Leith Wheeler
INVESTMENT FUNDS LTD.

Quiet Money.

Leith Wheeler Investment Funds
Quarterly Review – June 30, 2018

	MER %	3 Mo. %	1 Yr %	3 Yrs %	5 Yrs %	10 Yrs %
LW Canadian Equity Fund	1.49	4.5	9.8	7.5	9.2	5.6
LW Canadian Dividend Fund	1.50	3.2	8.3	9.6	9.5	n/a
LW U.S. Equity Fund (C$)	1.32	4.4	8.2	9.9	13.5	10.5
LW U.S. Dividend Fund (USD)	1.35	0.6	4.2	n/a	n/a	n/a
LW U.S. Small /Mid-Cap Fund (C$)	1.31	4.2	13.9	n/a	n/a	n/a
LW International Equity Plus Fund (C$)	1.59	-0.6	5.8	6.7	10.0	3.6
LW Balanced Fund	1.16	2.0	5.6	5.9	8.0	5.9
LW Income Advantage Fund	0.85	1.3	3.8	5.4	5.7	n/a
LW Core Bond Fund	0.79	0.5	0.3	1.5	3.0	3.7
LW Corporate Advantage Fund	0.79	0.1	0.9	2.5	n/a	n/a
LW High Yield Bond Fund	0.89	2.8	5.1	8.0	n/a	n/a
LW High Yield Bond Fund (C$ Hedged)	0.89	0.4	3.0	5.6	n/a	n/a
LW Short Term Income Fund**	0.37	0.4	1.5	n/a	n/a	n/a
LW Money Market Fund	0.32	0.3	0.8	0.5	0.4	0.4
Peer Comparison*	**Median %**	**3 Mo. %**	**1 Yr %**	**3 Yrs %**	**5 Yrs %**	**10 Yrs %**
Median Canadian Equity Fund	2.13	5.5	7.4	5.3	8.1	3.7
Median Dividend & Income Equity Fund	2.06	4.1	5.3	5.8	7.5	5.5
Median US Equity Fund (C$)	2.02	3.5	11.3	9.4	14.1	8.9
Median International Equity Fund (C$)	2.11	-0.7	5.6	5.1	9.0	3.9
Median Global Equity Balanced Fund	2.32	1.6	5.4	4.9	7.8	5.2
Median Cdn Fixed Income Balanced Fund	2.07	0.9	2.0	2.5	4.1	3.8
Median Fixed Income Fund	1.36	0.1	-0.2	0.9	2.1	3.2
Median High Yield Fixed Income	1.41	0.3	1.4	3.1	3.9	5.4
Median Money Market Fund	0.70	0.2	0.6	0.2	0.2	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 June 30, 2018 with the exception of the 3 Month return.
**Source: Fund Data **Estimated MER as funds under 1 year old*

Following a volatile second quarter of 2018, equity markets rebounded in the second quarter, and are now slightly up on the year.

Canadian equities outperformed most global markets, even after factoring in the positive benefit of a weaker Canadian dollar on foreign market returns. The outperformance in Canadian equities was the result of a rebound in the Energy sector as oil prices rose and sentiment improved after pipeline project approvals. Elsewhere, almost all sectors in the S&P/TSX Composite Index were positive despite ongoing uncertainty surrounding NAFTA and trade tariffs with the United States.

Our Canadian Equity Fund delivered a solid result over the second quarter with several holdings experiencing double-digit returns – Cardinal Energy, NuVista Energy, and BRP to name a few. However, relative results were impacted by some stock-specific issues which led to weakness in Stingray Digital, CI Financial, Seven Generations, and Raging River.

Global equity market performance was more modest, with the effect of U.S. fiscal stimulus and tax reform beginning to fade. Emerging equity markets remained weak with escalating global trade tensions weighing on Chinese markets in particular during the quarter.

The International Equity Plus Fund trailed the MSCI EAFE Index as financials and emerging market stocks were among the weakest performers. On the positive side, a rise in energy prices and an improved outlook for the oil and gas sector helped fund holdings BP and Royal Dutch Shell.

The U.S. Equity Fund also benefited from its holdings in the Energy sector, as both an overweight position and strong stock performances from Hess, Fairmount Santrol, and Kosmos Energy helped returns. However, our performance lagged the S&P 500 Index over the quarter as the "FAANG" growth stocks (Facebook, Amazon, Apple, Netflix, Google) extended their gains and influence on the overall market return. Year-to-date, Amazon has accounted for 36% of the gains in the S&P 500, while 84% of the gains are attributed to four stocks - Amazon, Apple, Netflix, and Microsoft. With our value investing style resulting in no exposure to the FAANG stocks in our portfolio, it has been difficult to keep up with the market in this environment.

In fixed income markets, the most notable shift has been the rise in short-term Canadian bond yields. These yields have been buoyed by stronger growth data following a softening in the second quarter, alongside a more hawkish rhetoric from the U.S. Federal Reserve on its path for policy rates in 2018. However, the full impact of escalating trade tensions has yet to be reflected in business outlook surveys or economic data. This has the potential to weigh on business investment and growth, particularly in Canada's export sectors.

The rise in bond yields has also been limited to shorter maturity bonds, whereas long bond yields actually declined in the quarter. This was despite a rise in market-based measures of inflation expectations, which has supported our overweight position in real return bonds in the Core Bond Fund.

Canadian Equity Fund

Despite ongoing uncertainty surrounding trade, the TSX Composite Index (TSX) pushed higher in the second quarter, with 10 out of the 11 sectors delivering positive returns. The Energy sector led the way, rising 15.8% on the back of higher oil prices and turning in its best quarterly result since 2009. Sentiment also improved following the announcement of the government purchase of the TransMountain pipeline expansion as well as the approval of Enbridge's Line 3 expansion in the U.S.

The Canadian Equity Fund returned 4.5% after fees and expenses during the quarter, but lagged the TSX, which was up 6.8% due to some stock-specific issues in our Energy and Financial holdings. The Fund had been ahead of the Index in the five months ended May, but slipped behind on relative underperformance in June.

Several holdings in the Energy sector were the best performers in the Fund over the second quarter. Oil-producers Cardinal Energy (+29.6%) and Canadian Natural Resources (+18.1%) benefitted from the rise in oil prices. NuVista Energy, whose production is a mix of liquids (mostly condensate) and natural gas, rose 29.2% as the company reported solid quarterly results.

Shares of Seven Generations fell 9.4% over the second quarter as the company reported production results that were slightly below expectations. The market has been concerned with Seven Generations' execution over the last year, as the company has struggled with issues at a processing facility and has reduced guidance as a result. Seven Generations has above-average assets and generates strong margins, but we will continue to monitor how the company addresses its issues.

Raging River (-8.7%) announced that it would be acquired by Baytex Energy. The combined entity will have improved financial flexibility as free cash flow will be used to reduce leverage and make acquisitions. The company can continue to generate top-quartile production growth, while earning strong cash margins per barrel. Both Raging River and Baytex are trading at significant discounts to their net asset value for companies with high quality assets.

In Financials, our holdings lagged the TSX sector. CI Financial (-13.2%) was among the bottom performers in the portfolio as the company reported higher-than-expected redemptions in its asset management business. While the company has a strong management team, a solid balance sheet and generates a high return-on-equity, we reduced our position early in the quarter as the business continues to face some headwinds.

Stingray Digital (-15.5%) announced that it would be acquiring radio broadcaster Newfoundland Capital (Newcap). Newcap is Canada's fourth largest radio player behind Bell, CBC and Rogers. After the deal closes, radio will comprise approximately 50% of the combined company's earnings. The acquisition provides Stingray with increased cash flows, but with exposure to a more mature industry. Stingray's legacy media and music business is still growing and providing a steady source of cash flows. We continue to hold our position as the combined company should offer an attractive free cash flow yield of 12%.

Canadian Dividend Fund

The Canadian Dividend Fund returned 3.2% after fees and expenses during the quarter, lagging the TSX Index. Fund performance was hurt by sector weightings and stock selection in the Financials and Utilities sectors as well as by not having any exposure to pipelines which performed well during the quarter. Stock selection in the Energy sector helped performance as did being underweight Telecommunications.

U.S. Equity Fund

The S&P 500 Index (the Index) was up 5.6% during the second quarter, led by the Energy sector. The U.S. Equity fund returned 4.4% after fees and expenses during the quarter. The Fund's overweight position and stock selection in Energy added to relative performance but overall the portfolio lagged the Index due to continued dominance of the "FAANG" growth stocks (Facebook, Amazon, Apple, Netflix, Google).

Stock selection in Consumer Discretionary and Industrials also detracted from performance. Macro headwinds such as tariff fears, higher fuel costs, and cost inflation have put pressure on some of the Fund holdings. Despite these concerns, company fundamentals for these stocks remain healthy with strong earnings outlooks and compelling valuations.

The gains from Technology stocks have been drivers of disparity between growth and value benchmarks. Their outperformance is especially marked over the past one-year period and given their dominance in the broad market, our portfolio has lagged the Index (Barrow Hanley took over the management of the U.S. Equity Fund in February 2016). Relative to the Russell 1000 Value Index (+3.3%), the Fund is ahead for the quarter. We remain focused on seeking stocks with meaningful valuation discounts to the overall market and those with the potential to return to normalized profitability that are underappreciated by investors.

These stand in sharp contrast to many of the highly-valued growth stocks with high expectations for future profit growth that have driven recent market strength.

Most of the Energy stocks in the Fund have sensitivity to higher oil prices, yet each of those also has its own strong fundamental story. Hess Corp., Occidental Petroleum, and ConocoPhillips all had exceptional quarters. Also strong was Kosmos Energy (+34.1%), which has growing production offshore west Africa that is generating excess cash flow in 2018 and 2019.

Within the Fund's Consumer Discretionary holdings, SeaWorld Entertainment, Inc. (+50.3%) outperformed in the quarter after reporting results that were well ahead of expectations, indicating a turnaround is on track. After a strong run, the stock trades at 15 times our estimate of normalized earnings. As such, we are currently evaluating whether the position should be trimmed or held.

On the other hand, higher fuel prices and currency headwinds caused Royal Caribbean Cruises Ltd. (-9.6%) to detract from relative performance during the second quarter despite strong underlying business fundamentals and a compelling valuation. Our other cruise line stocks also lagged – Carnival Corp. and Norwegian Cruise Line were down 10% and 9%, respectively. Some of the Fund's Industrials sector holdings also hurt performance, namely Owens Corning (-19.5%) and Stanley Black & Decker (-11.1%), as tariff fears weighed on most Industrials stocks. Despite the fears, these underlying businesses are strong and improving.

U.S. Dividend Fund (US$)

The U.S. Dividend Fund returned 0.6% (in U.S. dollar terms) after fees and expenses during the quarter, lagging the S&P 500 which returned 3.4%. Performance was hurt due to holding fewer stocks in the Information Technology sector than the overall market, and specifically by not holding the "FAANG" stocks. Performance was helped by holdings in the Energy sector, which benefitted from higher oil prices and strong fundamentals.

As with the U.S. Equity Fund, we remain focused on seeking stocks with meaningful valuation discounts and strong earnings potential.

U.S. Small/Mid Cap Equity Fund

After a weak first quarter, US small/mid-cap stocks finished strongly in the second quarter, with the Russell 2500 index rising 5.7% in US$ terms and 10.7% in Canadian dollar terms, boosted by a further depreciation of the Canadian dollar. The index saw gains across the board in all 11 sectors, led by Energy (+18.3%), Real Estate (+10.5%), and Health Care (+8.9%). Small-caps outperformed large-caps, both in the second quarter and throughout the first half of 2018.

Despite increasing 4.2% over the quarter and 5.7% year-to-date after fees and expenses, the U.S. Small/Mid Cap Fund lagged the Russell 2500 Index, largely due to a few stock specific issues, and sector weights. In the Information Technology sector, shares of Commscope sold off (-26.9%) after the company cut earnings per share guidance by 10% while maintaining revenue guidance. Despite the large price decline and the potential margin headwinds impacting 2018 and 2019, we continue to view the shares of this dominant wireless supplier as undervalued.

Another detractor to performance was having no exposure to the top-performing Health Care and Energy sectors and an overweight in the positive-performing yet still lagging Industrials sector.

Our Industrials holdings outperformed relative to the Russell 2500 sector. Most notably, shares of Tetra Tech rose 19.8% as the company reported strong first quarter results. Both revenue and earnings growth were strong, driven by growing US local and Federal spending. The company also hiked its quarterly dividend by 20%.

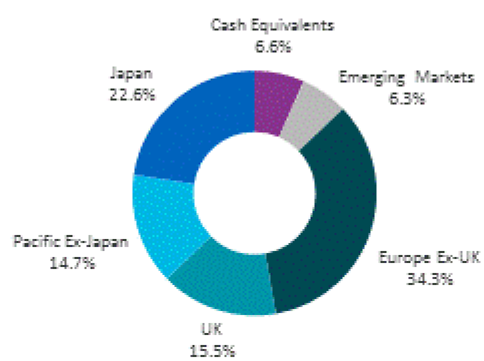
In Consumer Discretionary, Carmax (+17.7%) and Live Nation (+15.3%) were among the top performers in the Fund while Wyndham Destinations, the timeshare business spun off from Wyndham on June 1, 2018, fell 13.6%.

International Equity Plus Fund

Global equity market returns were slightly positive during the second quarter as concerns over trade sanctions and their impact on the global economy cast a shadow over non-U.S. equity markets. This reversed, temporarily, upon the emergence of inflationary pressures. As a consequence, we saw weakness in both the Financial sector and in Emerging Market stocks.

The International Equity Plus Fund declined by 0.6% during the quarter after fees and expenses, lagging the MSCI EAFE Index, which returned 0.9% in Canadian dollar terms. Fund performance was helped by Consumer Discretionary stock Tesco (+20.7%), as well as energy stocks BP (+17.4%) and Royal Dutch Shell (+13.1%). The largest detractors from performance included Financials stocks Commerzbank (-24.7%) and Bank Negara Indonesia (-20.0). Information Technology stock Omron (-17.8) also negatively impacted performance.

The country weightings of the International Equity Plus Fund at June 30, 2018 were:



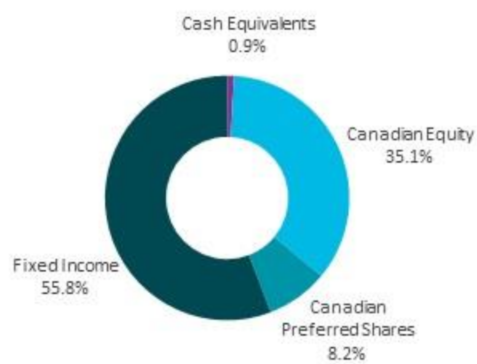
Balanced Fund

The Balanced Fund declined by 1.3% after fees and expenses in the second quarter of 2018. The asset mix for the Fund at June 30, 2018 was:

Income Advantage Fund

The Income Advantage Fund advanced 1.3% after fees and expenses during the second quarter. The Fund's dividend paying stocks and preferred share holdings were the biggest contributors to performance. Both the Investment Grade Corporate Bond and High Yield bond holdings also generated positive returns.

The asset mix for the Income Advantage Fund at June 30, 2018 was:



Core Bond Fund

The Core Bond Fund returned 0.5% after fees and expenses in the second quarter, in line with the FTSE TMX Canada Universe Bond Index.

The Bank of Canada left the Overnight Lending Rate unchanged during the quarter, but Governor Poloz's comments toward the end of the quarter suggest that further rate increases in the near future are likely.

We continue to believe, however, that the Bank of Canada will likely raise rates more slowly than what is currently anticipated due to lingering concerns over an already-weak export sector, and compounded by an uncertain outlook for trade under a more protectionist U.S. administration. Indeed, market expectations have converged over the past several quarters toward our view of just two or three rate increases in Canada during 2018. The Core Bond Fund has benefited from the repricing of the market's changing expectations. Having realized gains from our strategy, we have reduced the size of this position.

Despite a cautious view regarding Bank of Canada rate increases, we remain positioned for a very modest and gradual rise in bond yields over the coming year. This has mainly been achieved by an overweight in real return bonds (RRBs), which have coupons linked to realized inflation and are, therefore, less sensitive to a rise in nominal bond yields. Despite bond yields remaining broadly unchanged during the quarter, the Fund benefited from a sharp rise in inflation expectations, and we used this move as an opportunity to reduce the overall size of the real return bond position in the Fund.

The Fund remains overweight corporate bonds when measured in market value terms, resulting in an overall portfolio yield of 2.74%, or nine basis points more than the FTSE TMX Universe Index. However, these holdings are predominantly comprised of issues with maturities that are shorter than the Index. As a result, these corporate bonds are less sensitive to changes in credit spreads. In addition, the corporate bonds selected for inclusion in the Fund are biased toward higher-quality issuers, or senior issues within the capital structure, making it even more resilient to a widening in credit spreads.

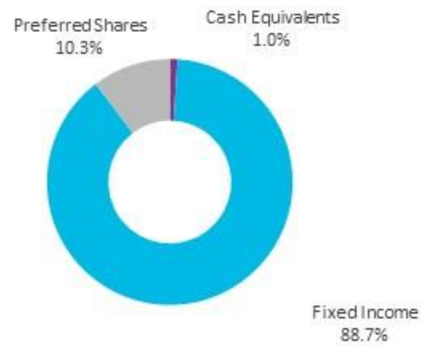
Our outlook for the Canadian economy has deteriorated over the quarter. Strong global growth, low interest rates, and further weakening in the Canadian dollar remain supportive, however the uncertainties over trade – both bilateral trade with the United States and the outlook for global trade – have shifted markedly. To date, the impact on exports and growth in Canada has been relatively limited, and investment intentions in surveys and our discussions with company management do not, at least yet, reflect the recent escalation in trade tensions. However, the outlook and its potential to impact growth and interest rates has, in our opinion, clearly shifted to the negative.

Absent a material shock to the global economy, we expect central banks in both the U.S. and Canada to continue to raise interest rates and remove monetary stimulus. We expect the Bank of Canada to raise interest rates again within the next 12 months, and the yield on 10-year Government of Canada bonds to rise towards 2.25%. We continue to believe that any increase in interest rates will be modest due to the relatively high level of leverage, particularly in the Household sector of the economy.

Corporate Advantage Fund

The Corporate Advantage Fund returned 0.1% after fees and expenses during the second quarter. The Fund's preferred share holdings were the largest contributors to performance, although positive performance also came from both investment grade and high yield bond holdings.

The asset mix of the Corporate Advantage Fund at June 30, 2018 was:



High Yield Bond Fund

High yield bond yields increased during the quarter from 6.0% to 6.2%, as treasury yields rose. While higher interest rates put downward pressure on the overall bond market, the high yield market ended the second quarter with positive returns. High yield companies, in aggregate, have shown revenue and earnings growth and stronger ability to cover interest rate payments. Similarly, equity markets in the U.S. have been pulled upwards by underlying economic and corporate fundamentals. As high yield bonds are a hybrid of fixed income and equity, the two forces of higher interest rates and equity valuation have competed for the direction of returns. The Fund returned 2.8% during the quarter, while the CAD hedged series advanced by 0.4%, both after fees and expenses.

While spreads are at the tighter end of their historical range, we remain positive on high yield debt over the longer term. Spreads indicate forward expectations of default rates (a measure of market stress) and offer a metric for relative valuations. They continue to be very low as strong U.S. economic data and tax reform provide positive momentum. Relative to investment-grade bonds and equity markets, though, high yield still offers favourable return potential. In a rising interest rate environment, high yield bonds have historically performed well due to their shorter duration and higher coupons.

The Fund remains conservatively positioned, with the expectation that returns will continue to be generated from the high coupon income.

Multi Credit Fund

The Multi Credit Fund returned 0.1% after fees and expenses in the second quarter. As in the first quarter, we continued to reduce our allocation to high yield bonds in favour of senior loans, based on relative value characteristics of senior loans. At the end of the quarter, yields on senior loans were similar to those of high yield bonds, but loans benefit in a rising interest rate environment due to their floating rate structure. In addition, loans have lower price volatility than high yield bonds due to their higher position in the capital structure. The Fund continues to be broadly diversified in terms of sector exposure.

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.

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Leith Wheeler Funds. Forward-looking statements include statements that predict future events, conditions or results - including strategy, expected performance or prospects, opportunities, risks and possible future actions. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to risks, uncertainties and assumptions about the Funds and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in the forward-looking statements. These statements require us to make assumptions and are subject to inherent risks and uncertainties. Our predictions and other forward-looking statements may not prove to be accurate, or a number of factors could cause actual events, results, performance, etc. to differ materially from the targets, expectations, estimates or intentions. These factors could include, among others, market and general economic conditions, interest rates, regulation, competition and the risks set out in the Funds' Simplified Prospectus. Do not place undue reliance on our forward-looking statements. Please note the Funds have no intention of updating any forward-looking statements, whether as a result of new information, future events or otherwise.

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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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