Leith Wheeler INVESTMENT FUNDS LTD. | Quiet Money.®

Leith Wheeler Investment Funds
Quarterly Review – June 30, 2019

	MER %	3 Mo %	1 Yr %	3 Yrs %	5 Yrs %	10 Yrs %
LW Canadian Equity Fund	1.49	-1.1	-3.0	7.3	2.6	8.3
LW Canadian Dividend Fund	1.51	-0.1	-2.1	7.5	3.8	n/a
LW Carbon Constrained Cdn Equity Fund	1.47	0.8	2.3	n/a	n/a	n/a
LW US Equity Fund (C$)	1.32	1.2	3.1	10.8	9.2	12.1
LW US Dividend Fund (USD)	1.34	2.2	3.3	n/a	n/a	n/a
LW US Small /Mid-Cap Fund (C$)	1.31	2.9	5.9	n/a	n/a	n/a
LW International Equity Plus Fund (C$)	1.49	-3.2	-5.1	7.9	5.7	4.1
LW Emerging Markets Fund (C$)	1.63	-5.1	-0.6	n/a	n/a	n/a
LW Balanced Fund	1.17	0.4	1.7	6.4	4.8	7.2
LW Income Advantage Fund**	0.85	0.7	1.5	4.9	3.6	n/a
LW Core Bond Fund	0.79	2.4	6.6	2.1	3.3	4.3
LW Corporate Advantage Fund	0.79	1.3	3.2	2.7	n/a	n/a
LW High Yield Bond Fund	0.87	-0.5	4.0	7.5	n/a	n/a
LW High Yield Bond Fund (C$ Hedged)	0.87	1.4	3.5	6.6	n/a	n/a
LW Multi Credit Fund	1.00	1.1	1.5	n/a	n/a	n/a
LW Preferred Share Fund***	1.01	-2.4	-13.3	n/a	n/a	n/a
LW Short Term Income Fund****	0.37	0.5	2.0	n/a	n/a	n/a
LW Money Market Fund*****	0.32	0.4	1.5	0.9	0.6	0.5
Peer Comparison*	**Median %**	**3 Mo %**	**1 Yr %**	**3 Yrs %**	**5 Yrs %**	**10 Yrs %**
Median Canadian Equity Fund	2.07	2.1	2.1	6.3	3.5	7.2
Median Dividend & Income Equity Fund	1.98	1.7	5.2	6.5	3.8	7.6
Median US Equity Fund (C$)	1.91	2.9	7.4	11.2	10.8	12.6
Median International Equity Fund (C$)	1.92	1.2	0.7	7.6	4.9	6.9
Median Global Equity Balanced Fund	2.27	1.7	3.2	6.2	5.1	7.2
Median Cdn Fixed Income Balanced Fund	1.97	1.8	4.1	3.3	3.2	4.6
Median Fixed Income Fund	1.30	2.2	6.0	1.8	2.5	3.5
Median High Yield Fixed Income	1.34	1.9	4.9	4.8	2.8	6.4
Median Money Market Fund	0.74	0.3	1.2	0.6	0.4	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, 2019 with the exception of the 3 Month return.*Source: Fund Data **MER temporarily reduced from 1.0% + GST at the discretion of Leith Wheeler based on current short term investment yields ***Estimated MER as funds under 1 year old *****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*

Most developed equity markets around the world provided positive returns in the second quarter, but it wasn't a smooth ride. In May, stock markets sold-off as the global trade outlook worsened, with rising tensions between the US and China, and new threats from US President Trump of tariffs on Mexico. The weakness turned out to be short-lived, as markets were lifted in June by further comments from central banks allowing for more accommodative monetary policy. Consequently, bond markets also rallied over the second quarter as yields (and inflation expectations) have fallen. The Core Bond Fund performed well during the quarter due to a combination of its holdings in shorter-term corporate bonds and strong security selection in both provincial and corporate bonds.

This caps off a strong six months for markets, having rebounded from the recent lows reached in December 2018. The US equity market has been among the best performing developed markets this year, up 18.5% in local currency, although strength in the Canadian dollar reduced the return to Canadian-based investors to 13.7%. Both Canadian and International equity markets also provided strong returns, with the TSX Composite up 16.2% and the MSCI EAFE up 9.4%.

After a strong first quarter of performance, the Canadian Equity Fund declined in the second quarter and underperformed relative to the TSX Composite (+2.6%). Energy was among the weakest performing sectors in the quarter, down 2.8% as negative sentiment continues to impact Canadian oil and gas producers.

The US Equity Fund provided a good absolute return but lagged the S&P 500 (+2.1%) over the quarter. A larger weighting in Energy stocks hurt relative results, as the sector was down 4.8%. Over the last couple of years and into this year, the US equity results have lagged very strong S&P 500 returns. It has been a challenge to keep pace as growth-oriented stocks have been rewarded. While we can't be sure when value will come back into favour, we believe that patience in this environment will be rewarded when the tide eventually turns.

The International Equity Plus Fund declined during the second quarter but has provided positive returns so far this year; the Fund underperformed relative to the MSCI EAFE Index over both periods.

We acknowledge that the short-term relative results in our equity portfolios have been disappointing. That being said, our investments are not driven by an index. We remain disciplined and focused on our value approach – investing in solid businesses, trading at attractive valuations – which we expect will deliver value for clients over the long term. Overall, we are finding good opportunities to add to quality businesses in our portfolios, and we will continue actively investing where we see value.

Canadian Equity Fund

The S&P/TSX Composite Index (TSX) ended the second quarter up 2.6%. Markets experienced weakness in May on growing trade uncertainty and slowing growth, as US/China trade talks seemed to take a step backwards. However, stocks bounced back in June after comments from central banks continued to indicate more accommodative policy.

Many TSX sectors posted positive returns in the quarter with Information Technology (+14.3%) leading the way, helped by a 42.7% rise in the growth-oriented stock, Shopify. Materials (+5.4%) was boosted by strength in the Gold sub-sector, which rose 13.5% in the quarter as falling interest rates and economic worries benefited the traditional "safe-haven". Conversely, the Energy sector declined 2.8% as both oil and natural gas prices fell over the quarter.

The Canadian Equity Fund lagged the index during the quarter. Underperformance was due to a combination of not having exposure to some of the stronger areas of the market such as gold and Shopify, and weakness in our Energy holdings, as well as a few of our larger positions, including Toromont Industries and Saputo. The fund had kept pace with a strong market in the first quarter, but due to the underperformance in the second quarter lags the TSX year to date.

Within the Energy sector, oil and gas producers declined 11.5% over the quarter as commodity prices fell on renewed concerns for economic growth. The smaller and mid-sized companies we own in the Energy sector were hit particularly hard.

In Materials, having no exposure to the Gold sub-sector in the Fund was a relative drag on results. We have not owned these companies due to expensive valuations and a poor record of capital allocation. We feel they have not been good places to invest our clients' money over the long term, with short periods of good returns followed by lengthy periods of underperformance.

Information Technology stocks CGI Group (+9.6%) and Constellation Software (+9.1%) were among the top performers in the Fund over the second quarter. The top performer in the Fund was BRP, up 26.5% after it reported strong revenue and earnings growth in the first quarter. Retail sales demonstrate that BRP continues to gain market share in most vehicle segments. The company raised guidance for the remainder of the year and announced a substantial issuer bid to repurchase up to $300 million in stock. Over the fourth quarter of 2018 and into 2019, we added to our position in BRP as the valuation had come down.

We continue to find opportunities to add to companies at attractive valuations. We added to our holdings in Rogers and iA Financial in the second quarter.

Canadian Dividend Fund

The Canadian Dividend Fund declined by 0.1% after fees and expenses during the quarter. Similar to the Canadian Equity Fund, the performance of the Dividend Fund was impacted by not holding some of the leading areas of the market such as gold stocks and Shopify. A&W Revenue Royalties was the top performer in the fund, up 13.3% after reporting very strong same store sales growth over the first quarter. The company continues to benefit from the success of its "Beyond Meat" products, which follows several innovative product launches over the last few years as part of its Better Ingredients campaign. We trimmed our holding of this stock on the recent price strength.

US Equity Fund

Returns on US equities were positive during the quarter, amidst shifting sentiments over global growth and tariffs. Markets began the quarter with a solid rise in April, followed by a pullback in May as political and trade uncertainties resurfaced. Further dovish comments from global central banks in June once again lifted markets to end the quarter.

The S&P 500 Index rose 2.1% in the second quarter, led by Financials (+5.6%) and Information Technology (+3.8%). Information Technology rose again after a strong first quarter, making it the best performing sector year-to-date. Meanwhile, Energy (-5.0%) struggled as energy prices fell early in the quarter.

The US Equity Fund trailed the S&P 500 Index, returning 1.2% after fees and expenses during the quarter. Stock selection in the Information Technology and Communication Services sectors, plus an overweight to Financials added to relative performance. Stock selection within Financials and an overweight to Energy detracted from relative performance.

The most expensive half of the S&P 500 Index measured by Price-to-Earnings ratio outperformed the cheapest half by more than 5% over the quarter and almost 15% over the past twelve months. The outperformance was led by companies in defensive sectors such as Real Estate, Consumer Staples and Utilities, where valuations are at historic levels and areas that we have underweighted in the portfolio. A reversal of this trend should provide a tailwind for performance.

US Dividend Fund (USD)

The US Dividend Fund returned 2.2% in the quarter after fees and expenses (in US dollars), lagging the S&P 500 Index. Similar to the US Equity Fund, stock selection in the Financials sector and an overweight position in the Energy sector detracted from performance. We added six new holdings to and eliminated five stocks from the Fund in the second quarter.

US Small/Mid Cap Equity Fund

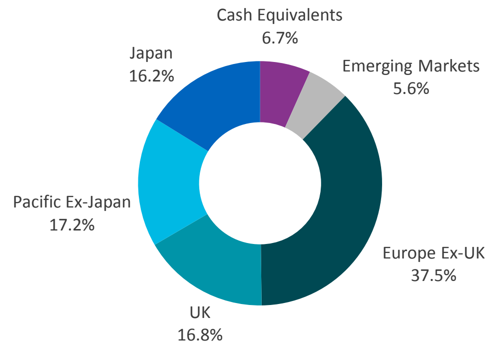
The US Small/Mid Cap Equity Fund advanced by 2.9% after fees and expenses in the second quarter, outperforming the Russell 2500 Index. Year-to-date, the Fund provided a strong return of 14.3% after fees and expenses.

Top contributors to fund performance came from an overweight position in Industrials stocks and not having any exposure to Energy and Consumer Staples.

International Equity Plus Fund

The International Equity Pus Fund declined by 3.2% after fees and expenses during the quarter. The top contributors to Fund performance came from holdings in the Healthcare, Telecom and Industrials sectors, while the largest detractors were in the Information Technology and Financials sectors.

The country weightings of the International Equity Plus Fund at June 30, 2019 were:

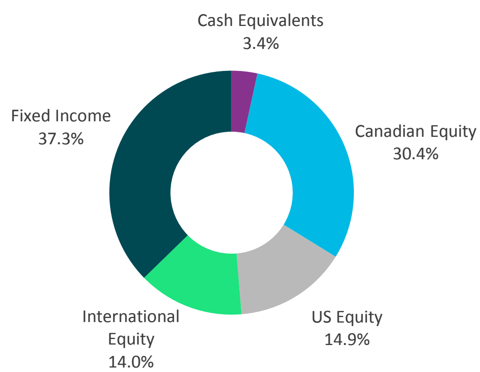


Emerging Markets Equity Fund

Emerging markets were among the weakest of the equity markets in the quarter and the first half of 2019. The Emerging Markets Fund declined by 5.2% after fees and expenses in the second quarter, lagging the MSCI Emerging Markets Index which declined by 1.5% in the same time period.

Balanced Fund

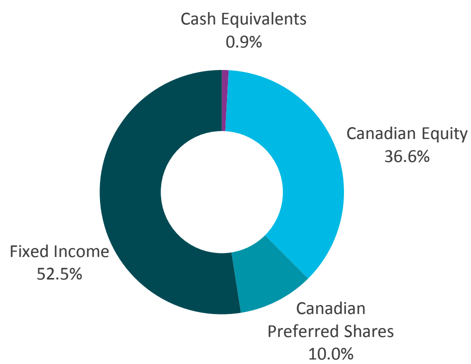
The Balanced Fund advanced by 0.4% after fees and expenses in the second quarter of 2019. The asset mix for the Fund at June 30, 2019 was:



Income Advantage Fund

The Income Advantage Fund returned 0.7% after fees and expenses in the second quarter of 2019. The Investment grade corporate bonds led performance, while the dividend paying common stock and sub-investment grade fixed income components of the fund were the weakest contributors to fund performance during the quarter.

The asset mix for the Income Advantage Fund at June 30, 2019 was:



Core Bond Fund

For the third consecutive quarter, returns from fixed income markets have been particularly strong, supported by an ongoing decline in both government bond yields and further tightening in credit spreads.

The Core Bond Fund returned 2.4% after fees and expenses during the quarter, slightly behind the FTSE Canada Universe Bond Index which returned 2.5%. Fund performance was helped by our overweight allocation to short-dated corporate bonds that provide additional yield, combined with strong performance in both provincial and corporate bonds.

Following a stark reversal in the direction of monetary policy expectations in late 2018, central banks (particularly the US Federal Reserve) have continued to send a more dovish message to markets, and consequently bond markets have continued to rally. The yield on 10-year Canadian government bonds has almost halved since peaking in October 2018, although the rally in other developed market government bonds has been even greater.

Investment-grade corporate bonds continued to grind tighter during the quarter, with risk assets across the board supported by the more accommodative stance adopted by global central banks. The higher quality parts of the Canadian investment grade market, such as covered bonds and bank deposit notes, in which our portfolio is overweight, have outperformed.

The Core Bond Fund remains overweight corporate bonds with an overall portfolio yield modestly higher than the FTSE Canada Universe Bond Index. These corporate bond holdings are biased towards high quality issues with maturities that are shorter maturity than the Index, and are more conservatively positioned as a result.

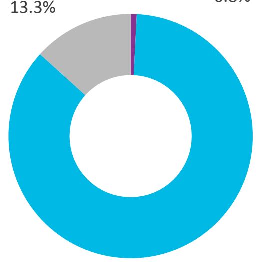
Although our outlook remains arguably more optimistic than what is currently priced into bond markets, we acknowledge that the uncertainty surrounding the outlook over the coming year has increased during the second quarter. In particular, our view is that ongoing uncertainty surrounding export tariffs is unlikely to recede entirely, even if there is some form of US-China trade deal announced following the G20 meeting on June 29th and 30th. As a result of this uncertainty on the global supply chain, capital expenditure growth is particularly weak, causing concern given the typically high correlation that typically exists between capital expenditure and economic growth. In addition, we view the recent deterioration in manufacturing survey data as a troubling leading indicator of the outlook for growth across the broader economy, including service sectors.

However, we also believe that this weaker outlook is already largely priced into global interest rate markets given the decline in bond yields. Arguably where we are more optimistic is on the consumer, given ongoing strength of the labour markets, particularly in Canada recently, combined with some signs of stabilization in the Canadian housing and mortgage markets. The ongoing surprise for us is the weakness in core inflation measures despite labour market tightness, where the relationship between low unemployment and wage gains appears to have completely broken down.

Corporate Advantage Fund

The Corporate Advantage Fund increased by 1.3% after fees and expenses in the quarter. Fixed income investments continued to provide strong returns in the first three months of the year, due to the combination of declining government bond yields and tightening credit spreads. The preferred share component detracted from performance.

The asset mix of the Corporate Advantage Fund at June 30, 2019 was:



High Yield Bond Fund

Returns on high yield bonds were positive during the quarter, amidst shifting sentiments over global growth and tariffs. A period of brief weakness in May was short-lived, as credit spreads on high yield bonds rallied in June as a result of further dovish comments from global central banks.

The unhedged series of the High Yield Bond Fund declined by 0.5% after fees and expenses during the quarter, while the currency hedged series returned 1.4% after fees and expenses. High yield bonds and senior loans performing equally well over the quarter. The Fund benefited from a strong bounce back from several holdings, including Fage International (+13.1%) and Par Petroleum (+8.4%), two holdings that had negative returns in the prior quarter.

Concerns over global growth resulted in lower crude oil prices in the second quarter. Despite having close to a 20% allocation, the Energy sector only weighed mildly on the performance of the Fund due to the composition of fund holdings. Nearly one-third of our Energy holdings are refiners (Par Petroleum, CVR Energy, partially Parkland Fuels) where price differentials between oil markets and petroleum products impact profits more so than directional moves in the price of oil.

Credit spreads in high yield markets reflect forward expectations of default rates and are at levels broadly consistent with our outlook for default rates and the economy. We believe that high yield bonds and loans continue to offer attractive returns on a risk-adjusted basis, given our outlook for capital markets in 2019.

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

Multi Credit Fund

The Multi Credit Fund returned 1.0% after fees and expenses during the quarter. As with the High Yield Bond Fund, high yield bonds and senior loans contributed to fund performance similarly over the quarter.

We believe that high yield bonds and loans continue to offer attractive return potential, on a risk-adjusted basis, given our outlook for capital markets in 2019

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.

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