2.200	15-Jul-20	74	74	73	

# LEITH WHEELER BALANCED FUND

Schedule of Investment Portfolio (continued)

(Expressed in thousands of dollars)

December 31, 2018

Security	Coupon rate %	Maturity	Par value	Cost	Fair value	% of Net assets
<b>BONDS AND GUARANTEES (continued)</b>						
<b>Corporate Bonds and Guarantees (continued):</b>						
FortisBC Energy Inc	3.380	13-Apr-45	\$ 61	\$ 61	\$ 57	
FortisBC Energy Inc	5.800	13-May-38	88	109	112	
GMF Canada Leasing Trust	3.030	20-Jul-20	187	187	188	
Greater Toronto Airports	7.050	12-Jun-30	111	156	151	
Great-West Lifeco Inc	4.650	13-Aug-20	75	82	77	
Great-West Lifeco Inc	6.740	24-Nov-31	56	72	73	
Hospital for Sick Children	5.220	16-Dec-49	42	57	54	
HSBC Bank Canada	2.940	14-Jan-20	176	178	177	
Hydro One Inc	3.630	25-Jun-49	107	100	101	
Hydro One Inc	6.930	1-Jun-32	28	37	37	
Hydro One Inc	7.350	3-Jun-30	41	61	56	
Institutional Mortgage Securities Canada Inc	2.340	12-Feb-25	107	107	104	
Intact Financial Corp	4.700	18-Aug-21	226	249	237	
Intact Financial Corp	5.410	3-Sep-19	78	83	79	
Inter Pipeline Ltd	2.610	13-Sep-23	69	67	66	
Inter Pipeline Ltd	3.480	16-Dec-26	57	55	55	
Maritimes & Northeast Pipeline LP	4.340	30-Nov-19	5	5	5	
Maritimes & Northeast Pipeline LP	6.900	30-Nov-19	3	4	3	
Mbarc Credit Canada Inc	2.610	15-May-20	94	94	94	
National Bank of Canada	1.740	3-Mar-20	201	198	199	
Nissan Canada Financial Services	1.580	7-Oct-19	460	455	456	
North West Redwater Partnership / NWR Financing Co Ltd	2.800	1-Jun-27	80	78	76	
North West Redwater Partnership / NWR Financing Co Ltd	3.200	24-Apr-26	108	108	106	
North West Redwater Partnership / NWR Financing Co Ltd	3.200	22-Jul-24	54	57	54	
North West Redwater Partnership / NWR Financing Co Ltd	3.650	1-Jun-35	81	82	77	
North West Redwater Partnership / NWR Financing Co Ltd	4.250	1-Jun-29	85	95	88	
OMERS Realty Corp	2.470	12-Nov-19	113	117	113	
OMERS Realty Corp	3.240	4-Oct-27	74	74	74	
Ontario School Boards Financing Corp	5.380	25-Jun-32	49	57	55	
Pembina Pipeline Corp	3.430	10-Nov-21	52	55	52	
Pembina Pipeline Corp	3.770	24-Oct-22	50	52	51	
Pembina Pipeline Corp	4.750	26-Mar-48	41	40	39	
Plenary Properties LTAP LP	6.290	31-Jan-44	65	69	84	
Royal Bank of Canada	1.580	13-Sep-21	446	430	433	
Royal Bank of Canada	1.650	15-Jul-21	260	258	253	
Royal Bank of Canada	2.030	15-Mar-21	305	300	301	
Royal Bank of Canada	2.360	5-Dec-22	182	182	179	
Royal Bank of Canada	3.300	26-Sep-23	308	308	309	
Shaw Communications Inc	3.800	1-Mar-27	77	78	75	
Shaw Communications Inc	4.350	31-Jan-24	59	63	61	
Silver Arrow Canada LP	2.840	15-Nov-20	190	190	191	
SmartCentres Real Estate Invest	2.880	21-Mar-22	96	96	94	
SSL Finance Inc / SSL Financement Inc	4.100	31-Oct-45	28	28	29	
TELUS Corp	3.750	17-Jan-25	141	141	142	
TELUS Corp	5.150	26-Nov-43	7	8	7	
Toromont Industries Ltd	3.840	27-Oct-27	166	166	167	
Toronto-Dominion Bank	1.690	2-Apr-20	600	595	594	
Toronto-Dominion Bank	2.040	8-Mar-21	482	474	476	
Toronto-Dominion Bank	2.620	22-Dec-21	394	392	392	
Toronto-Dominion Bank	2.980	30-Sep-25	111	112	111	
Toronto-Dominion Bank	2.620	28-Jun-23	188	188	189	
TransCanada PipeLines Ltd	4.180	3-Jul-48	31	30	29	
TransCanada PipeLines Ltd	4.350	6-Jun-46	19	19	18	
Union Gas Ltd	2.760	2-Jun-21	483	496	483	
University of Ontario Institute of Technology	6.350	15-Oct-34	111	111	131	
Ventas Canada Finance Ltd	3.000	30-Sep-19	23	23	23	

# LEITH WHEELER BALANCED FUND

Schedule of Investment Portfolio (continued)

(Expressed in thousands of dollars)

December 31, 2018

Security	Coupon rate %	Maturity	Par value	Cost	Fair value	% of Net assets
<b>BONDS AND GUARANTEES (continued)</b>						
<b>Corporate Bonds and Guarantees (continued):</b>						
Westcoast Energy Inc	3.430	12-Sep-24	\$ 111	\$ 111	\$ 112	
Westcoast Energy Inc	3.880	28-Oct-21	78	81	80	
				<u>17,511</u>	<u>17,333</u>	<u>15.7</u>
<b>Federal Bonds and Guarantees</b>						
Canada Housing Trust No 1	2.550	15-Dec-23	1,449	1,455	1,465	
Canada Housing Trust No 1	2.250	15-Mar-19	159	159	159	
Canadian Government Bond	2.000	1-Dec-51	1,146	1,057	1,096	
Canadian Government Bond	2.000	1-Jun-28	171	165	172	
Canadian Government Bond	2.750	1-Dec-48	164	184	184	
Canadian Government Bond	2.750	1-Dec-64	180	198	211	
Canadian Government Bond	5.000	1-Jun-37	296	424	424	
Canadian Government Bond	5.750	1-Jun-33	19	27	28	
Canadian Mortgage Pools	1.250	15-Mar-21	820	802	806	
Canadian Mortgage Pools	1.370	1-Nov-21	231	229	227	
Canadian Mortgage Pools	1.420	1-Jun-22	749	739	730	
Canadian Mortgage Pools	1.550	1-Jun-21	170	171	167	
Canadian Mortgage Pools	1.880	1-Sep-22	401	396	395	
Canadian Mortgage Pools	2.040	1-Dec-22	217	224	214	
Canadian Mortgage Pools	5.440	1-Mar-28	311	377	351	
				<u>6,607</u>	<u>6,629</u>	<u>6.0</u>
<b>Provincial/Municipal Bonds and Guarantees:</b>						
City of Montreal	3.150	1-Sep-28	128	126	129	
City of Montreal	3.500	1-Sep-24	185	195	192	
City of Toronto	5.340	18-Jul-27	30	35	33	
City of Vancouver	2.900	20-Nov-25	48	48	48	
First Nations Finance Authority	3.050	1-Jun-28	457	452	456	
First Nations Finance Authority	3.400	26-Jun-24	41	44	42	
Hydro Quebec	4.000	15-Feb-55	248	296	295	
Province of Ontario		2-Dec-28	378	259	281	
Province of Alberta	2.900	1-Dec-28	639	634	638	
Province of Alberta	3.050	1-Dec-48	864	850	825	
Province of Alberta	3.100	1-Jun-50	43	41	42	
Province of Manitoba	3.200	5-Mar-50	130	127	127	
Province of Manitoba	3.400	5-Sep-48	609	616	615	
Province of Manitoba	5.700	5-Mar-37	138	193	183	
Province of Manitoba	6.300	5-Mar-31	395	508	524	
Province of New Brunswick	2.350	14-Aug-27	235	225	225	
Province of New Brunswick	3.100	14-Aug-28	83	83	84	
Province of New Brunswick	3.100	14-Aug-48	28	28	26	
Province of New Brunswick	3.650	3-Jun-24	123	138	129	
Province of Newfoundland	2.850	2-Jun-28	364	361	360	
Province of Newfoundland	3.000	2-Jun-26	139	139	140	
Province of Nova Scotia	2.100	1-Jun-27	230	225	218	
Province of Nova Scotia	4.400	1-Jun-42	139	162	166	
Province of Nova Scotia	4.500	1-Jun-37	12	15	14	
Province of Nova Scotia	6.600	1-Dec-31	53	74	73	
Province of Ontario	2.900	2-Dec-46	296	281	279	
Province of Ontario	2.900	2-Jun-49	760	732	719	
Province of Ontario	5.600	2-Jun-35	583	793	767	
Province of Quebec	3.500	1-Dec-45	39	42	41	
Province of Quebec	3.500	1-Dec-48	206	225	221	
Province of Quebec	8.500	1-Apr-26	432	642	595	
Province of Saskatchewan	3.100	2-Jun-50	110	108	107	
Province of Saskatchewan	3.300	2-Jun-48	76	76	77	
Province of Saskatchewan	4.750	1-Jun-40	45	56	55	
Province of Saskatchewan	5.000	5-Mar-37	27	33	34	
				<u>8,862</u>	<u>8,760</u>	<u>7.9</u>

# LEITH WHEELER BALANCED FUND

Schedule of Investment Portfolio (continued)

(Expressed in thousands of dollars)

December 31, 2018

Security	Coupon rate %	Maturity	Par value	Cost	Fair value	% of Net assets
<b>BONDS AND GUARANTEES (continued)</b>						
<b>Maples:</b>						
Anheuser-Busch InBev Finance Inc	2.600	15-May-24	\$ 135	\$ 130	\$ 128	
Apple Inc	2.510	19-Aug-24	89	89	87	
BHP Billiton Finance Ltd	3.230	15-May-23	100	101	100	
United Parcel Service Inc	2.120	21-May-24	151	151	144	
Wells Fargo & Co	2.090	25-Apr-22	180	180	174	
				<u>651</u>	<u>633</u>	<b>0.6</b>
<b>Real Return Bonds:</b>						
Canadian Government RRB	0.500	1-Dec-50	567	535	524	
				<u>535</u>	<u>524</u>	<b>0.5</b>
<b>Mutual Fund:</b>						
Leith Wheeler Multi Credit Fund Series A			331	3,330	3,141	
				<u>3,330</u>	<u>3,141</u>	<b>2.8</b>
<b>TOTAL BONDS AND GUARANTEES</b>				<b>37,496</b>	<b>37,020</b>	<b>33.5</b>

# LEITH WHEELER BALANCED FUND

Schedule of Investment Portfolio (continued)

(Expressed in thousands of dollars)

December 31, 2018

Security	Number of holdings	Cost	Fair value	% of Net assets
<b>CANADIAN EQUITY</b>				
<b>Communication Services:</b>				
Rogers Communications Inc	8,100	\$ 497	\$ 567	
Stingray Digital Group Inc	20,900	154	141	
		<u>651</u>	<u>708</u>	<b>0.6</b>
<b>Consumer Discretionary:</b>				
BRP Inc	6,114	202	216	
Canadian Tire Corp Ltd	6,157	611	879	
		<u>813</u>	<u>1,095</u>	<b>1.0</b>
<b>Consumer Staple:</b>				
Saputo Inc.	43,600	920	1,709	
		<u>920</u>	<u>1,709</u>	<b>1.5</b>
<b>Energy:</b>				
Baytex Energy Corp	148,004	606	357	
Cameco Corp	27,700	476	429	
Canadian Natural Resources Ltd	36,300	1,407	1,196	
Cardinal Energy Ltd	44,500	405	99	
Mullen Group Ltd	43,500	827	531	
NuVista Energy Ltd	89,800	565	366	
Tourmaline Oil Corp	70,700	1,848	1,200	
Western Energy Services Corp	14,300	50	6	
		<u>6,184</u>	<u>4,184</u>	<b>3.8</b>
<b>Financials:</b>				
Bank of Nova Scotia	31,200	1,842	2,123	
Brookfield Asset Management Inc	34,800	1,670	1,821	
Canadian Imperial Bank of Commerce	13,200	1,309	1,342	
Canadian Western Bank	23,500	744	612	
CI Financial Corp	42,100	1,173	728	
Great-West Lifeco Inc	17,500	533	493	
Industrial Alliance Insurance & Financial Services Inc	9,800	486	427	
Manulife Financial Corp	59,800	1,151	1,158	
Onex Corp	2,400	196	178	
Royal Bank of Canada	23,800	1,546	2,224	
Toronto-Dominion Bank	33,300	1,435	2,260	
		<u>12,085</u>	<u>13,366</u>	<b>12.1</b>
<b>Industrials:</b>				
Canadian National Railway Co	19,000	996	1,921	
Finning International Inc	40,400	911	961	
Toromont Industries Ltd	37,929	271	2,058	
Progressive Waste Solutions Ltd	12,897	861	1,307	
		<u>3,039</u>	<u>6,247</u>	<b>5.6</b>
<b>Information Technology:</b>				
CGI Group Inc	6,720	516	561	
Constellation Software Inc	1,591	635	1,390	
Open Text Corp	37,560	1,233	1,672	
		<u>2,384</u>	<u>3,623</u>	<b>3.3</b>
<b>Materials:</b>				
First Quantum Minerals Ltd	65,200	832	720	
Nutrien Ltd	7,259	471	466	
Winpak Ltd	6,500	290	310	
		<u>1,593</u>	<u>1,496</u>	<b>1.4</b>
<b>Real Estate:</b>				
Slate Retail REIT	19,638	244	231	
		<u>244</u>	<u>231</u>	<b>0.2</b>
<b>Utilities:</b>				
Brookfield Infrastructure Partners LP	35,763	1,027	1,686	
Hydro One Ltd	14,400	323	291	
		<u>1,350</u>	<u>1,977</u>	<b>1.8</b>
<b>TOTAL CANADIAN EQUITY</b>		<b>29,263</b>	<b>34,636</b>	<b>31.3</b>

# LEITH WHEELER BALANCED FUND

Schedule of Investment Portfolio (continued)

(Expressed in thousands of dollars)

December 31, 2018

Security	Number of holdings	Cost	Fair value	% of Net assets
<b>FOREIGN EQUITY</b>				
<b>Communication Services:</b>				
Comcast Corp	5,000	\$ 227	\$ 232	
		227	232	<b>0.2</b>
<b>Consumer Discretionary:</b>				
Advance Auto Parts Inc	1,000	156	215	
Aramark	3,300	157	130	
Dollar General Corp	2,100	212	310	
Hanesbrands Inc	3,300	121	56	
Lennar Corp	2,095	142	112	
Lowe's Cos Inc	2,200	236	277	
MGM Resorts International	4,000	137	132	
Norwegian Cruise Line Holdings Ltd	3,090	188	179	
O'Reilly Automotive Inc	187	67	88	
Royal Caribbean Cruises Ltd	1,450	181	194	
		1,597	1,693	<b>1.5</b>
<b>Consumer Staple:</b>				
Altria Group Inc	2,050	159	138	
Coca-Cola European Partners PLC	2,700	129	169	
Philip Morris International Inc	1,200	151	109	
		439	416	<b>0.4</b>
<b>Energy:</b>				
BP PLC	4,000	182	207	
Chevron Corp	1,350	171	200	
ConocoPhillips	2,800	163	238	
Hess Corp	3,200	208	177	
Kosmos Energy Ltd	14,700	126	82	
Occidental Petroleum Corp	1,600	146	134	
Parsley Energy Inc	4,500	168	98	
Phillips 66	1,600	181	188	
Valero Energy Corp	1,200	137	123	
Vermilion Energy Inc	4,900	198	141	
		1,680	1,588	<b>1.4</b>
<b>Financials:</b>				
American Express Co	1,550	131	202	
American International Group Inc	3,300	231	177	
Bank of New York Mellon Corp	3,500	244	225	
Berkshire Hathaway Inc	800	155	223	
E*TRADE Financial Corp	2,700	102	162	
FNF Group	2,500	107	107	
Jefferies Financial Group Inc	5,600	163	133	
JPMorgan Chase & Co	1,550	132	206	
KeyCorp	6,000	113	121	
Navient Corp	6,700	89	80	
New York Community Bancorp Inc	9,800	181	126	
SLM Corp	17,800	184	202	
State Street Corp	2,100	177	180	
US Bancorp	2,200	149	137	
Wells Fargo & Co	3,100	125	195	
Willis Towers Watson PLC	1,100	195	228	
		2,478	2,704	<b>2.4</b>

# LEITH WHEELER BALANCED FUND

Schedule of Investment Portfolio (continued)

(Expressed in thousands of dollars)

December 31, 2018

Security	Number of holdings	Cost	Fair value	% of Net assets
<b>FOREIGN EQUITY (continued)</b>				
<b>Health Care:</b>				
Anthem Inc	800	\$ 180	\$ 287	
Cigna Corp	1,065	234	276	
CVS Caremark Corp	2,500	248	223	
Medtronic PLC	2,086	216	259	
Merck & Co Inc	1,100	63	115	
Pfizer Inc	4,100	124	244	
Sanofi	2,500	142	148	
Teva Pharmaceutical Industries Ltd	3,000	187	63	
UnitedHealth Group Inc	930	181	316	
		<u>1,575</u>	<u>1,931</u>	<u>1.7</u>
<b>Industrials:</b>				
AMERCO	390	185	175	
General Electric Co	16,300	322	168	
Johnson Controls International	3,621	209	146	
Nielsen Holdings PLC	4,400	197	140	
Owens Corning	2,100	136	126	
Spirit AeroSystems Holdings Inc	1,990	142	196	
Stanley Black & Decker Inc	1,253	178	205	
United Technologies Corp	1,400	162	203	
Wabtec Corp	1,500	187	144	
		<u>1,718</u>	<u>1,503</u>	<u>1.4</u>
<b>Information Technology:</b>				
Broadcom Inc	890	291	308	
Hewlett Packard Enterprise Co	7,200	134	130	
Microchip Technology Inc	1,700	119	167	
Microsoft Corp	1,600	74	222	
Oracle Corp	3,515	185	217	
Qualcomm Inc	2,200	164	171	
Texas Instruments Inc	1,700	138	219	
Versum Materials Inc	1,740	68	66	
		<u>1,173</u>	<u>1,500</u>	<u>1.4</u>
<b>Mutual Funds:</b>				
Leith Wheeler U.S. Small/Mid-Cap Equity Fund Series A	299,717	3,370	3,377	
Leith Wheeler International Equity Plus Fund Series A	1,556,944	15,283	16,260	
		<u>18,653</u>	<u>19,637</u>	<u>17.8</u>
<b>Materials:</b>				
Air Products & Chemicals Inc	1,000	181	218	
Dowdupont Inc	2,492	190	182	
Linde PLC	1,114	230	237	
LyondellBasell Industries NV	1,300	148	148	
		<u>749</u>	<u>785</u>	<u>0.7</u>
<b>Real Estate:</b>				
Liberty Property Trust	2,600	147	148	
MGM Growth Properties	3,800	148	137	
		<u>295</u>	<u>285</u>	<u>0.3</u>



# LEITH WHEELER BALANCED FUND

Schedule of Investment Portfolio (continued)

(Expressed in thousands of dollars)

December 31, 2018

Security	Number of holdings	Cost	Fair value	% of Net assets
<b>FOREIGN EQUITY (continued)</b>				
<b>Utilities:</b>				
Dominion Resources Inc/VA	2,400	\$ 220	\$ 234	
Exelon Corp	4,000	217	246	
		437	480	<b>0.4</b>
<b>TOTAL FOREIGN EQUITY</b>		<b>31,021</b>	<b>32,754</b>	<b>29.6</b>
<b>MONEY MARKET SECURITIES</b>		<b>6,221</b>	<b>6,221</b>	<b>5.6</b>
<b>TRANSACTION COSTS</b>		<b>(18)</b>		
<b>TOTAL INVESTMENT PORTFOLIO</b>		<b>\$ 103,983</b>	<b>\$ 110,631</b>	<b>100.0</b>
<b>OTHER ASSETS LESS LIABILITIES</b>			<b>(12)</b>	
<b>NET ASSETS</b>			<b>\$ 110,619</b>	<b>100.0</b>

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

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2018 and 2017

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 1.10% 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 0.85% per annum, before GST/HST, of the daily Net Asset Value of Series F. Management fee distributions for the year ended December 31, 2018 were approximately \$296,000 (2017 - \$312,000). 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, withholding tax rates were between 0% and 35.0% (2017 - between 0% and 35%).

The Fund has capital losses of nil (2017 - nil) available for utilization against capital gains in future years. The Fund has non-capital losses of nil (2017 - 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, 2018 and 2017 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:					
2018	517	514	21	(52)	1,000
2017	470	151	14	(118)	517
Series B:					
2018	3,663	521	76	(887)	3,373
2017	3,603	632	60	(632)	3,663
Series F:					
2018	64	142	5	(11)	200
2017	58	13	1	(8)	64

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2018 and 2017

## 4. Financial risk management:

The investment objective of the Fund is to provide investors with a relatively stable, superior long-term rate of return, through a balanced portfolio of common shares and fixed income securities.

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) Credit risk:

The majority of the credit risk to which the Fund is exposed is concentrated in debt securities. Credit risk arising from other financial instruments is not considered significant. At December 31, 2018 and 2017, the Fund was invested in debt securities with the following credit quality:

	2018	2017
<b>Rating:</b>		
AAA	23.4%	26.6%
AA	31.2%	21.5%
A	23.3%	31.5%
BBB	15.2%	13.7%
BB	4.1%	2.1%
B	2.8%	4.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Credit ratings are obtained from Standard & Poor's, Moody's, Fitch and/or Dominion Bond Rating Services. Where one or more rating is obtained for a security, the most common rating has been used.

### (b) 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.

### (c) Market risk:

#### (i) Interest rate risk:

The table below summarizes the Fund's exposure to interest rate risk by remaining term to maturity as at:

	2018	2017
	% of total debt securities	% of total debt securities
Term to maturity		
Less than 1 year	3.9%	11.3%
1 to 5 years	46.6%	37.6%
5 to 10 years	22.9%	23.0%
More than 10 years	26.6%	28.1%
<b>Total debt securities</b>	<b>100.0%</b>	<b>100.0%</b>

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2018 and 2017

## 4. Financial risk management (continued):

(c) Market risk: (continued)

(i) Interest rate risk (continued):

The Manager has determined that a fluctuation in interest rates of 1% is reasonably possible, considering the economic environment in which the Fund operates. As at December 31, 2018 and 2017, had interest rates increased or decreased by 1%, with all other factors remaining constant, net assets attributable to redeemable units would have increased or decreased by approximately \$2,586,000, and \$2,833,000, respectively. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

(ii) Currency risk:

At the reporting date, the carrying value of the Fund's net financial assets and financial liabilities held in individual foreign currencies expressed in Canadian dollars and as a percentage of its net assets were as follows:

	Currency exposure		Percentage of net assets	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
US Dollar	\$ 19,488	\$ 17,044	17.6%	15.3%
Euro	3,874	3,700	3.5%	3.3%
Japanese Yen	3,226	4,878	2.9%	4.4%
British Pound	2,203	2,711	2.0%	2.4%
Hong Kong Dollar	2,191	2,460	2.0%	2.2%
Swiss Franc	1,463	1,382	1.3%	1.2%
Singapore Dollar	658	336	0.6%	0.3%
Norwegian Krone	329	343	0.3%	0.3%
Indonesian Rupiah	316	415	0.3%	0.4%
South Korean Won	269	-	0.2%	-
Thailand Baht	261	346	0.2%	0.3%
Total	\$ 34,278	\$ 33,615	30.9%	30.1%

As at December 31, 2018 and 2017, had the Canadian dollar strengthened or weakened by 1% in relation to all foreign currencies, with all other factors remaining constant, net assets attributable to redeemable units would have increased or decreased by approximately \$343,000 and \$336,000, respectively. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2018 and 2017

## 4. Financial risk management (continued):

(c) Market risk: (continued)

(iii) Other price risk:

For this Fund, the most significant exposure to other price risk arises from its investment in equity securities, both directly and indirectly through holdings in underlying investment funds. As at December 31, 2018 and 2017, 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 \$3,370,000 and \$3,412,000, 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.

All fair value measurements below are recurring.

<b>December 31, 2018</b>	Level 1	Level 2	Level 3	Total
Short Term Notes	\$ -	\$ 6,221	\$ -	\$ 6,221
Bonds (including Mortgage Backed Securities)	-	33,879	-	33,879
Equities - Long	46,990	763	-	47,753
Investment Fund units	22,778	-	-	22,778
	\$ 69,768	\$ 40,863	\$ -	\$ 110,631

<b>December 31, 2017</b>	Level 1	Level 2	Level 3	Total
Short Term Notes	\$ -	\$ 4,079	\$ -	\$ 4,079
Bonds (including Mortgage Backed Securities)	-	35,903	-	35,903
Equities - Long	48,344	-	-	48,344
Investment Fund units	22,726	-	-	22,726
	\$ 71,070	\$ 39,982	\$ -	\$ 111,052

During the year, there were no transfers of financial instruments between the three levels (2017 - nil).

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2018 and 2017

## 6. Involvement with structured entities:

The table below describes the types of structured entities in which the Fund holds an interest.

Entity	Nature and purpose	Interest held by the Fund
Investment Funds	To manage assets on behalf of third party investors and generate fees for the investment manager.  These vehicles are financed through the issue of units to Investors.	Investment in units issued by the underlying investment funds.

The table below sets out interests held by the Fund in structured entities. The maximum exposure to loss is the carrying amount of the investment in the underlying funds held.

December 31, 2018				
		Number of investee funds held	Total net assets of investee funds	Carrying amount included in investments
Investment fund holding		3	\$ 174,294	\$ 22,778
Underlying Fund	Principal place of business	Country of Domicile	Ownership interest	Carrying amount included in investments in statement of financial position
Leith Wheeler International Equity Plus Fund Series A	Canada	Canada	45.8%	\$ 16,260
Leith Wheeler US Small/Mid-Cap Equity Fund Series A	Canada	Canada	64.9%	3,377
Leith Wheeler Multi-Credit Fund Series A	Canada	Canada	2.4%	3,141

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements - Fund Specific Information

(Tabular amounts expressed in thousands of dollars)

Years ended December 31, 2018 and 2017

## 6. Involvement with structured entities (continued):

December 31, 2017				
		Number of investee funds held	Total net assets of investee funds	Carrying amount included in investments
Investment fund holding		3	\$ 73,912	\$ 22,726
Underlying Fund	Principal place of business	Country of Domicile	Ownership interest	Carrying amount included in investments in statement of financial position
Leith Wheeler International Equity Plus Fund Series A	Canada	Canada	67.0%	\$ 17,116
Leith Wheeler US Small/Mid-Cap Equity Fund Series A	Canada	Canada	63.6%	2,852
Leith Wheeler High Yield Fund Series A (CAD Hedged)	Canada	Canada	6.3%	2,758

During 2018 and 2017, the Fund did not provide financial support to this structured entity and has no intention of providing financial or other support. The Fund can redeem its units in the above investment fund at any time, subject to their being sufficient liquidity in the underlying fund.

## 7. Related party transactions:

At December 31, 2018, the Fund owned 1,556,944 (2017 - 1,427,038) Series A units of the Leith Wheeler International Equity Plus Fund, 299,717 (2017 - 242,327) Series A units of the Leith Wheeler U.S. Small/Mid-Cap Equity Fund, 330,999 (2017 - nil) Series A units of the Leith Wheeler Multi Credit Fund and nil (2017 - 301,454) Series A (CAD Hedged) units of the Leith Wheeler High Yield Bond Fund, which are funds under common management.

During the year, the Fund earned approximately \$709,000 in dividend income (2017 - \$539,000), \$51,000 in interest income (2017 - \$138,000), \$14,000 in other income (2017- \$234,000) and \$576,000 in capital gains (2017 - \$415,000) on those investments. No additional management fees are paid by the Fund to the Manager in respect of holding units of these underlying investment funds.

# LEITH WHEELER BALANCED 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, 2018 and 2017

## 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.

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.



# LEITH WHEELER BALANCED 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, 2018 and 2017

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## 1. Reporting entity (continued):

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, 2018 and 2017. 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 Account Standards Board ("IASB"). The financial statements were authorized for issue by the Manager on March 29, 2019.

### (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.

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.

# LEITH WHEELER BALANCED 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, 2018 and 2017

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### 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 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 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 selling 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

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.

# LEITH WHEELER BALANCED 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, 2018 and 2017

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### 3. Significant accounting policies (continued):

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

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

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 statement 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.

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.

# LEITH WHEELER BALANCED 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, 2018 and 2017

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### 3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(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 Funds' 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.

(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 Canadian dollars 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.

# LEITH WHEELER BALANCED 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, 2018 and 2017

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### 3. Significant accounting policies (continued):

(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.

(g) New standards and interpretations not yet adopted:

The Manager has determined there are no material implications to the Funds' financial statements arising from IFRS issued but not yet effective.

### 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.

(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, 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.

# LEITH WHEELER BALANCED 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, 2018 and 2017

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## 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.

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.

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.

# LEITH WHEELER BALANCED 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, 2018 and 2017

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## 6. Financial risk management (continued):

### (a) Credit risk (continued):

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.

### (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.

# LEITH WHEELER BALANCED 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, 2018 and 2017

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## 6. Financial risk management (continued):

### (c) Market risk (continued):

#### (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.

## 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.



# LEITH WHEELER BALANCED 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, 2018 and 2017

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

### (a) Valuation models (continued):

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.

### (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.

## 8. Change in accounting policy:

The Funds adopted IFRS 9 *Financial Instruments* ("IFRS 9") with a date of initial application of January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 specifies the accounting for financial instruments, including: classification and measurement, impairment and hedge accounting. The adoption of IFRS 9 have been applied retrospectively. The nature and effects of the key changes to the Fund's accounting policy are summarized below.

# LEITH WHEELER BALANCED 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, 2018 and 2017

## 8. Change in accounting policy (continued):

### (i) Classification and measurement of financial assets and liabilities:

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Funds may also, at initial recognition, irrevocably designate a financial asset as measured at FVTPL when doing so results in more relevant information. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

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 Funds may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

The adoption of IFRS 9 did not result in any measurement differences in the Funds' financial assets and liabilities as at the transition date. The following table shows the original classification and measurement categories under IAS 39 and the new classification and measurement categories under IFRS 9 for each class of the Funds' financial assets and financial liabilities as at January 1, 2018.

	Original Classification under IAS 39	New Classification under IFRS 9
<b>Financial assets</b>		
Cash	Loans and receivables	Amortized cost
Amounts due from brokers	Loans and receivables	Amortized cost
Subscriptions receivable	Loans and receivables	Amortized cost
Daily variation margin	Loans and receivables	Amortized cost
Interest and dividends receivable	Loans and receivables	Amortized cost
Other receivables	Loans and receivables	Amortized cost
Derivative assets	Held-for-trading	FVTPL
Investments	FVTPL	FVTPL
<b>Financial liabilities</b>		
Bank indebtedness	Other financial liabilities	Amortized cost
Amounts due to brokers	Other financial liabilities	Amortized cost
Redemptions payable	Other financial liabilities	Amortized cost
Management fees payable	Other financial liabilities	Amortized cost
Other accrued liabilities	Other financial liabilities	Amortized cost
Derivative liabilities	Held-for-trading	FVTPL
Investments sold short	FVTPL	FVTPL

# LEITH WHEELER BALANCED 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, 2018 and 2017

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## 8. Change in accounting policy (continued):

### (ii) Impairment of financial assets:

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. As the Funds measure their financial assets at FVTPL or holds only short-term financial assets at amortized cost, the impairment requirements under the new standard do not impact these financial statements.

### (iii) Hedge accounting:

As permitted by IFRS 9, an election is available to continue to apply the hedge accounting requirements of IAS 39. However, the Funds have not applied hedge accounting under either standard. Therefore, the hedge accounting requirements under the new standard do not impact these financial statements.