

Leith Wheeler Preferred Share Fund

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2018



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 or SEDAR at 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 income and the opportunity for long term capital appreciation by investing primarily in a portfolio of Canadian preferred share securities. This Fund invests primarily in publicly listed preferred shares, including securities convertible into preferred shares, with a minimum preferred share quality of Pfd-3(low) (per Dominion Bond Rating Service or equivalent).

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 Leith Wheeler Preferred Share Fund was seeded on May 22, 2018, however, Series B and Series F of the Fund were not offered under Simplified Prospectus until May 25, 2018. At December 31, 2018, the Fund's net assets were \$29.8 million.

The Fund's objective is to provide investors with income and the opportunity for long term capital appreciation by investing primarily in a portfolio of Canadian preferred share securities.

As of December 31st, the Fund was made up of 93.2% fixed-rate reset preferreds, 5.8% straight perpetual preferreds, 0.0% floating rate preferreds and 1.0% cash & other net assets.

As of the end of the third quarter, the Canadian preferred share market was in good shape, with the S&P/TSX Preferred Share Total Return Index (the Index) returning 13.6% year to date. Equity sentiment was positive and investors in fixed rate-reset preferreds were seeing their income increase, as dividends were re-setting at higher rates. Preferred share spreads continued to grind in tighter, driven by rising interest rates and an increasing appetite for risk.

The volatility in preferred shares picked up in the fourth quarter of 2018, with several factors driving negative performance: bearish equity market sentiment, a decline in 5-year Bank of Canada yields, wider corporate spreads, lower liquidity (versus the broad S&P/TSX Composite Index) and volatile ETF redemptions. The Leith Wheeler Preferred Share Fund declined 11.1% in the second half of 2018, compared to 8.6% for the Index.

From a sector positioning standpoint, the Fund is overweight Utilities and underweight Financials. Our view is that bank preferred shares are expensive in comparison to bond equivalent spreads, and we expect Canadian banks to issue in 2019 and reprice the sector to more attractive levels. We have found better relative valuations within Utility issuers, although this sector was impacted more as the smaller sectors were penalized in an environment of lower liquidity (the three largest ETFs saw significant liquidations before Christmas).

Structurally, having a substantial overweight in fixed rate-reset preferred shares at 93% of the portfolio detracted from performance in the fourth quarter, as the drop in 5-year yields negatively impacted rate reset preferreds, which "reset" at regular intervals and tend to outperform in rising rate environments. Straight perpetual preferred shares, which we are underweight in the portfolio, outperformed in the quarter as perpetual issues fare better when yields fall.

The recent sell-off has created more opportunities than alarm bells, and has allowed us to add issues to the portfolio at more attractive valuations.

Recent Developments

The Canadian preferred share market was slightly negative 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.

At December 31, 2018, the Leith Wheeler Income Advantage Fund and the Leith Wheeler Corporate Advantage Fund owned 747,880 Series A units and 2,139,771 Series A units of the Fund, respectively, which are both under common management. Combined, the holdings represent 84.0% 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 0.90% and 0.70%, respectively. During the year, the Fund paid the Manager \$161 for Series B and \$2,403 for Series F (exclusive of GST/HST) of its net assets as management fees. The Fund does not reimburse the Manager for operating costs incurred in administering the Fund. The Manager paid all operating expenses except brokerage commissions, transaction charges and taxes. In respect of Series A units, the unitholder pays the Manager a negotiated management fee outside the Fund.

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

Financial Highlights

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

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

Series A (inception May 22, 2018)	2018	2017	2016	2015	2014
Net assets attributable to holders of redeemable units - per unit, beginning of year ⁽¹⁾	\$10.00	n/a	n/a	n/a	n/a
Increase (decrease) from operations:					
Total revenue	0.25	n/a	n/a	n/a	n/a
Total expenses	-	n/a	n/a	n/a	n/a
Realized gains (losses) for the year	(0.26)	n/a	n/a	n/a	n/a
Unrealized gains (losses) for the year	(1.34)	n/a	n/a	n/a	n/a
Total increase (decrease) from operations ⁽¹⁾	(1.35)	n/a	n/a	n/a	n/a
Distributions:					
From income (excluding dividends)	-	n/a	n/a	n/a	n/a
From dividends	(0.22)	n/a	n/a	n/a	n/a
From capital gains	-	n/a	n/a	n/a	n/a
Return of capital	-	n/a	n/a	n/a	n/a
Total Annual Distributions ⁽²⁾	(0.22)	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year ⁽¹⁾	\$8.67	n/a	n/a	n/a	n/a

Series B (inception May 22, 2018)	2018	2017	2016	2015	2014
Net assets attributable to holders of redeemable units - per unit, beginning of year ⁽¹⁾	\$10.00	n/a	n/a	n/a	n/a
Increase (decrease) from operations:					
Total revenue	0.25	n/a	n/a	n/a	n/a
Total expenses	(0.82)	n/a	n/a	n/a	n/a
Realized gains (losses) for the year	(0.26)	n/a	n/a	n/a	n/a
Unrealized gains (losses) for the year	(1.37)	n/a	n/a	n/a	n/a
Total increase (decrease) from operations ⁽¹⁾	(2.20)	n/a	n/a	n/a	n/a
Distributions:					
From income (excluding dividends)	-	n/a	n/a	n/a	n/a
From dividends	(0.18)	n/a	n/a	n/a	n/a
From capital gains	-	n/a	n/a	n/a	n/a
Return of capital	-	n/a	n/a	n/a	n/a
Total Annual Distributions ⁽²⁾	(0.18)	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year ⁽¹⁾	\$8.66	n/a	n/a	n/a	n/a

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

Series F (inception May 22, 2018)	2018	2017	2016	2015	2014
Net assets attributable to holders of redeemable units - per unit, beginning of year ⁽¹⁾	\$10.00	n/a	n/a	n/a	n/a
Increase (decrease) from operations:					
Total revenue	0.65	n/a	n/a	n/a	n/a
Total expenses	-	n/a	n/a	n/a	n/a
Realized gains (losses) for the year	(0.68)	n/a	n/a	n/a	n/a
Unrealized gains (losses) for the year	(3.49)	n/a	n/a	n/a	n/a
Total increase (decrease) from operations ⁽¹⁾	(3.52)	n/a	n/a	n/a	n/a
Distributions:					
From income (excluding dividends)	-	n/a	n/a	n/a	n/a
From dividends	(0.28)	n/a	n/a	n/a	n/a
From capital gains	-	n/a	n/a	n/a	n/a
Return of capital	-	n/a	n/a	n/a	n/a
Total Annual Distributions ⁽²⁾	(0.28)	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year ⁽¹⁾	\$8.56	n/a	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 22, 2018, inception date of Series A, B and F units of the Fund.

Financial Highlights (cont.)

Ratios and Supplemental Data

Series A (inception May 22, 2018)	2018	2017	2016	2015	2014
Total net assets attributable to holders of redeemable units (\$000s) ⁽¹⁾	27,977	n/a	n/a	n/a	n/a
Number of units outstanding (000s) ⁽¹⁾	3,228	n/a	n/a	n/a	n/a
Management expense ratio (%) ⁽²⁾	-	n/a	n/a	n/a	n/a
Management expense ratio before waivers or absorptions (%)	0.06	n/a	n/a	n/a	n/a
Trading expense ratio (%) ⁽³⁾	0.10	n/a	n/a	n/a	n/a
Portfolio turnover rate (%) ⁽⁴⁾	64.62	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit (\$)	8.67	n/a	n/a	n/a	n/a

Series B (inception May 22, 2018)	2018	2017	2016	2015	2014
Total net assets attributable to holders of redeemable units (\$000s) ⁽¹⁾	45	n/a	n/a	n/a	n/a
Number of units outstanding (000s) ⁽¹⁾	5	n/a	n/a	n/a	n/a
Management expense ratio (%) ⁽²⁾	0.95	n/a	n/a	n/a	n/a
Management expense ratio before waivers or absorptions (%)	1.01	n/a	n/a	n/a	n/a
Trading expense ratio (%) ⁽³⁾	0.10	n/a	n/a	n/a	n/a
Portfolio turnover rate (%) ⁽⁴⁾	64.62	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit (\$)	8.66	n/a	n/a	n/a	n/a

Series F (inception May 22, 2018)	2018	2017	2016	2015	2014
Total net assets attributable to holders of redeemable units (\$000s) ⁽¹⁾	1,765	n/a	n/a	n/a	n/a
Number of units outstanding (000s) ⁽¹⁾	206	n/a	n/a	n/a	n/a
Management expense ratio (%) ⁽²⁾	0.74	n/a	n/a	n/a	n/a
Management expense ratio before waivers or absorptions (%)	0.80	n/a	n/a	n/a	n/a
Trading expense ratio (%) ⁽³⁾	0.10	n/a	n/a	n/a	n/a
Portfolio turnover rate (%) ⁽⁴⁾	64.62	n/a	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit (\$)	8.56	n/a	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

Past performance information will not be available until such units have been offered under a simplified prospectus for at least 12 consecutive months.

Summary of Investment Portfolio

As at December 31, 2018

Top 25 Positions

Issuer	% of Net Asset Value
Sun Life Financial Inc Step Up Preferred Shares, Series I	6.1%
TransCanada Corp Step Up Preferred Shares, Series G	4.8%
Kinder Morgan Canada Ltd Step Up Preferred Shares, Series A	4.8%
BCE Inc Step Up Preferred Shares, Series M	4.4%
Toronto-Dominion Bank Step Up Preferred Shares, Series E	3.8%
National Bank of Canada Step Up Preferred Shares, Series C	3.7%
Brookfield Renewable Power Preferred Equity Inc Step Up Preferred Shares, Series A	3.5%
Enbridge Inc Step Up Preferred Shares, Series B	3.5%
Royal Bank of Canada Step Up Preferred Shares, Series J	3.4%
Intact Financial Corp Step Up Preferred Shares, Series C	3.3%
Pembina Pipeline Corp Step Up Preferred Shares, Series S	2.9%
Manulife Financial Corp Step Up Preferred Shares, Series O	2.8%
Fortis Inc Step Up Preferred Shares, Series M	2.7%
Bank of Montreal Step Up Preferred Shares, Series C	2.5%
Enbridge Inc Step Up Preferred Shares, Series G	2.4%
Manulife Financial Corp Step Up Preferred Shares, Series H	2.3%
Husky Energy Inc Step Up Preferred Shares, Series E	2.2%
Bank of Nova Scotia Step Up Preferred Shares, Series Z	2.0%
AltaGas Ltd Step Up Preferred Shares, Series A	2.0%
TransCanada Corp Step Up Preferred Shares, Series D	2.0%
Brookfield Office Properties Inc Step Up Preferred Shares, Series N	1.9%
CU Inc Straight Preferred Shares, Series A	1.9%
Enbridge Inc Step Up Preferred Shares, Series T	1.8%
Enbridge Inc Step Up Preferred Shares, Series C	1.7%
Canadian Imperial Bank of Commerce Step Up Preferred Shares, Series R	1.6%

Portfolio Allocation

Portfolio Breakdown	% of Net Asset Value
Step Up Preferred Shares	93.2%
Straight Preferred Shares	5.8%
Cash & Other Net Assets	1.0%

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.