Leith Wheeler INVESTMENT FUNDS LTD. | Quiet Money.®

Leith Wheeler Investment Funds
Quarterly Review – September 30, 2019

	MER %	3 Mo %	1 Yr %	3 Yrs %	5 Yrs %	10 Yrs %
LW Canadian Equity Fund	1.49	2.7	-0.4	5.5	3.2	7.6
LW Canadian Dividend Fund	1.51	3.0	0.4	6.0	4.5	n/a
LW Carbon Constrained Cdn Equity Fund	1.47	3.8	5.6	n/a	n/a	n/a
LW US Equity Fund (C$)	1.32	2.3	1.8	9.7	9.4	11.2
LW US Dividend Fund (USD)	1.34	2.6	0.8	n/a	n/a	n/a
LW US Small /Mid-Cap Fund (C$)	1.31	4.8	8.9	n/a	n/a	n/a
LW International Equity Plus Fund (C$)	1.49	-1.6	-5.8	4.3	5.4	3.5
LW Emerging Markets Fund (C$)	1.63	-2.7	-0.9	n/a	n/a	n/a
LW Balanced Fund	1.17	1.4	3.0	5.2	5.0	6.6
LW Income Advantage Fund**	0.85	1.4	2.6	4.0	3.8	n/a
LW Core Bond Fund	0.79	1.0	8.8	2.1	3.4	4.1
LW Corporate Advantage Fund	0.79	0.4	3.5	2.2	2.8	n/a
LW High Yield Bond Fund	0.87	1.6	6.6	5.6	n/a	n/a
LW High Yield Bond Fund (C$ Hedged)	0.87	0.3	3.1	4.6	n/a	n/a
LW Multi Credit Fund	1.00	0.8	1.6	n/a	n/a	n/a
LW Preferred Share Fund***	1.01	-1.0	-15.7	n/a	n/a	n/a
LW Short Term Income Fund****	0.37	0.5	2.1	n/a	n/a	n/a
LW Money Market Fund*****	0.32	0.4	1.5	1.0	0.7	0.5
Peer Comparison*	**Median %**	**3 Mo %**	**1 Yr %**	**3 Yrs %**	**5 Yrs %**	**10 Yrs %**
Median Canadian Equity Fund	2.09	2.5	5.0	5.5	4.1	6.4
Median Dividend & Income Equity Fund	2.00	2.8	6.0	6.0	4.4	7.0
Median US Equity Fund (C$)	1.93	1.5	3.3	10.1	10.2	11.8
Median International Equity Fund (C$)	2.01	-0.4	0.2	5.1	5.2	5.7
Median Global Equity Balanced Fund	2.30	0.9	3.3	5.0	5.2	6.3
Median Cdn Fixed Income Balanced Fund	1.96	1.0	5.9	2.8	3.2	4.2
Median Fixed Income Fund	1.31	0.9	7.9	1.7	2.6	3.2
Median High Yield Fixed Income	1.35	0.7	3.8	3.7	3.1	5.7
Median Money Market Fund	0.77	0.3	1.2	0.7	0.5	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 September 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 ***Estimated MER as funds under 1 year old *****MER temporarily reduced from 0.65% plus GST at the discretion of Leith Wheeler ***** MER temporarily reduced from 0.60%+GST at the discretion of Leith Wheeler*

As we enter the Fall, we begin to look back on the year in the markets thus far. 2019 has been a strong year for equity and bond markets to September, with both the S&P 500 and S&P/TSX Composite indices close to reaching all-time highs, while bond yields are near all-time lows. The US equity market has been one of the best performing developed market this year, up 20.6% in local currency, although strength in the Canadian dollar reduced the return to Canadian-based investors to 17.0%. Both Canadian and International equity markets also provided strong returns, with the TSX Composite up 19.1% and the MSCI EAFE up 9.5%.

The ride has not been a smooth one, though. During the third quarter, global markets fretted over an escalating trade war, slowing growth, Brexit, Hong Kong protests, and a Trump impeachment inquiry. The fixed income markets agreed with these worries, with interest rates declining and bonds providing capital gains. The bond market is painting a pessimistic picture of slow growth and low inflation.

Many of these worries are not new. As yields have declined over the last year, investors have continued to favour the higher-yielding sectors of equity markets including Real Estate and Utilities. Elsewhere, amid economic uncertainty, defensive or perceived “safe” sectors such as Consumer Staples and gold stocks have also benefited. Overall, our Canadian, US and International equity funds have had limited exposure to these more expensive sectors of the market, which has hurt our relative results year to date.

While we have experienced weakness in some areas of our funds, such as Energy producers, which have been weak across all equity portfolios, many of the companies we own have provided very strong results year to date. Some of the top performing stocks are up over 40% so far this year, including: Constellation Software (+55.6%) and recreational vehicle manufacturer BRP (+46.9%) in Canada; and Dollar General (+43.6%) and semiconductor manufacturer Marvell Technology (+52.8%) in the US.

Looking at the third quarter more specifically – the Canadian Equity Fund provided a positive return and outperformed the S&P/TSX Composite Index, which rose 2.5%. The top contributors to the Canadian Equity Fund’s performance were Brookfield Infrastructure Partners (+18.1%) and Brookfield Asset Management (+12.6%) as both companies reported good results.

In the US, the S&P 500 Index increased 1.7% in the third quarter, while strength in the US dollar boosted returns to 2.9% in Canadian dollars. The US Equity Fund performed well but underperformed relative to the index primarily due to an overweight in the relatively inexpensive energy sector. Global growth concerns led to a 7.5% decline in WTI oil prices in the quarter. On the positive side, some of our Consumer Discretionary holdings were among the top contributors to performance. Dollar General (+19.4%), the largest dollar store in the US, reported strong results with both revenue and earnings beating expectations.

International equities underperformed relative to North America, with the MSCI EAFE Index flat in Canadian dollars. The International Equity Plus Fund underperformed the index due to stock selection in the Financials and Energy sectors.

With the ongoing trade frictions, signs of slowing manufacturing and several major economies easing monetary policy (most notably the US Federal Reserve cut rates 0.5%), global bond yields fell during the quarter. Although the Bank of Canada held policy rates steady, longer term yields fell due to some of these economic uncertainties and declining inflation expectations. The Core Bond Fund provided a solid return during the quarter, primarily due to the decline in yields.

Across our equity funds, we own established businesses that we expect will weather any coming future economic storms. With the strength in equity markets so far this year, we have been trimming companies that have performed well. We are still finding good opportunities to add new ideas to our funds as well as to add to existing businesses.

In our Balanced Fund, we have been maintaining our neutral position, neither overweight or underweight equities at this time of economic uncertainty. Our equity funds are focused on the more attractive parts of the market and still represent good value relative to the bond market.

Canadian Equity Fund

The S&P/TSX Composite (TSX) ended the third quarter with a gain of 2.5%, but performance was mixed across different sectors and industries. Utilities (+10.1%) and Real Estate (+8.5%) were the top performing sectors in the TSX, as the further decline in bond yields benefitted these higher-yielding sectors. Gold stocks continued with their strong run of performance, up 9.6% as investors favoured the "safe-haven" amid economic uncertainty. On the other hand, the more economically-sensitive areas of Industrials (-1.5%), and Energy (+1.2%) lagged the overall index. Health Care (-30.0%) was the worst performing sector due to the sharp sell-off of cannabis stocks amid uncertainty over supply and demand dynamics in this relatively new industry, as well as some governance concerns.

The Canadian Equity Fund outperformed the TSX during the third quarter, returning 2.7% after fees and expenses. This was due to strong performance from the Fund's holdings in the Financials and Utilities sectors. Avoiding exposure to the Health Care sector was also a positive. Conversely, performance was hurt by underperformance in the Energy and Materials sectors.

Brookfield Infrastructure Partners (BIP) was the top performer in the Fund, increasing 18.1% in the quarter. In Financials, Fund holdings outperformed relative to the TSX sector, helped by the performance of Brookfield Asset Management and iA Financial Group.

On the weaker side, some of our Energy holdings underperformed over the third quarter. Tourmaline fell 20.7%, after reporting disappointing quarterly results. Uranium producer, Cameco declined 10.4%, despite reporting good results overall. In Materials, avoiding exposure to the Gold sub-sector was a relative drag on results. We do not own these companies due to their expensive valuations and poor record of capital allocation. We believe they have not been good places to invest our clients' money over the long term; they have exhibited short periods of good returns followed by lengthy periods of underperformance.

Overall, 2019 has been a very strong year so far, with the TSX up 19.1% and close to reaching all-time highs in September. Information Technology has been the best performing sector, led by a 118.4% rise in growth stock Shopify. Some of the themes mentioned above for this quarter have been in favour over the year. The yield-oriented sectors of Utilities (+34.8%), Real Estate (+24.7%) and pipelines (+25.8%) have benefited from the decline in bond yields. Gold stocks have also done well this year, rising 31.5%. We have had limited exposure to these more expensive areas of the market which has hurt our relative results year to date.

The weakest area of the Canadian Equity Fund has been oil and gas producers, as commodity prices have generally declined over the last six months amid economic uncertainty. While the companies we own have been performing well operationally, they have been hurt by the negative sentiment in the sector. Overall, many companies have moderated spending in this environment and have been using excess cash flow to pay down debt.

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. We have generally been trimming companies that have performed well and seen returns narrow to fund attractive opportunities in the Fund. For example, over the quarter, we have trimmed our holdings of BAM, BIP, and Constellation Software, and have added to our positions in Hydro One, Canadian Natural Resources, Saputo and Canadian Tire.

Canadian Dividend Fund

The Canadian Dividend Fund outperformed the TSX during the third quarter, returning 3.0% after fees and expenses.

Top contributors to performance included Brookfield Infrastructure Partners, Brookfield Asset Management and Canadian Western Bank.

On the weaker side, Rogers Communications and A&W Revenue Royalties were the bottom performers in the Fund.

US Equity Fund

Returns on US equities were positive during the quarter. The S&P 500 Index (the Index) increased 1.7% in the third quarter, while strength in the US dollar boosted returns to 2.9% in Canadian dollars. Defensive sectors, such as Utilities and Consumer Staples led in the third quarter while safe haven assets such as gold and treasuries also rallied.

The US Equity Fund performed well, advancing by 2.3% after fees and expenses, but underperformed relative to the Index primarily due to an overweight in the relatively inexpensive Energy sector. Oil prices experienced a bit of a reprieve in mid-September on the news of a drone attack on major petroleum facilities in Saudi Arabia, but the rebound was short-lived.

On the positive side, some of the Fund's Consumer Discretionary holdings were among the top contributors to performance. An underweight to the Health Care sector also contributed positively to returns. The Health Care industry in the US continues to experience uncertainty regarding policy reform focused on reducing costs of prescription drugs and medical treatment for patients.

Some detractors from performance were EOG Resources, Inc. (EOG is a premier developer of unconventional oil plays in the US), SeaWorld Entertainment and General Electric Co. (GE). GE underperformed in the third quarter due to renewed concerns emanating from a short seller report, particularly as it relates to the long-term care insurance liability.

US Dividend Fund (USD)

The US Dividend Fund advanced by 2.6% after fees and expenses, in US dollars. Fund performance was helped by some of its Consumer Discretionary and Communication Services holdings. The Health Care sector also contributed positively to returns.

On the negative side, an overweight in the relatively inexpensive Energy sector hurt performance.

US Small/Mid Cap Equity Fund

The US Small/Mid-Cap Equity Fund advanced by 4.8% after fees and expenses in the third quarter and 19.8% after fees and expenses year-to-date, significantly outperforming the Russell 2500 Index ("the Index") over both time periods (which returned -0.1 % and +14.3%, respectively).

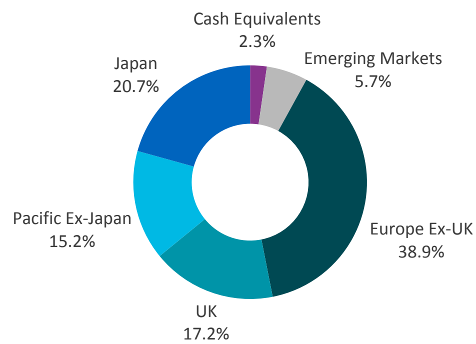
Sector performance was widely dispersed in the third quarter. Top performers include Real Estate (+8.1%), Utilities (+8.1%) and Consumer Staples (+5.4%), while Energy (-16.5%), Health Care (-7.7%), and Communication Services (-4.9%) were among the laggards.

The Fund's outperformance over the quarter was driven by strong stock selection across sectors, while benefitting from avoiding exposure to Energy and Health Care.

International Equity Plus Fund

The International Equity Plus Fund declined by 1.6% after fees and expenses during the third quarter, lagging the MSCI EAFE Index which returned 0.1% in the same time period. Fund performance was helped by some of the Fund's Health Care holdings while some of the Fund's holdings in the Energy and Financial sectors detracted from performance during the quarter.

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

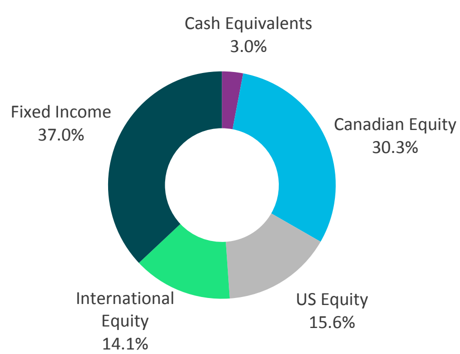


Emerging Markets Equity Fund

The Emerging Markets Equity Fund declined by 2.7% after fees and expenses during the quarter. The Fund performed well within the more defensive areas of the market such as Consumer Staples, Real Estate, and Utilities. However, the larger contributors to outperformance were the more cyclically geared sectors such as Energy and Materials.

Balanced Fund

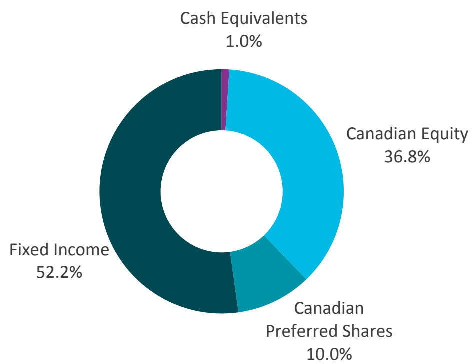
The Balanced Fund advanced by 1.4% after fees and expenses in the second quarter of 2019. The asset mix for the Fund at September 30, 2019 was:



Income Advantage Fund

The Income Advantage Fund advanced by 1.4% after fees and expenses in the third quarter. The Fund's Canadian dividend equity holdings led performance, followed by its fixed income holdings (both investment grade and sub-investment grade). The largest detractor from performance was the Fund's holdings in preferred shares, which declined during the quarter.

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



Core Bond Fund

Fixed income continued to provide investors with solid returns for the fourth consecutive quarter due to the ongoing decline in global and Canadian bond yields. To put some of these moves into a longer-term context, over the past 12 months the FTSE Universe Bond Index has returned almost 10%, while the FTSE Long Term Bond Index has returned almost 16%.

The Core Bond Fund advanced by 1.0% after fees and expenses during the quarter, slightly behind the FTSE Canada Universe Bond Index during the quarter which returned 1.2%. Fund performance was helped by a combination of its overweight allocation to short-dated corporate bonds that provide additional yield, combined with interest rate curve strategies that outperformed the benchmark.

During the quarter, the Bank of Canada – in two separate meetings – decided to leave the overnight policy rate unchanged, despite moves by several other major economies to loosen monetary policy (including the US Federal Reserve who delivered two 0.25% rate cuts during the quarter). As a result, short-term Canadian government bonds fell during the quarter, pushing yields on 2-year bonds approximately 0.1% higher.

However, government bonds with maturities greater than 5-years continued to rally, with yields on 10-year Government of Canada bonds down to as low as 1.08%, although yields have since rebounded to near 1.40%. This is not the lowest level we have seen in bond yields (that was in March 2016 when 10-year Government of Canada bonds were yielding just 0.90%). And, unlike government bonds in Germany or Japan, Government of Canada bonds continue to have a positive yield across all maturities.

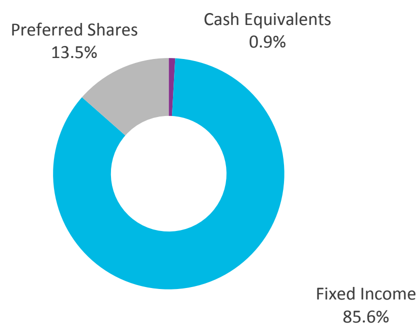
The drivers behind the ongoing rally in government bonds have not materially changed during the quarter. Ongoing trade frictions between several of the largest economies in the world (most notably the US and China) have caused global capital expenditure to be deferred, slowed manufacturing cycles, and more recently appeared to have dampened consumer confidence. Alongside this has been a secular decline in inflation, including an ongoing decline in market-based measures of inflation expectations. In Canada, market inflation expectations are now the lowest since, and at levels relatively close to those experienced during the depths of, the 2008 Global Financial Crisis.

We therefore remain confident that the currently low levels of inflation expectations embedded in real return bonds in Canada are too low and we have used the recent decline in market expectations as an opportunity to re-establish part of the position that we had trimmed during the second quarter, now at more attractive levels.

Corporate Advantage Fund

The Corporate Advantage Fund advanced by 0.4% after fees and expenses during the third quarter. The largest contributor to performance was the Fund's holdings in sub-investment grade bonds, followed by its holdings in investment grade bond. The Fund's preferred share holdings detracted from performance.

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



High Yield Bond Fund

Sub-investment grade fixed income returned another positive quarter as interest rates and high yield credit spreads both declined. Lower interest rates were driven by continued uncertainty over trade combined with weak global manufacturing data. High yield credit spreads have been stable year to date. However, investors have increased their preference towards higher quality credit, which has resulted in CCC or lower rated bonds to underperform.

The unhedged series of the High Yield Bond Fund advanced by 1.6% after fees and expenses during the quarter, while the currency hedged series returned 0.3% after fees and expenses. The majority of holdings in the Fund generated positive returns, led by Century Communities (+4.5%) and Seagate Technology (+4.8%). The weakest performer in the Fund was Frontier Communication (-20.8%) which reported financial results of declines in every product and customer segment due to competitive pressures.

The market continued its aversion to the Energy sector this quarter. Energy names in the Fund were largely resilient outside of two exploration and production companies, Unit Corp (-14.6%) and Gulfport Energy (-7.3%), that made up approximately 5% of the total Fund. Meanwhile, energy refiners in the Fund contributed positively to returns as they were less sensitive to changes to crude oil prices.

The Fund continues to be defensively positioned by holding bonds with shorter term to maturity as the compensation to hold longer dated bonds are low and continue to fall. Furthermore, the Fund's holding in first lien secured loans continues to provide added protection through asset collateralization.

Macro factors in the US such as trade war concern and weak manufacturing data are countered by historically low unemployment and strong consumer sentiment. Companies held in the Fund signal little to no signs of stress in their supply chains or customers. Credit spreads in high yield markets and forward expectations of default rates remain low from a historical perspective. We expect that future returns will continue to be generated primarily from the high coupon income.

Multi Credit Fund

The Multi Credit Fund returned 0.8% after fees and expenses during the quarter. Senior secured loans outperformed high yield bonds over the quarter. We reduced our weight in senior secured loans and added to our High Yield Bond exposure during the quarter.

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