Leith Wheeler INVESTMENT FUNDS LTD. | Quiet Money®

Leith Wheeler Investment Funds
Quarterly Review – March 31, 2022

	MER %	3 Mo %	1 Yr %	3 Yrs %	5 Yrs %	10 Yrs %
LW Canadian Equity Fund	1.49	4.8	20.4	14.1	9.3	9.7
LW Canadian Dividend Fund	1.50	4.7	19.2	11.9	7.7	9.0
LW Carbon Constrained Cdn Equity Fund	1.49	1.1	13.7	12.9	n/a	n/a
LW US Equity Fund (C$)	1.33	-1.7	10.6	12.4	9.5	13.0
LW US Dividend Fund (USD)	1.31	2.1	13.9	10.3	7.7	n/a
LW US Small /Mid-Cap Fund (C$)	1.32	-5.3	6.2	12.7	10.5	n/a
LW International Equity Plus Fund (C$)	1.59	-5.7	-1.0	-0.6	1.0	4.7
LW Emerging Markets Fund (C$)	1.65	3.3	1.9	4.5	n/a	n/a
LW Balanced Fund	1.16	-2.0	7.1	8.2	6.8	8.4
LW Income Advantage Fund**	0.85	-1.5	4.8	6.0	4.3	5.3
LW Core Bond Fund	0.79	-6.9	-4.8	0.0	1.1	2.1
LW Corporate Advantage Fund	0.80	-5.0	-3.2	2.0	1.8	n/a
LW High Yield Bond Fund	0.88	-5.1	-1.6	-0.4	1.4	n/a
LW High Yield Bond Fund (C$ Hedged)	0.85	-4.1	-1.4	0.7	1.8	n/a
LW Multi Credit Fund	1.03	-3.5	-1.0	0.8	n/a	n/a
LW Preferred Share Fund	0.95	-3.1	7.4	8.8	n/a	n/a
LW Short Term Income Fund***	0.37	-0.4	-0.3	0.9	n/a	n/a
LW Money Market Fund****	0.16	0.1	0.1	0.6	0.8	0.9
Peer Comparison*	**Median %**	**3 Mo %**	**1 Yr %**	**3 Yrs %**	**5 Yrs %**	**10 Yrs %**
Median Canadian Equity Fund	1.98	3.5	18.7	12.2	8.5	8.3
Median Dividend & Income Equity Fund	1.97	5.5	21.5	11.9	8.5	8.4
Median US Equity Fund (C$)	1.80	-6.3	10.6	12.9	11.2	13.0
Median International Equity Fund (C$)	1.72	-9.4	-3.2	4.6	4.6	6.8
Median Emerging Markets Equity Fund	1.44	-8.9	-12.8	3.1	3.9	4.3
Median Global Equity Balanced Fund	2.21	-5.2	3.4	6.9	5.6	6.9
Median Cdn Fixed Income Balanced Fund	1.96	-4.6	0.2	3.0	2.6	3.4
Median Preferred Share Fixed Income Fund	0.90	-2.5	8.2	8.9	4.2	3.7
Median Fixed Income Fund	1.27	-6.8	-5.2	0.0	0.9	1.6
Median High Yield Fixed Income Fund	1.36	-4.3	-1.6	2.5	2.6	3.8
Median Money Market Fund	0.56	0.0	0.0	0.4	0.6	0.4

*Note: Returns are for Series B, are total returns and 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 December 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*

Before we address the investment implications of the current environment, we want to acknowledge on a personal note the tragic war in Ukraine, and our sincere hope that the conflict can be resolved soon. The first quarter of 2022 was volatile as markets grappled with the potential implications of the Russia-Ukraine conflict, and with higher inflation than we have witnessed in decades.

Stock markets around the world have understandably been more volatile since Russia's troops crossed the Ukraine border on February 24, although the net impact from a performance perspective in the first quarter was more muted than may have been expected. The S&P/TSX actually increased 3.8% during the quarter (with its relatively large Energy component) while the S&P 500 and MSCI EAFE Index declined 4.6% and 3.7%, respectively, in local currency. Although markets have held up reasonably well overall, certain sectors have been weak. Companies that have been hit the hardest were generally quite expensive coming into 2022, with high flying "stay at home" technology stocks being the best example. Our Equity Funds have generally performed well to start the year as we have very little exposure to the areas that have come under the most pressure.

Bond yields moved quickly higher during the quarter reflecting higher inflation and an expected path of interest rate hikes from Central Banks. Interest rate hikes began during the quarter, with the Bank of Canada raising their overnight rates by 0.25%. Furthermore, in response to the acceleration in inflation, the Bank has indicated a willingness to raise the policy rate at a faster pace in future meetings, likely including some 0.50% increments, which has pushed short-term bond yields sharply higher.

Bond markets are already pricing in a fair amount of rate hikes at this point. We are now priced for 8 hikes over the next 6 meetings in the US, and another hike in 2023 with Canada reflecting a similar path. For rates to continue to rise significantly from here, one would have to believe that inflation will remain at these current elevated levels over the longer term, and that the rate hikes will fail to contain inflation. The market is currently priced for a scenario where these elevated levels of inflation will moderate, and the developed world will revert to inflation levels higher than we experienced over the last several decades, but in the 2%-3% range. We acknowledge the longer-term path of inflation is uncertain and we continue to closely monitor economic releases for indications of price pressure. While supply chain disruptions and commodity prices will likely subside as the recovery continues and backlogs are filled, some components of inflation, particularly rising wages, can be stickier in nature. On the other hand, the swift pace of rate hikes will start to hit consumers which could sap the demand side of inflation. Negative real rates have charged up capital investment across industries which bodes well for productivity and technological improvements and may also help to moderate inflation over time.

As the crisis in Ukraine occurred, we immediately assessed any meaningful additional risks in our Funds and whether changes were required. While we were comfortable with our names and overall positioning, we trimmed our energy names as commodity and stock prices spiked.

We never waver from our core discipline. We invest in companies with a defensible competitive advantage, capable management, serviceable debt levels, a high potential to grow cash flows over time, and an attractive price. Our Funds are more attractively valued than the broad market. The businesses we own and lend to are well positioned as a group to handle higher inflation should it continue. We believe they will be able to successfully navigate through a more difficult economic period, as proved in the past.

Canadian Equity Fund

The first quarter was volatile for equity markets as investors grappled with higher inflation, interest rate hikes, and geopolitical concerns. While many developed market indices fell during the quarter, the Canadian equity market delivered positive returns due to its exposure to resource-based sectors.

The S&P/TSX Composite Index (TSX) was up 3.8%, driven by strong double-digit returns in the Energy (+28.7%) and Materials (+20.1%) sectors. The war in Ukraine and its follow-on impacts to energy markets led to surging oil and natural gas prices, while the uncertainty also sent gold prices higher. Information Technology was the worst performing sector, declining 35.5% as rising interest rates hit tech stocks with higher valuations. Notably, Shopify fell 51.5% in the quarter as the company forecasted slower revenue growth for 2022, and increased capital spending over the next few years to revise their fulfillment strategy.

The Canadian Equity Fund returned 4.8% after fees and expenses in the first quarter. Not owning Shopify helped the Canadian Equity Fund outperform relative to the TSX. Relative performance was also helped by stock selection in Energy and Industrials. This was partially offset by an underweight in the top performing Energy and Materials sectors.

Overall, the Canadian market continues to look attractive, trading at a forward price-to-earnings ratio of about 14 times. Valuations have been supported by solid earnings growth as companies continued to recover from the effects of the pandemic.

Predicting what will happen to markets in the short term is a difficult task – so we remain focused on our process of investing in quality businesses, with competitive advantages and capable management teams that allow them to navigate through different environments.

Canadian Dividend Fund

The Canadian Dividend Fund returned 4.7% after fees and expenses in the first quarter. The Fund underperformed the TSX Dividend Index which was up 8.1%, due to an underweight in Energy and Materials sectors. Both sectors saw strong double-digit returns due to the war in Ukraine and the follow-on impacts to energy markets, surging oil, natural gas, and gold prices. Relative performance was helped by stock selection in Communication Services, Industrials and Energy.

Carbon Constrained Canadian Equity Fund

The Carbon Constrained Canadian Equity Fund CCCE) follows the same investment process as our core Canadian Equity Fund, where environmental, social and governance issues are addressed in our bottom-up stock analysis. The CCCE Fund adds an additional layer of analysis where companies with more than 30% of their revenues tied to fossil fuel-related activities are screened out of the portfolio. More specifically, investments are excluded if they derive more than 30% of their revenues from:

- The extraction and sale of fossil fuels, or from royalties earned from third parties performing such activities
- Services (including transportation and refining) provided to companies involved in the extraction or sales of fossil fuels
- The sale of power produced by the consumption of fossil fuels

The TSX FFF was up 1.1%, driven by strong double-digit returns in the Materials (+22.1%) and Energy (+20.7%) sectors. The CCCE Fund returned 1.1% after fees and expenses in the first quarter. Not owning Shopify helped the CCCE Fund outperform relative to the TSX FFF in the first quarter. Relative performance was also helped by stock selection in Communication Services. This was partially offset by an underweight in the top performing Energy and Materials sectors. The TSX FFF holds pipeline companies which benefited from the rise in energy prices. The CCCE Fund excludes pipeline companies based on their involvement in fossil fuel-related activities.

US Equity Fund

The S&P 500 Index had a weaker start to 2022. The market was weighed down by concerns over rising interest rates and inflation which impacted valuations for technology stocks. Inflation concerns were further exacerbated by the invasion of Ukraine by Russian troops which led to a rally in oil as Russian oil began to see purchasing sanctions. Energy (+37.5%) was the best performing sector but almost all sectors generated negative returns in the quarter.

The US Equity Fund returned -1.7% after fees and expenses in the first quarter. The Fund generated a negative return but fared very well relative to the S&P 500 Index which was down -5.6%. The Fund was overweight the outperforming Energy sector and underweight a poor performing Information Technology sector (-10.1%). Companies that have been hit the hardest were the more expensive and high flying “stay at home” technology stocks, which we do not own. Security selection within Consumer Discretionary, led by SeaWorld Entertainment (+13.5%), and Communication Services, led by T-Mobile US (+9.4%), also contributed to outperformance.

We noted last quarter that we believe value stocks are poised to perform very well relative to growth stocks moving forward. While it is hard to accurately predict how high and quickly interest rates may move from this point, a period of moderately higher interest rates and inflation should lead to continued outperformance of your Fund over the technology-heavy S&P 500. Our companies typically have strong brand power, product differentiation and new technologies, allowing many of them to pass along higher input costs which should protect margins and revenues.

US Dividend Fund (USD)

The US Dividend Fund returned 2.1% after fees and expenses in US dollar terms, outperforming the S&P500 Index which returned -4.6% in the same time period. The Fund was overweight the outperforming Energy sector and underweight a poor performing Information Technology sector (-8.4%). Companies that have been hit the hardest were the more expensive and high flying “stay at home” technology stocks. Security selection within Health Care, led by Merck and Co (+8.0%), Financials, led by Allstate (+18.5%) and Industrials, led by Deere & Company (+21.5%) also contributed to outperformance.

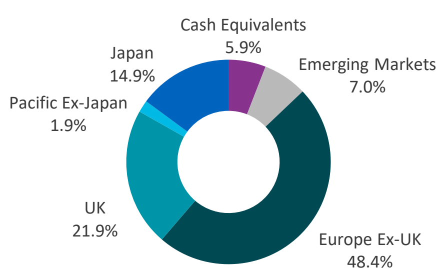
US Small/Mid Cap Equity Fund

The Russell 2500 Index was down 6.8%, led by the weaknesses in the Consumer Discretionary (-16.1%), Health Care (-15.8%) and Information Technology (-10.6%) sectors. Energy (+38.8%), Materials (+5.6%), and Utilities (+1.3%) were the only sectors posting positive returns. The US small/mid-cap equity Fund outperformed the Index over the quarter returning -5.3%, performance was driven by broad based stock selection. This was partially offset by having no exposure to the Energy sector, this quarter’s best performing sector.

International Equity Plus Fund

International equity markets ended lower for the quarter (MSCI EAFE -6.9%), despite staging a meaningful recovery from the lows experienced at the beginning of March. The International Equity Plus Fund outperformed the index, declining 5.7% after fees and expenses during the quarter as the backdrop of inflation and rising interest rates has generally been favorable to our approach. Fund performance was helped by some of the holdings in the Health Care and Energy sectors. The largest detractors from performance were in the Financials and Consumer Discretionary sectors.

The country weightings of the International Equity Plus Fund as of March 31, 2022 were:



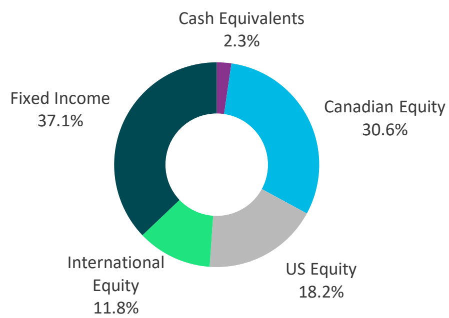
Emerging Markets Equity Fund

Emerging markets had a challenging first quarter and was down nearly 8%, impacted by the macro and geopolitical concerns ranging from the Russia-Ukraine conflict to stricter Chinese government-imposed CVOID lockdowns.

The Emerging Markets Fund outperformed the market significantly and gained 3.3% during the first quarter after fees and expenses. Relative outperformance was helped by effective stock selection in 9 of the 11 sectors, with Energy sector being the strongest contributor. The portfolio is attractively valued and well positioned to continue to do well. An environment of higher inflation, rising rates and reasonable economic growth should favor value portfolios.

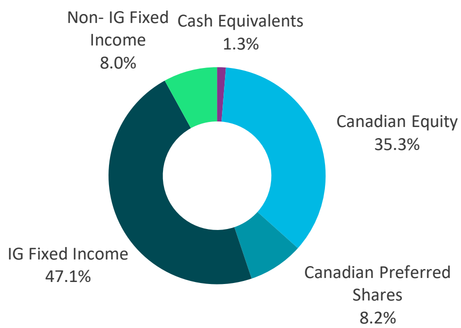
Balanced Fund

The Balanced Fund declined by 2.3% after fees and expenses in the first quarter of 2022. The asset mix for the Fund as of March 31, 2022 was:



Income Advantage Fund

The Income Advantage Fund declined 1.5% after fees and expenses during the first quarter. The asset mix for the Fund as of March 31,2022 was:



Core Bond Fund

Fixed income portfolio returns were negative during the first quarter of 2022. Rising government bond yields, combined with the start of a tightening cycle from the Bank of Canada, pushed yields on the Canadian bond market approximately 1.25% higher on average. The move higher in government bond yields during the quarter has been one of the fastest in the past 30 years, reflecting both sustained higher inflation, a deterioration in the inflation outlook due to geopolitical risks, as well as central bank policy being relatively behind the curve compared to the inflation and economic backdrop.

The Core Bond Fund declined 6.9% after fees and expenses during the first quarter, which slightly outperformed the FTSE Canada Universe Bond Index during the quarter.

During the quarter, headline inflation in Canada rose to 5.7%, the highest level seen since 1991. However, it has been the rise in core inflation measures during the quarter that has been particularly pronounced, with the Bank of Canada's CPI core common measure rising from 2.1% to 2.6%. This suggests that the underlying inflationary pressures are widespread and accelerating. Central banks started tightening the policy rate during the quarter, with both the Bank of Canada and the US Federal Reserve raising their overnight rates by 0.25%. Both have indicated a willingness to raise the policy rate at a faster pace in future meetings, likely in 0.50% increments, which has pushed bond yields sharply higher.

The move in government bond yields is most pronounced in 2-year bond yields which have risen 1.4% during the quarter, while 10-year and 30-year government bond yields rose by a more modest 1.00% and 0.75%, respectively. As a result, the yield curve in Canada is now almost completely flat between 2- and 30-year government bonds.

Inflation pressures remain high with pent-up demand as the economy reopens following the pandemic, combined with lingering supply chain bottlenecks. These pressures have been further exacerbated by geopolitical factors in Eastern Europe that are having a direct impact on key global commodity markets.

While supply chain disruptions and commodity prices will likely subside as the recovery continues and backlogs are filled, some components of inflation, particularly rising wages, can be stickier in nature. The longer-term path of inflation is uncertain at this time as there is insufficient data to get a full picture, and we continue to closely monitor economic releases for indications of price pressure.

The bond market has priced in an aggressive response from the Bank of Canada to inflationary pressures, as seen in the recent rise in short-term bond yields. There are now over eight more rate hikes priced into the market over the remaining six meetings this year, implying at least two rate hikes of 0.50% or more. While this pace of rate hikes is faster than what we have experienced over the past 20 years, it is relatively consistent with rate hiking cycles in the 1990s and earlier. Our view is that these rate hikes are likely to work to contain inflation and prevent it from staying at these current elevated levels in the longer term. While long-term bond yields have also risen, the magnitude of the rise has been lower than short term bond yields, resulting in the yield curve briefly inverting this quarter. We do not view this inversion as a significant recession warning at the present time.

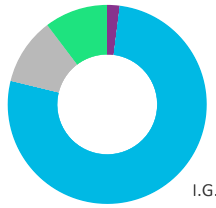
Long term inflation expectations remain subdued, indicating a moderation in the pace of price increases. The swift pace of rate hikes will start to hit consumers which may sap the demand side of inflation. Negative real rates have charged up capital investment spending across industries which bodes well for productivity and technological improvements, helping to moderate inflation over time. Near term shocks are sure to continue in the short to medium term, though.

We have positioned the portfolio modestly defensive to rising interest rates, with a lower portfolio interest rate sensitivity relative to the benchmark. In other areas of the portfolio, our conservative positioning has enabled us to take advantage of widening credit spreads to further improve the yield and risk-adjusted returns of the portfolio.

Corporate Advantage Fund

The Corporate Advantage Fund declined 5.0% after fees and expenses during the first quarter. Fund performance was helped by the Investment Grade bond holdings and High Yield bond holdings, while Preferred Shares detracted from performance.

The asset mix of the Corporate Advantage Fund as of March 31, 2022 was:



High Yield Bond Fund

High yield bonds came under pressure during the first quarter due to rising interest rates and global uncertainty regarding the Russia-Ukraine conflict. The CAD hedged series of the High Yield Bond Fund declined 4.1% and the unhedged series declined 5.1% during the quarter, both after fees and expenses.

Credit spreads in the high yield market widened between the start of the year to mid-March. Spreads compressed in late-March and ended the quarter slightly wider from where they started. Spreads remain at levels that are below the long-term average. Expected default rates for both high yield bonds and bank loans are very low as a result of strong credit fundamentals and open access to liquidity through capital markets. Returns in the quarter were helped by higher yielding issues, with holdings in B-rated and CCC-rated bonds outperforming the broader market due to having less interest rate sensitivity than BB-rated issues.

In contrast to 2021, the high yield bond market has limited new issue activity, and the economy has less fiscal and monetary support. The market in turn has repriced these risks and now the asset class looks attractive compared to a few months ago. Economic conditions are strong, especially in the United States where unemployment is very low, wages are rising, and corporate balance sheets are in good shape after recovering from the pandemic. We see no signs of these strong fundamentals deteriorating and believe the attractive yields in the market adequately compensate for the headwinds.

Multi Credit Fund

The Multi Credit Fund declined 3.5% after fees and expenses during the first quarter. The Fund continues to be positioned with a bias towards owning fixed rate high yield bonds over bank loans, with bank loans representing just under one-quarter of the overall portfolio at the end of the first quarter. The Fund's loan allocation was reduced over the period with declining high yield bond prices offering opportunistic valuation discounts to loans.

Preferred Share Fund

The Preferred Share Fund declined 3.1% after fees and expenses during the first quarter. Rate reset preferred shares outperformed perpetual preferred shares during the quarter which helped the Fund's relative performance. Five-year Government of Canada bond yields jumped by 1.15% to levels last seen in 2018, ending the quarter at 2.4%, while preferred share spreads widened slightly.

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.

IMPORTANT INFORMATION

Additional information about the Leith Wheeler Funds is available in the Funds' Annual Information Form, Fund Facts, Management Report of Fund Performance and financial statements. You can get a copy of the Simplified Prospectus, and the other documents, at no cost by calling 1-866-292-1122, on our website at http://www.leithwheeler.com or by contacting your dealer. These documents and other information about the Funds, such as information circulars and material contracts, are available at www.sedar.com.

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