Leith Wheeler INVESTMENT FUNDS LTD. | Quiet Money.®

Leith Wheeler Investment Funds
Quarterly Review – March 31, 2021

	MER %	3 Mo %	1 Yr %	3 Yrs %	5 Yrs %	10 Yrs %
LW Canadian Equity Fund	1.48	11.0	52.3	9.8	11.5	8.4
LW Canadian Dividend Fund	1.50	11.2	49.9	5.9	8.7	7.2
LW Carbon Constrained Cdn Equity Fund	1.48	9.8	47.3	n/a	n/a	n/a
LW US Equity Fund (C$)	1.32	11.9	61.5	11.0	11.8	12.4
LW US Dividend Fund (USD)	1.34	12.5	51.7	6.1	n/a	n/a
LW US Small /Mid-Cap Fund (C$)	1.33	13.6	61.0	13.0	n/a	n/a
LW International Equity Plus Fund (C$)	1.59	4.3	19.3	-1.2	4.7	3.6
LW Emerging Markets Fund (C$)	1.68	3.5	49.8	3.2	n/a	n/a
LW Balanced Fund	1.16	4.5	28.7	6.1	7.2	6.5
LW Income Advantage Fund**	0.85	4.2	28.1	5.1	6.0	5.4
LW Core Bond Fund	0.79	-5.1	1.7	3.2	2.3	3.4
LW Corporate Advantage Fund	0.80	-0.1	14.9	3.8	3.7	n/a
LW High Yield Bond Fund	0.88	-1.1	4.8	2.5	5.3	n/a
LW High Yield Bond Fund (C$ Hedged)	0.85	0.2	17.8	2.0	5.0	n/a
LW Multi Credit Fund	1.02	0.4	18.3	1.3	n/a	n/a
LW Preferred Share Fund	0.95	11.8	60.7	n/a	n/a	n/a
LW Short Term Income Fund***	0.37	0.0	1.4	n/a	n/a	n/a
LW Money Market Fund****	0.16	0.0	0.1	1.0	0.8	0.5
Peer Comparison*	**Median %**	**3 Mo %**	**1 Yr %**	**3 Yrs %**	**5 Yrs %**	**10 Yrs %**
Median Canadian Equity Fund	2.04	7.4	38.7	8.0	7.6	5.3
Median Dividend & Income Equity Fund	1.98	9.6	33.0	7.7	7.2	5.9
Median US Equity Fund (C$)	1.88	4.8	39.2	12.2	12.0	12.6
Median International Equity Fund (C$)	1.81	1.8	30.2	5.5	7.8	6.7
Median Emerging Markets Equity	1.51	2.2	51.0	5.3	11.4	4.9
Median Global Equity Balanced Fund	2.22	2.6	28.0	6.9	7.2	6.4
Median Cdn Fixed Income Balanced Fund	1.27	-1.1	11.8	4.0	3.7	3.8
Median Preferred Share Fixed Income	0.79	10.4	53.5	3.4	71	3.5
Median Fixed Income Fund	1.29	-4.6	3.0	3.1	2.2	2.8
Median High Yield Fixed Income	1.33	0.3	17.7	4.2	5.5	4.6
Median Money Market Fund	0.78	0.0	0.1	0.8	0.6	0.4

*Note: Returns reflect changes in unit value and distributions reinvested. Fund performance numbers are after Management Expense Ratios (MERs). They do not take into account, however, charges or commissions that an external broker may charge for purchasing/redeeming the mutual funds which would have reduced returns. Past returns do not necessarily indicate future performance. Returns are Compound Annual Returns for the periods ending March 31, 2021 with the exception of the 3 Month return. *Source: Fundata **MER temporarily reduced from 1.0% + GST at the discretion of Leith Wheeler based on current short term investment yields ***MER temporarily reduced from 0.65% plus GST at the discretion of Leith Wheeler based on current short-term yields **** MER temporarily reduced from 0.60%+GST at the discretion of Leith Wheeler based on current short term yields*

The new year brought new highs to equity markets thanks to the approval in the US of a massive US$1.9 trillion fiscal package and the ramp up of vaccinations across the globe. Longer term government bond yields rose during the quarter amid growing optimism on the recovery as well as rising inflation expectations.

In equity markets, economically sensitive areas led the way once again, continuing their run of performance that started with the vaccine news last November. Energy, Financials, Consumer Discretionary and Industrials were among the top performing sectors across markets. Similarly, with more exposure to the areas poised to benefit during a sustained economic recovery, value stocks outperformed growth stocks. As a result, our equity portfolios all significantly outperformed their respective indices in the first quarter.

With double-digit gains in index heavy-weights Energy and Financials, the S&P/TSX Composite Index rose 8.1%. Oil prices rose 22% as OPEC maintained supply cuts and investors gained confidence that fuel demand would rise.

In the US, our relative outperformance versus the S&P 500 was driven by strength in our Consumer Discretionary and Industrials holdings. Travel and leisure stocks continued their post-vaccine rally, with several of our holdings providing double-digit returns Not owning growth-oriented consumer stocks Amazon (-6.3%) and Tesla (-6.6%) also benefitted the US Equity Fund.

It was just over a year ago now that the pandemic began and shook markets. Thinking back to that time, while we knew that markets would eventually recover, we would not have predicted just how quickly they would recover. After bottoming in late March last year, equities have since climbed back above their pre-pandemic levels thanks to continued monetary and fiscal support, positive vaccine news and an improving economic outlook. For the one year ending March 31st, the S&P 500 surged 56% in local currency, while Canadian and International equity markets have provided equally impressive returns, up 44% and 37%, respectively.

Our North American and Emerging Markets equity funds are significantly ahead of the broad indices in the last 12 months, as well as the relevant value indices. Outperformance has been greatest in the US Equity Fund, with around 25% value added versus the S&P 500. Cyclical stocks, such as those in Consumer Discretionary, Energy and Industrials, have been the winners across the equity portfolios, rebounding strongly from their lows. Staying the course, as we always do, proved successful – remaining invested and adding to many of these names, which we expected to manage through the downturn and perform well in the long term. For companies with share prices sitting well above pre-pandemic levels, we have trimmed these holdings and reallocated to more attractive return opportunities at various points throughout the year.

Meanwhile, with the sharp rise in bond yields over the first quarter, investment-grade fixed income portfolios such as the Core Bond Fund delivered negative returns. The recent rise in government bond yields has led to some worries with investors around inflationary risks, given the environment of expanding fiscal deficits combined with an increase in the money supply. However, we highlight that most of the move higher in Canadian government bond yields (approximately two-thirds) was due to an increase in real yields, reflecting an improved long term growth outlook, while the remainder was due to higher inflation expectations. While longer term implications of massive deficit spending on inflation are unclear, we believe that inflation will remain muted in the medium term as economic slack is absorbed.

As the rollout of COVID-19 vaccines continues and we get closer to a return to normal, it will be positive for economic growth and corporate profits. For many of the companies we own, revenues and earnings are still gradually recovering, so we expect earnings growth to be strong going forward. On the other hand, there are many areas of the market that believe are overvalued – the stay-at-home stocks such as Shopify, Amazon and Netflix all saw a significant pull-forward in demand in 2020, experiencing multi-year growth in just one year. These companies are now heading into the Q1 2021 reporting season with some tough numbers to beat, which has caused market expectations to moderate somewhat more recently.

Our positioning now remains consistent with how we ended 2020. In our Balanced Fund, we maintain a modest overweight to equities and during the quarter we rebalanced back to our target overweight as equities continued to outperform. We are optimistic about the prospects for our equity funds as we own quality companies trading at reasonable levels that we expect will deliver strong returns over the long term. Fixed income is also an important diversifier within balanced portfolios due to it being an uncorrelated asset class to equities, and with an expected total return greater than current long-term inflation expectations.

Canadian Equity Fund

Investor optimism over the economic recovery continued to drive equity markets higher in the first quarter, as vaccinations ramped up across the world and the US approved further fiscal stimulus. Oil prices rose 22% as investors gained confidence that the recovery would boost demand, while OPEC maintained supply cuts.

Against this backdrop, the S&P/TSX Composite Index (TSX) increased 8.1%, fuelled by double-digit gains in the economically sensitive sectors of Energy (+20.3%), Financials (+13.9%) and Consumer Discretionary (+12.5%). Nine of the 11 TSX sectors delivered positive returns in the quarter. Health Care was the top performing sector up 38.0%, driven by gains in cannabis stocks as retail investors renewed their interest in the sector. On the other hand, Materials (-6.9%) were dragged down by the continued decline of gold stocks, which fell 13.8% as investors were less worried about the economic outlook. Index heavyweight Shopify was notably down 3.5% as investors expectations moderated somewhat, leading to a 1.1% decline in the Information Technology sector.

The Canadian Equity Fund outperformed the TSX over the quarter, returning 11.0% after fees and expenses. Performance was helped by strength in our Energy and Financials holdings. Not owning underperforming gold stocks and Shopify also benefited the Fund, while its holdings in both Materials and Information Technology all delivered positive returns. On the other hand, relative performance was partially offset by lack of exposure to Health Care stocks and weakness in its Communication Services holdings.

Thanks to the impressive rebound in our holdings in more economically sensitive sectors, the Canadian Equity Fund is well ahead of the TSX over the last 12 months (the Fund returned 52.3% after fees and expenses versus 44.2% for the S&P/TSX Composite Index). Strong performance in Energy (Tourmaline +185.9%, Canadian Natural +114.6%), Materials (First Quantum +233.5%) and Industrials (Mullen Group +207.0%) helped relative results. With share prices for many companies in the Fund sitting well above pre-pandemic levels, we have trimmed these holdings and reallocated to higher return opportunities at various points throughout the last year.

Longer term returns for the Fund look attractive as company earnings continue to recover and we return to a more normal environment. As always, we remain disciplined and focused on our approach – investing in established businesses, trading at attractive valuations – which we expect will deliver value for clients over the long term.

Canadian Dividend Fund

Similar to the Canadian Equity Fund, the Canadian Dividend Fund had a strong start to 2021. The Fund returned 11.2% after fees and expenses during the first quarter compared to 9.1% for the S&P/TSX Dividend Composite Index during the same period.

Fund performance was helped by holdings in the Energy Sector such as Tourmaline Oil and Financials such as iA Financial. Not owning underperforming gold stocks also benefitted the Fund.

Carbon Constrained Canadian Equity Fund

The Carbon Constrained Canadian Equity Fund returned 9.8% after fees and expenses during the quarter and 47.3% over the past 12 months after fees and expenses, outperforming the S&P/TSX 60 Fossil Fuel Free Index which returned 8.1% in the quarter and 39.1% in the year ending March 31, 2021.

Fund performance was helped by holdings in the Financials sector such as IA Financial and Manulife. Also, not holding gold stocks and Shopify also benefitted performance.

US Equity Fund

Equity markets started 2021 with a strong quarter. S&P 500 Index performance was led by the Energy (+29.1%), Financials (+14.4%) and Industrials (+9.8%) sectors. Following the fourth quarter of 2020, investors continued their rotation into cyclical areas that benefit more from a sustained economic recovery. Travel and leisure stocks continued to rally while defensive areas of the market, and some of the “stay-at-home” technology stocks underperformed.

The US Equity returned 11.9% after fees and expenses during the quarter, significantly outperforming the S&P 500 Index which advanced by 4.7%. Fund outperformance was mostly driven by Consumer Discretionary and Industrials holdings. Holding fewer stocks in the Information Technology than the S&P 500 and more holdings in Financial stocks were both positive for Fund performance.

We remain disciplined to our value process in finding significant new opportunities for the Fund. As the rollout of COVID-19 vaccines leads us back to some level of normalcy, we believe that companies held in the US Equity Fund will benefit from the ensuing economic growth. Current economic conditions, including any rising expectations for inflation and interest rates, will benefit value stocks moving forward. Our sub-advisor Barrow Hanley has also performed extremely well in the past when value stocks have rebounded after a prolonged growth-style led market. We expect to see the same pattern of performance as the economy continues its recovery.

US Dividend Fund (USD)

The US Dividend Fund returned 12.5% after fees and expenses during the quarter, outperforming the S&P 500 Index which returned 6.2% (both in US dollar terms).

Fund performance was helped by holdings in the Energy, Consumer Discretionary and Industrials sectors. We added three new holdings and eliminated two holdings during the first quarter.

US Small/Mid Cap Equity Fund

The rally in the US small/mid-cap equity market continued into the first quarter. The US Small/Mid Cap Equity Fund had a strong return of 13.6% after fees and expenses over the quarter, significantly outperforming the Russell 2500 Index which rose 9.4%.

Similar to other equity markets and against the re-opening backdrop, the Russell 2500 Index's gains were led by those economically sensitive sectors including Energy (36.1%), Consumer Discretionary (+19.7%), Financials (+17.1%), and Industrials (+13.5%). Health Care and Information Technology were the laggards, and finished the quarter down 1.5% and 0.1%, respectively.

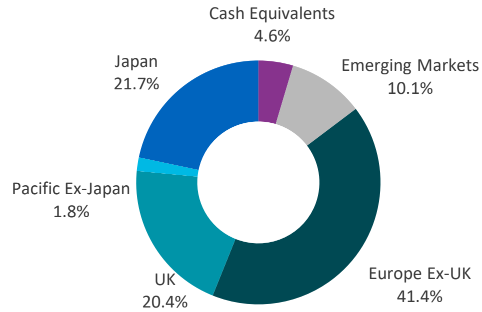
From a sector perspective, our overweight positions in some of the best performing sectors and underweight positions in the bottom performing sectors contributed to its outperformance in the first quarter.

On the weaker side, shares of the Fund's Health Care holding Universal Health Services (UHS) were down 4.2% on no company specific news. UHS re-instated its dividend payment during the quarter and reported a decrease in net leverage during the year. We believe the company is undervalued and represents one of our more compelling investments. We added to our position during the quarter on price weakness.

International Equity Plus Fund

The International Equity Plus Fund returned 4.3% after fees and expenses during the quarter, outperforming the MSCI EAFE Index which returned 2.1% during the same period. Fund performance was helped by its holdings in the Financials and Energy sectors. Fund holdings in the Health Care sector were the largest detractors from performance.

The country weightings of the International Equity Plus Fund as of March 31, 2021 were:

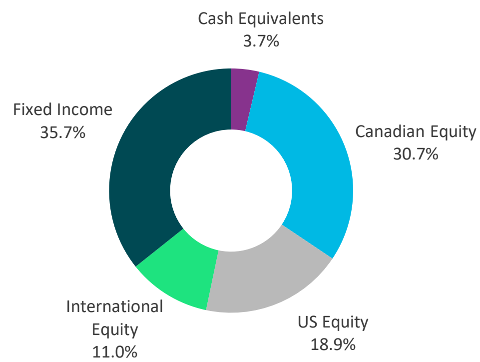


Emerging Markets Equity Fund

The Emerging Markets Fund advanced by 3.5% after fees and expenses during the quarter. The largest contributors to performance in the quarter were the stocks in the Consumer Discretionary and Industrials sectors. The largest detractors were from holdings in the Materials and Industrials sectors.

Balanced Fund

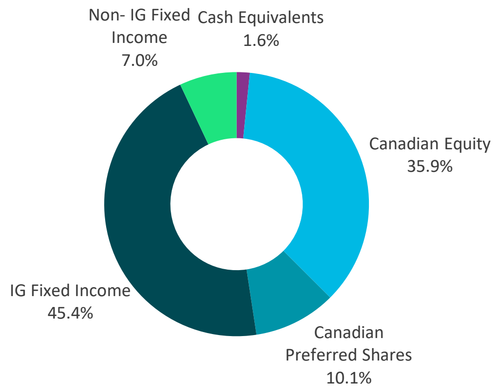
The Balanced Fund advanced by 4.5% after fees and expenses in the first quarter of 2021. The asset mix for the Fund as of March 31, 2021 was:



Income Advantage Fund

The Income Advantage Fund returned 4.2% after fees and expenses during the quarter. The Fund's preferred share holdings (+12.1) and dividend paying common shares (+11.6%) were the largest contributors to performance while, the non-investment grade fixed income holdings provided a small positive return (+0.7%). The investment grade (IG) fixed income holdings detracted from overall performance, declining by 2.0% during the quarter due to increases in interest rates.

The asset mix for the Income Advantage Fund as of March 31, 2021 was:



Core Bond Fund

Fixed income portfolios delivered negative returns in the first quarter of 2021 due to the sharp rise in government bond yields. While short-term interest rates remain anchored at close to zero by global central banks, longer-term government bond yields have risen due to growing optimism concerning the economic recovery, alongside higher inflation expectations.

The Core Bond Fund declined by 5.1% after fees and expenses during the quarter, slightly behind the benchmark FTSE Canada Universe Bond Index during the quarter which declined by 5.0%.

The Bank of Canada held its target for the overnight rate at the effective lower bound of 0.25% and remains committed to holding rates there until economic slack is absorbed so that the 2 percent inflation target is sustainably achieved, which the Bank of Canada expects to occur in 2023. However, the strength of the economic recovery, including revised expectations for positive economic growth in Q1, have brought forward market-based expectations for the first increase in the policy rate in Canada to sometime during the second half of 2022. Despite short-term interest rates being anchored near zero, government bond yields increased sharply during the quarter, with 10-year and 30-year Canadian Government Bond yields rising by 0.85% and 0.74% respectively.

The Core Bond Fund performance was helped by actively reducing its sensitivity to interest rates. As bond yields rose, this active position reduced the negative impact of rising bond yields on the performance of the Fund. The rise in government bond yields has caused some alarm with fixed income investors in relation to inflationary risks, given the environment of expanding fiscal deficits combined with an increase in the money supply. However, we highlight that:

- approximately one-third of the rise in Canadian government bond yields was due to rising inflation expectations, whereas two-thirds of the rise was due to an increase in real (inflation-adjusted) bond yields, which reflects improved long-term growth expectations.

- core inflation measures remain subdued at or below 2%, market-based measures of inflation expectations remain well below 2%, and survey-based measures of inflation remain stable.

- while longer term implications of massive deficit spending on inflation are unclear, we believe that inflation will remain muted in the medium term as economic slack is absorbed.

Credit markets were relatively stable during the quarter. Short-dated corporate credit spreads were unchanged while longer-dated corporate credit spreads tightened by 10 basis points. Meanwhile, provincial credit spreads widened slightly.

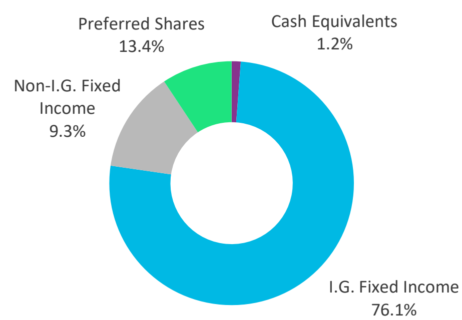
Looking forward, we believe fixed income will remain a critical allocation within client portfolios due to it being an uncorrelated asset class to equities and other asset classes with equity-like characteristics. Fixed income continues to provide an expected total return in excess of long-term inflation expectations, which can protect capital, particularly for those who are approaching retirement or who have lower risk tolerances. Therefore, we continue to look for ways to deliver the best possible returns to clients from fixed income through a combination of active management strategies, including careful credit selection, sector allocation and interest rate strategies.

Our expectation is for ongoing market volatility as the economy recovers from the global pandemic. In this environment we expect to maintain a measured approach to bond portfolio positioning, favouring high quality, liquid issuers in order to take advantage of any market dislocations over the near term, while continuing to provide an attractive risk-adjusted return, in excess of inflation, in the current low interest rate environment.

Corporate Advantage Fund

The Corporate Advantage Fund declined by 0.1% after fees and expenses during the quarter. The Fund's preferred share holdings were the largest positive contributor to performance (+12.1%), followed by non-investment grade fixed income (+0.7%). The investment grade corporate bond holdings declined by 2.0% during the quarter.

The asset mix of the Corporate Advantage Fund as of March 31, 2021 was:



High Yield Bond Fund

After a very strong end to the 2020, the high yield bond market provided modest positive returns in the first quarter of 2021 with the BB-B rated bond index gaining +0.3%, a positive result despite the sharp rise in broader government bond yields.

The High Yield Bond Fund (C$ hedged) series returned 0.2%, while the Unhedged Series declined by 1.1%, both after fees and expenses during the quarter. Performance was boosted by exposure to the Energy sector, with several positions returning over 4% during the quarter as energy prices continued to recover. The Fund's holdings of fewer shorted dated bonds than the benchmark was the largest detractor from performance during the quarter.

Since the announcement of effective COVID-19 vaccines in November, we gradually adjusted Fund holdings by trimming defensive names and selectively adding companies tilted towards economic recovery. With that being said, the Fund remains positioned in a way that reflects our conservatism in managing high yield assets. We remain vigilant and focus on companies that have balance sheet and business model resiliency.

We believe that an environment of gradual economic recovery with the support from monetary and fiscal policy is conducive to positive high yield market returns. Monetary and fiscal support should remain for the foreseeable future with further periods of market dislocation likely to be met with additional stimulus. Default expectations will remain low, as long as optimism continues for the global rollout of COVID-19 vaccines.

Multi Credit Fund

The Multi Credit Fund returned 0.4% after fees and expenses during the first quarter. Bank loans outperformed the high yield bond market, due to their lower sensitivity to interest rates and renewed investor demand. The Fund's exposure to bank loans contributed to performance as did its holdings in individual Energy and Materials securities which experienced strong performance. Vistra Operations (a power generation company) was the largest detractors from performance during the quarter due to disruption from the Texas winter storms.

Preferred Share Fund

The Preferred Share fund had a strong quarter, returning 11.8% after fees and expenses. Fund performance was helped by its holdings in rate reset preferred shares as well as its holdings in the Utility and Pipeline issuers. In addition, not having much exposure to the Real Estate Sector contributed to performance.

Questions about your portfolio?

If you have questions about your Leith Wheeler portfolio, funds or services, please contact your Investment Funds Advisor at 604-683-3391 or 1-888-292-1122.

How to reach us:

Leith Wheeler Investment Funds Ltd.
1500 - 400 Burrard Street
Vancouver, BC
V6C 3A6
Phone: 604.683.3391 or 1.888.292.1122
Fax: 604.683.0323
Email: info@leithwheeler.com
Website: Leithwheeler.com