

# Leith Wheeler Emerging Markets Equity Fund

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2018



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This annual management report of fund performance contains financial highlights, but does not contain complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-888-292-1122, by writing to us at 1500 – 400 Burrard Street, Vancouver, BC V6C 3A6 or by visiting our website at [www.leithwheeler.com](http://www.leithwheeler.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

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

## Management Discussion of Fund Performance

### Investment Objective and Strategies

To provide investors with long term capital appreciation and consistent income from dividends by investing primarily in common stocks of large and mid-cap companies based in emerging market countries as listed on the Morgan Stanley Capital International Emerging Markets Index (the "MSCI Emerging Markets Index"). The Fund may also invest in companies located in Singapore, Hong Kong, and any country listed on the Morgan Stanley Capital International Frontier Markets Index. The Emerging Markets Equity Fund is sub-advised by Barrow, Hanley, Mewhinney & Strauss, LLC of Dallas, Texas.

The Fund will pursue a value-oriented strategy by constructing a portfolio of individual stocks, selected on a bottom-up basis, generally reflecting the following characteristics: price/earnings (on normalized earnings), price to book, enterprise value to free cash flow and enterprise value to sales ratios below the market, and dividend yield above the market. The Fund will principally be invested with full foreign currency exposure (i.e. un-hedged).

### 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 were increased by 106.5% in 2018, rising to \$54.1 million from \$26.2 million at the end of 2017. Of this change, \$0.4 million was attributable to investment loss and \$28.3 million attributable to net inflows.

The Emerging Markets Equity Fund fell -1.5% in 2018, outperforming the MSCI Emerging Market Index, which was down -7.1% on the year. The Series B Fund of the Fund reported a -3.1% decline after fees and expenses, while Series F of the Fund reported a -2.8% return for calendar year 2018 after fees and expenses.

Emerging market (EM) equities regained global leadership during one of the more brutal fourth quarters in recent memory, as investors reconsidered their previously held assumption that the trifecta of Chinese deleveraging, US Federal Reserve ("Fed") tightening, and mounting trade tensions were purely EM-specific problems. Consequently, developed market ("DM") equities "caught down" to their EM counterparts, with the MSCI World Index returning -13.1% during the quarter versus -7.4% for the MSCI EM Index (in local currency).

Perhaps this outperformance should not come as too big a surprise given that 2018 was a year in which MSCI EM Value outperformed MSCI EM Growth. This outcome is consistent with our long-held belief that our unique approach to value investing in EM equities is an "all-weather" one that has and should continue to provide outperformance in either growth or value-led regimes, while also providing a degree of downside protection similar to what was exhibited in 2018. The core of this unique approach is our emphasis on buying companies that – in addition to exhibiting depressed valuation multiples – also exhibit depressed but stabilized margin profiles, high cash conversion, generous shareholder payouts, and transparent governance. In hindsight, trade trends had less impact on individual country performances than did a number of mini-crisis – from trucker strikes in Brazil to worsening land reform rhetoric in South Africa to Italian political instability that strengthened the US dollar.

Outperformance during the fourth quarter was largely driven by our overweight in Brazil. The Brazilian market was not only the best performing market in EM during the fourth quarter, but also the best performing in the world, delivering a +15.0% dollar-adjusted return. This sudden revaluation in local equities and foreign exchange was driven by the surprising strength of Jair Bolsonaro's voting support in the first round of the Brazilian presidential election and his subsequent second-round victory.

While our Brazil investments paid off big during the fourth quarter, not everything came up roses in Latin America. Colombia and Mexico were the two worst performing emerging markets during the fourth quarter. While Colombia's underperformance was almost entirely attributable to what we believe was a temporary though excruciatingly steep decline in oil prices, Mexico's weakness was attributable almost entirely to political factors.

### Recent Developments

Emerging markets have rebounded significantly in 2019, with the MSCI Emerging Market Index returning 4.8% in January.

## 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.

### Management Fees

The Manager provides the Fund with investment management services, including fund accounting and unitholder record keeping. In return, the Manager receives a management fee based on the net assets of the Fund, calculated on a daily basis. The annualized management fee for the Series B and Series F units of the Fund are 1.55% and 1.25%, respectively. During the year, the Fund paid the Manager \$1,776 for Series B and \$134 for Series F (exclusive of GST/HST) of its net assets as management fees. In addition, the Fund will reimburse the Manager for operating costs incurred in administering the Fund of up to 0.30%. The Manager paid all operating expenses in excess of 0.30% except brokerage commissions, transaction charges and taxes. In respect of Series A units, the unitholder pays the Manager a negotiated management fee outside the Fund.

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

**Financial Highlights**

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

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

<b>Series A (inception May 19, 2017)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1)</sup>	\$10.70	\$10.00	n/a	n/a	n/a
Increase (decrease) from operations:					
Total revenue	0.48	0.13	n/a	n/a	n/a
Total expenses	-	-	n/a	n/a	n/a
Realized gains (losses) for the year	0.15	(0.06)	n/a	n/a	n/a
Unrealized gains (losses) for the year	(0.74)	1.32	n/a	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	(0.11)	1.39	n/a	n/a	n/a
Distributions:					
From income (excluding dividends)	-	-	n/a	n/a	n/a
From dividends	(0.30)	(0.06)	n/a	n/a	n/a
From capital gains	-	-	n/a	n/a	n/a
Return of capital	-	-	n/a	n/a	n/a
Total Annual Distributions <sup>(2)</sup>	(0.30)	(0.06)	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$10.21	\$10.70	n/a	n/a	n/a

<b>Series B (inception May 19, 2017)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1)</sup>	\$10.67	\$10.00	n/a	n/a	n/a
Increase (decrease) from operations:					
Total revenue	(31.42)	0.11	n/a	n/a	n/a
Total expenses	(8.31)	(0.10)	n/a	n/a	n/a
Realized gains (losses) for the year	(9.77)	(0.05)	n/a	n/a	n/a
Unrealized gains (losses) for the year	48.57	1.08	n/a	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	(0.93)	1.04	n/a	n/a	n/a
Distributions:					
From income (excluding dividends)	-	-	n/a	n/a	n/a
From dividends	(0.11)	(0.04)	n/a	n/a	n/a
From capital gains	-	-	n/a	n/a	n/a
Return of capital	-	-	n/a	n/a	n/a
Total Annual Distributions <sup>(2)</sup>	(0.11)	(0.04)	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$10.19	\$10.67	n/a	n/a	n/a

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

<b>Series F (inception May 19, 2017)</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1) (3)</sup>	\$10.70	\$10.00	n/a	n/a	n/a
Increase (decrease) from operations:					
Total revenue	0.95	0.07	n/a	n/a	n/a
Total expenses	(0.07)	-	n/a	n/a	n/a
Realized gains (losses) for the year	0.30	(0.03)	n/a	n/a	n/a
Unrealized gains (losses) for the year	(1.48)	0.68	n/a	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	(0.30)	0.72	n/a	n/a	n/a
Distributions:					
From income (excluding dividends)	-	-	n/a	n/a	n/a
From dividends	(0.14)	(0.02)	n/a	n/a	n/a
From capital gains	-	-	n/a	n/a	n/a
Return of capital	-	-	n/a	n/a	n/a
Total Annual Distributions <sup>(2)</sup>	(0.14)	(0.02)	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$10.23	\$10.70	n/a	n/a	n/a

(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) From May 19, 2017, inception date of Series A, B and F units of the Fund.

**Financial Highlights (cont.)**

**Ratios and Supplemental Data**

Series A (inception May 19, 2017)	2018	2017	2016	2015	2014
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	53,990	26,211	n/a	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	5,287	2,449	n/a	n/a	n/a
Management expense ratio (%) <sup>(2)</sup>	-	-	-	-	-
Management expense ratio before waivers or absorptions (%)	0.11	0.05	n/a	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	0.30	0.25	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	49.32	6.81	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit (\$)	10.21	10.70	n/a	n/a	n/a

Series B (inception May 19, 2017)	2018	2017	2016	2015	2014
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	112	22	n/a	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	11	2	n/a	n/a	n/a
Management expense ratio (%) <sup>(2)</sup>	1.63	1.63	n/a	n/a	n/a
Management expense ratio before waivers or absorptions (%)	1.74	1.68	n/a	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	0.30	0.25	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	49.32	6.81	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit (\$)	10.19	10.67	n/a	n/a	n/a

Series F (inception May 19, 2017)	2018	2017	2016	2015	2014
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	10	11	n/a	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	1	1	n/a	n/a	n/a
Management expense ratio (%) <sup>(2)</sup>	1.31	1.31	n/a	n/a	n/a
Management expense ratio before waivers or absorptions (%)	1.42	1.37	n/a	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	0.30	0.25	n/a	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	49.32	6.81	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit (\$)	10.23	10.70	n/a	n/a	n/a

- (1) This information is provided as at December 31 of the year shown; unless noted otherwise.
- (2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of the daily average net asset value during the period.
- (3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
- (4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

**Past Performance**

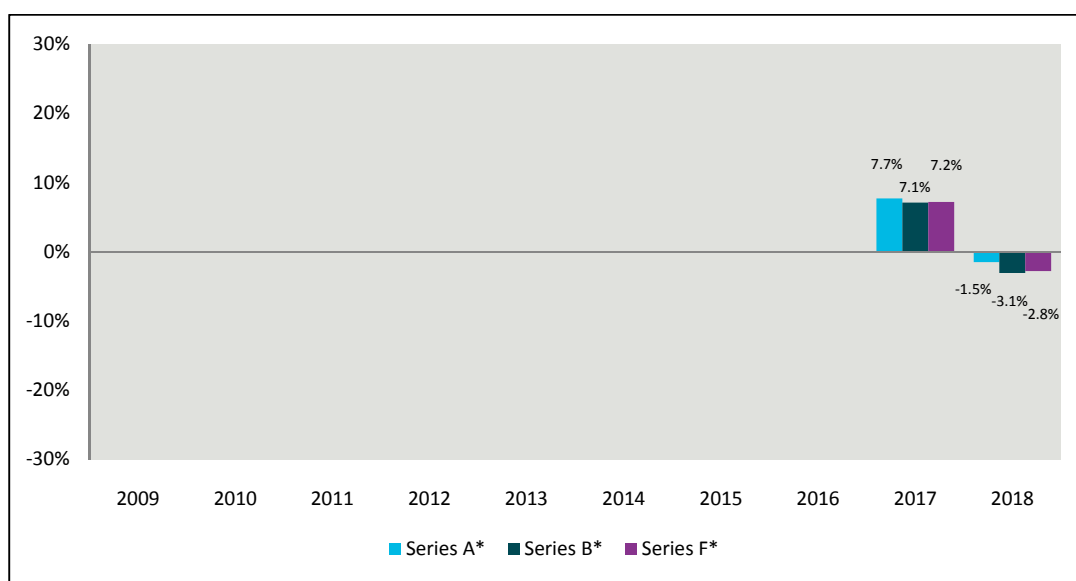
**General**

The Fund’s performance assumes all distributions made by the Fund in the years shown were reinvested in units of the Fund and is based on net asset value per unit. If you hold the Fund outside a Registered Plan, you will be taxed on these distributions.

The performance information does not take into account sales charges, other charges or taxes that, if applicable, would have reduced returns or performance; but includes management fees and other expenses borne directly by the Fund. Past performance does not necessarily indicate how the Fund may perform in the future.

**Year-by-Year Returns**

The following bar chart shows the Fund’s historical return, which changes each year and illustrates how the Fund’s performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each year.



\* Series A, Series B and Series F units were created on May 19, 2017. Return from May 19, 2017 to December 31, 2017, not annualized.

**Annual Compound Returns**

The following table compares the historical annual compound return of the Fund (before fees for Series A and after fees for Series B and F) with the MSCI Emerging Markets Index, in each case for the year ended December 31, 2018. The MSCI Emerging Markets Index measures the total return attributable to large and mid-cap securities across 23 emerging markets countries and covers approximately 85% of the capitalization in each country. A discussion of the performance of the Fund as compared to this broad-based index is found in the Results of Operations section of this document.

For the Years ended December 31	1 Year	3 Years	5 Years	10 Years
Fund – Series A *	-1.5%	n/a	n/a	n/a
Benchmark	-7.1%	n/a	n/a	n/a
Fund – Series B *	-3.1%	n/a	n/a	n/a
Benchmark	-7.1%	n/a	n/a	n/a
Fund – Series F *	-2.8%	n/a	n/a	n/a
Benchmark	-7.1%	n/a	n/a	n/a

\* Series A, B and F units were created May 19, 2017.

**Summary of Investment Portfolio**

As at December 31, 2018

**Top 25 Positions**

Issuer	% of Net Asset Value
SJM Holdings Ltd	2.5%
China Mobile Ltd	2.4%
Absa Group Ltd	2.4%
Arcos Dorados Holdings Inc	2.3%
Kunlun Energy Co Ltd	2.2%
Samsung Securities Co Ltd	2.1%
Grand Korea Leisure Co Ltd	2.1%
Cyrela Brazil Realty SA EMP	2.1%
Ecopetrol SA	2.1%
Bank Pekao SA	2.0%
BRF SA	2.0%
China Oilfield Services	2.0%
Beijing Enterprises Holdings	2.0%
Gran Tierra Energy Inc	2.0%
Shandong Weigao Group Medical	2.0%
Duratex SA	1.9%
Hang Lung Properties Ltd	1.9%
E-MART Inc	1.9%
MediaTek Inc	1.9%
Xinyi Solar Holdings Ltd	1.9%
Banco Santander Mexico	1.9%
Cia Energetica de Minas Gerais	1.8%
WH Group Ltd	1.8%
Doosan Bobcat Inc	1.8%
Bancolombia SA	1.8%

**Portfolio Allocation**

Portfolio Breakdown	% of Net Asset Value
South Korea	15.3%
Hong Kong	13.7%
China	12.7%
South Africa	11.7%
Brazil	9.5%
Mexico	9.2%
India	4.7%
Colombia	3.8%
Taiwan	3.1%
Uruguay	2.3%
Turkey	2.3%
Poland	2.0%
Canada	2.0%
Malaysia	1.7%
Argentina	1.6%
Greece	1.4%
Czech Republic	1.4%
Indonesia	1.2%
Cash & Other Net Assets	0.4%

The Fund held no short positions as at December 31, 2018.

*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).*