

# Leith Wheeler Corporate Advantage Fund

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

June 30, 2023



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.sedar.com](http://www.sedar.com).

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

## Management Discussion of Fund Performance

### Investment Objective and Strategies

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

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

### Risk

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

### Results of Operations

The Fund's net assets increased by 15% in the first half of 2023 to \$171.1 million from \$148.8 million at the end of 2022. Of this change, \$3.6 million was attributable to positive investment performance and \$18.7 million to net inflows from unitholders.

For the six months ended June 30, 2023, Series A of the Corporate Advantage Fund returned 2.5% before fees and expenses. After fees and expenses, Series F returned 2.2%.

As of June 30, 2023, the Fund held 79.5% in investment grade bonds, 6.7% high yield bonds and senior loans (through the Leith Wheeler Multi Credit Fund), 11.9% preferred shares, 0.1% hedging and 1.7% cash and equivalents.

In the second quarter, the Bank of Canada resumed its interest rate hikes, bringing the overnight rate to 4.75% and indicating that they would likely increase rates further over the year. Resilience of consumer demand and continued tight labour market conditions have hampered efforts by the Bank of Canada to rein in inflation. While headline inflation has steadily declined since in the peak of 8.1% last summer to 3.4% year-over-year, barely above the Bank of Canada's target range of 1-3%, other measures of inflation remain elevated. Services inflation and core inflation (excluding food and energy) are tracking approximately 4-5%. Furthermore, business surveys show expectations for further prices increases and while unemployment has risen slightly, the labour market remains very strong, providing support to wage gains. Resilient economic growth was reflected in an annualized GDP growth of +3.1% in Q1, outpacing expectations.

Corporate bonds performed well over the quarter on stronger economic conditions and a greater appetite for risk exposure. The financials sector rebounded following weakness in the first quarter triggered by concerns relating to US regional bank liquidity. The Fund remains positioned with an overweight in financials and utilities. Our holdings in corporate bonds are concentrated in short to mid-term bonds.

During the quarter, credit spreads in the high yield market tightened from 3.8% to 3.4%, while expected default rates for both high yield bonds and bank loans remained near their long-term averages. Positive security selection in the telecommunications and basic industry sectors were contributors to the portfolio's performance. However, the portfolio's performance was impacted by the security selection in the retail and technology sectors.

The Canadian preferred share market ended the second quarter negative, with the S&P/TSX Preferred Share Index down -2.07% on a total return basis. The preferred share portfolio outperformed the index ending Q2 down -0.99%. We remain overweight rate reset preferreds at 85.6% of the portfolio compared to 73.3% for the Index, and underweight perpetuals at 13.2% compared to 23.9% for the Index. The portfolio has no exposure to floating rate preferred shares, which make up 2.8% of the index.

### Recent Developments

In July 2023, the Bank of Canada raised its key interest rate to 5.0%.

## 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, 2023, the Fund owned 1,151,375 Series A units of the Leith Wheeler Multi Credit Fund and 2,573,717 Series A units of the Leith Wheeler Preferred Share Fund, which are funds under common management.

### Management Fees

The Manager provides the Fund with investment management services, including fund accounting and unitholder record keeping. In return, the Manager receives a management fee based on the net assets of the Fund, calculated on a daily basis. The annualized management fee for the Series B and Series F units of the Fund are 0.75% and 0.50%, respectively. During the year, the Fund paid the Manager \$17,202 for Series B and \$43,582 for Series F (exclusive of GST/HST) of its net assets as management fees. The Fund does not reimburse the Manager for operating costs incurred in administering the Fund. The Manager paid all operating expenses except brokerage commissions, transaction charges and taxes. In respect of Series A units, the unitholder pays the Manager a negotiated management fee outside the Fund.

We do not directly or indirectly pay fees, sales commissions or trailing commissions, nor do we provide any non-monetary benefits to registered dealers for distributions of units of the Fund. If a broker charges you a commission or fee, that is a matter between you and the dealer.

**Financial Highlights**

**The Fund's Net Assets Attributable to Holders of Redeemable Units per Unit**

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past 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, 2023	2022	2021	2020	2019	2018
Net assets attributable to holders of redeemable units - per unit, beginning of period <sup>(1) (3)</sup>	\$9.24	\$10.42	\$10.53	\$10.12	\$9.89	\$10.21
Increase (decrease) from operations:						
Total revenue	0.20	0.37	0.31	0.32	0.34	0.36
Total expenses	-	-	-	-	-	-
Realized gains (losses) for the year	(0.07)	(0.47)	0.08	0.05	0.09	(0.03)
Unrealized gains (losses) for the year	0.07	(0.76)	(0.12)	0.32	0.24	(0.38)
Total increase (decrease) from operations <sup>(1)</sup>	0.20	(0.86)	0.27	0.69	0.67	(0.05)
Distributions:						
From income (excluding dividends)	(0.21)	(0.30)	(0.27)	(0.26)	(0.26)	(0.23)
From dividends	(0.05)	(0.05)	(0.05)	(0.07)	(0.07)	(0.08)
From capital gains	-	-	(0.07)	(0.04)	(0.10)	-
Return of capital	-	-	-	-	-	-
Total Annual Distributions <sup>(2)</sup>	(0.26)	(0.35)	(0.39)	(0.37)	(0.43)	(0.31)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$9.20	\$9.24	\$10.42	\$10.53	\$10.12	\$9.89
<b>Series B <sup>(3)</sup></b>	<b>June 30, 2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Net assets attributable to holders of redeemable units - per unit, beginning of period <sup>(1) (3)</sup>	\$9.14	\$10.26	\$10.36	\$9.90	\$9.69	\$9.95
Increase (decrease) from operations:						
Total revenue	0.21	0.35	0.33	0.24	0.39	(0.68)
Total expenses	(0.04)	(0.06)	(0.08)	(0.05)	(0.21)	(0.18)
Realized gains (losses) for the year	(0.07)	(0.46)	0.09	0.04	0.11	0.06
Unrealized gains (losses) for the year	0.07	(0.72)	(0.14)	0.24	0.28	0.71
Total increase (decrease) from operations <sup>(1)</sup>	0.17	(0.89)	0.20	0.47	0.57	(0.09)
Distributions:						
From income (excluding dividends)	(0.08)	(0.18)	(0.17)	(0.15)	(0.18)	(0.11)
From dividends	(0.03)	(0.04)	(0.05)	(0.05)	(0.07)	(0.07)
From capital gains	-	-	(0.07)	(0.03)	(0.10)	-
Return of capital	-	-	-	-	-	-
Total Annual Distributions <sup>(2)</sup>	(0.11)	(0.22)	(0.29)	(0.23)	(0.35)	(0.18)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	-	\$9.14	\$10.26	\$10.36	\$9.90	\$9.69

**Financial Highlights (cont.)**

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

Series F	June 30, 2023	2022	2021	2020	2019	2018
Net assets attributable to holders of redeemable units – per unit, beginning of period <sup>(1) (4)</sup>	\$8.85	\$9.98	\$10.05	\$9.63	\$9.44	\$9.69
Increase (decrease) from operations:						
Total revenue	0.21	0.34	0.31	0.36	0.29	0.37
Total expenses	(0.02)	(0.05)	(0.05)	(0.07)	(0.01)	(0.02)
Realized gains (losses) for the year	(0.07)	(0.44)	0.08	0.06	0.08	(0.04)
Unrealized gains (losses) for the year	0.07	(0.69)	(0.13)	0.35	0.21	(0.38)
Total increase (decrease) from operations <sup>(1)</sup>	0.19	(0.84)	0.21	0.70	0.57	(0.07)
Distributions:						
From income (excluding dividends)	(0.17)	(0.24)	(0.15)	(0.19)	(0.22)	(0.13)
From dividends	(0.05)	(0.05)	(0.05)	(0.06)	(0.07)	(0.05)
From capital gains	-	-	(0.07)	(0.03)	(0.10)	-
Return of capital	-	-	-	-	-	-
Total Annual Distributions <sup>(2)</sup>	(0.22)	(0.29)	(0.27)	(0.28)	(0.39)	(0.18)
Net assets attributable to holders of redeemable units – per unit, end of year <sup>(1)</sup>	\$8.82	\$8.85	\$9.98	\$10.05	\$9.63	\$9.44

(1) Net assets attributable to holders of redeemable units and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(2) Distributions are reinvested in additional units of the Fund or paid in cash.

(3) Effective June 27, 2023, Series B has been discontinued as there are no unitholders.

## Financial Highlights (cont.)

## Ratios and Supplemental Data

Series A	June 30, 2023	2022	2021	2020	2019	2018
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	153,358	126,924	125,959	95,760	115,955	128,309
Number of units outstanding (000s) <sup>(1)</sup>	16,669	13,741	12,088	9,090	11,458	12,971
Management expense ratio (%) <sup>(2)</sup>	-	-	-	-	-	-
Management expense ratio before waivers or absorptions (%)	0.02	0.02	0.02	0.02	0.02	0.02
Trading expense ratio (%) <sup>(3)</sup>	0.01	0.01	0.01	0.01	-	0.01
Portfolio turnover rate (%) <sup>(4)</sup>	112.44	139.79	76.48	167.19	101.88	112.09
Net assets attributable to holders of redeemable units - per unit (\$)	9.20	9.24	10.42	10.53	10.12	9.89

Series B <sup>(5)</sup>	June 30, 2023	2022	2021	2020	2019	2018
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	-	5,139	6,182	5,230	8,266	8,111
Number of units outstanding (000s) <sup>(1)</sup>	-	562	603	505	835	837
Management expense ratio (%) <sup>(2)</sup>	0.80	0.80	0.80	0.80	0.79	0.79
Management expense ratio before waivers or absorptions (%)	0.82	0.82	0.82	0.82	0.81	0.81
Trading expense ratio (%) <sup>(3)</sup>	0.01	0.01	0.01	0.01	-	0.01
Portfolio turnover rate (%) <sup>(4)</sup>	112.44	139.79	76.48	167.19	101.88	112.09
Net assets attributable to holders of redeemable units - per unit (\$)	-	9.14	10.26	10.36	9.90	9.69

Series F	June 30, 2023	2022	2021	2020	2019	2018
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	17,710	16,707	17,307	22,018	26,336	24,915
Number of units outstanding (000s) <sup>(1)</sup>	2,008	1,888	1,734	2,191	2,734	2,638
Management expense ratio (%) <sup>(2)</sup>	0.54	0.53	0.54	0.54	0.53	0.53
Management expense ratio before waivers or absorptions (%)	0.56	0.55	0.56	0.56	0.55	0.55
Trading expense ratio (%) <sup>(3)</sup>	0.01	0.01	0.01	0.01	-	0.01
Portfolio turnover rate (%) <sup>(4)</sup>	112.44	139.79	76.48	167.19	101.88	112.09
Net assets attributable to holders of redeemable units - per unit (\$)	8.82	8.85	9.98	10.05	9.63	9.44

(1) This information is provided as at December 31 of the year shown; unless noted otherwise.

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of the daily average net asset value during the period.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(5) Effective June 27, 2023, Series B has been discontinued as there are no unitholders.

Past Performance

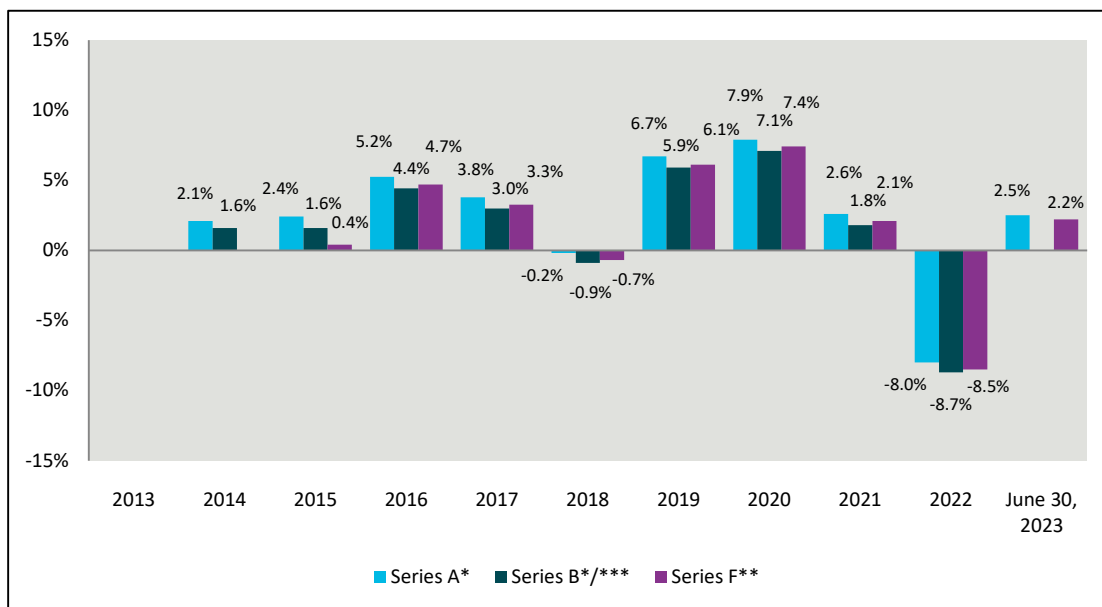
General

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 A and Series B units were created May 29, 2014. Return from May 29, 2014 to December 31, 2014, not annualized.

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

\*\*\* Effective June 27, 2023, Series B has been discontinued as there are no unitholders.

## Summary of Investment Portfolio

As at June 30, 2023

### Top 25 Positions

Issuer	% of Net Asset Value
Leith Wheeler Preferred Share Fund Series A	11.5%
Leith Wheeler Multi Credit Fund Series A	5.8%
TransCanada Trust 5.3% March 15, 2077	1.8%
Bank of Nova Scotia 1.4% November 01, 2027	1.6%
Choice Properties Real Estate Investment Trust 3.53% June 11, 2029	1.5%
Royal Bank of Canada 1.83% July 31, 2028	1.5%
Toronto-Dominion Bank 3.1% April 22, 2030	1.4%
Cash & Other Net Assets	1.4%
Toronto-Dominion Bank 4.86% March 04, 2031	1.4%
Algonquin Power & Utilities Corp 4.75% January 18, 2082	1.3%
TransCanada PipeLines Ltd 3% September 18, 2029	1.2%
Sun Life Financial Inc 4.78% August 10, 2034	1.2%
Manulife Financial Corp 2.82% May 13, 2035	1.1%
Bell Telephone Co of Canada or Bell Canada 2.5% May 14, 2030	1.1%
Pembina Pipeline Corp 3.53% December 10, 2031	1.1%
Choice Properties Real Estate Investment Trust 2.98% March 04, 2030	1.0%
North West Redwater Partnership / NWR Financing Co Ltd 4.25% June 01, 2029	1.0%
Bank of Montreal 6.53% October 27, 2032	1.0%
Enbridge Gas Inc 2.35% September 15, 2031	1.0%
Cenovus Energy Inc 3.5% February 07, 2028	0.9%
Toronto-Dominion Bank 1.9% September 11, 2028	0.9%
Brookfield Infrastructure Finance ULC 4.19% September 11, 2028	0.9%
407 International Inc 3.43% June 01, 2033	0.9%
Rogers Communications Inc 2.9% December 09, 2030	0.9%
Bell Telephone Co of Canada or Bell Canada 5.85% November 10, 2032	0.9%

### Portfolio Allocation

Portfolio Breakdown	% of Net Asset Value
Bonds	79.5%
Preferred Shares	11.9%
High Yield Bonds	5.8%
Cash & Other Net Assets	1.7%
Senior Loans	1.0%
Hedging	0.1%

The Fund held no short positions as at June 30, 2023.

*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)*