Leith Wheeler INVESTMENT FUNDS LTD.

Quiet Money.

Leith Wheeler Investment Funds
Quarterly Review – December 31, 2018

	MER %	3 Mo. %	1 Yr %	3 Yrs %	5 Yrs %	10 Yrs %
LW Canadian Equity Fund	1.49	-13.2	-12.8	6.8	2.6	8.2
LW Canadian Dividend Fund	1.50	-13.0	-13.4	6.9	3.3	n/a
LW Carbon Constrained Cdn Equity Fund	1.50	-10.4	-9.0	n/a	n/a	n/a
LW U.S. Equity Fund (C$)	1.32	-10.3	-4.2	4.5	9.0	10.4
LW U.S. Dividend Fund (USD)	1.35	-13.5	-12.7	n/a	n/a	n/a
LW U.S. Small /Mid-Cap Fund (C$)	1.31	-9.1	-2.1	n/a	n/a	n/a
LW International Equity Plus Fund (C$)	1.59	-6.4	-8.2	3.0	5.2	4.3
LW Emerging Markets Fund (C$)	1.69	1.2	-3.1	n/a	n/a	n/a
LW Balanced Fund	1.16	-6.2	-5.4	4.2	4.5	6.8
LW Income Advantage Fund**	0.85	-5.5	-5.3	4.3	3.3	n/a
LW Core Bond Fund	0.79	1.3	0.8	1.3	3.0	3.9
LW Corporate Advantage Fund	0.79	-1.3	-0.9	2.1	n/a	n/a
LW High Yield Bond Fund	0.89	1.6	6.7	5.6	n/a	n/a
LW High Yield Bond Fund (C$ Hedged)	0.89	-3.9	-2.6	5.5	n/a	n/a
LW Multi Credit Fund	1.00	-4.8	-3.7	n/a	n/a	n/a
LW Preferred Share Fund***	0.95	n/a	n/a	n/a	n/a	n/a
LW Short Term Income Fund****	0.37	0.4	1.6	n/a	n/a	n/a
LW Money Market Fund*****	0.32	0.4	1.2	0.7	0.5	0.4
Peer Comparison*	**Median %**	**3 Mo. %**	**1 Yr %**	**3 Yrs %**	**5 Yrs %**	**10 Yrs %**
Median Canadian Equity Fund	2.10	-10.2	-9.6	3.8	2.8	7.2
Median Dividend & Income Equity Fund	2.00	-8.9	-8.1	4.9	3.2	7.7
Median US Equity Fund (C$)	1.98	-10.8	-1.9	5.7	9.1	10.9
Median International Equity Fund (C$)	2.09	-8.2	-9.2	1.3	3.7	6.2
Median Global Equity Balanced Fund	2.30	-7.3	-5.6	2.7	4.2	6.9
Median Cdn Fixed Income Balanced Fund	1.99	-2.3	-2.3	1.7	2.7	4.5
Median Fixed Income Fund	1.33	1.0	0.0	1.0	2.1	3.2
Median High Yield Fixed Income	1.35	-2.9	-2.2	4.5	2.6	6.8
Median Money Market Fund	0.70	0.3	1.0	0.4	0.3	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 December 31, 2018 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*

Equity markets were under significant pressure at year end as the prospects of slower growth due to global trade uncertainty, higher interest rates, flat yield curves, and weakness in energy markets triggered a reassessment of equity valuations.

In one of the worst quarters in the past decade, several markets declined over 10%. Returns for Canadian investors were offset somewhat by an almost 6% strengthening in the US dollar during the quarter, which boosted returns of US stocks when converted back to Canadian dollars.

Unfortunately, the fourth quarter was also a difficult one for our equity funds. Our Canadian equity funds underperformed the market, primarily as a result of our exposure to holdings with a more cyclical bias than the index – areas of the market that have been more attractively valued than more defensive areas. Our US equity funds also underperformed due to its holdings in the Energy sector. Oil producers, Hess and Kosmos Energy, were among the weakest performers in the US Equity Fund.

While our International Equity Plus Fund also declined during the quarter, it outperformed relative to the MSCI EAFE (C$) Index. An underweight in Financials helped relative results. More specifically, having no exposure to Deutsche Bank and several other large European banks was a positive, as some of these banks declined more than 20%.

We took the weakness in energy markets as an opportunity to add to several companies across our portfolio. In Canada, we added to NuVista, Canadian Natural Resources, and Tourmaline. In the US, we initiated a position in oil refiner Valero, and added to our existing position in Hess.

Our portfolios have also lacked exposure to some "safe haven" areas, like golds and utilities, which held up better. Our view is these do not look as attractive in our longer-term outlook as energy and financial stocks, which have pessimism priced in. Admittedly we have a contrarian view, a position we often find ourselves in, but this is something we believe is necessary to effectively manage portfolios over the long term and has served our clients well in the past. At the portfolio level, we have also added to our equity weight in balanced portfolios through the weakness, having been more cautious earlier in the year.

What are our thoughts on this correction?

Of course, this was a disappointing way to end the year, but our job is to look through market "noise." We remain focused on investing in solid businesses, trading at attractive valuations that we expect to be profitable over the long term. Corrections of this size are common and provide buying opportunities.

Over the past decade there have been two similar corrections when equity markets declined by more than 10%. The first occurred in late 2011 over concerns about the stability of the eurozone, and the second occurred in 2015 because of the sharp decline in commodity prices. Neither of those corrections led to a Canadian or global recession. Instead, these corrections prevented a build-up in excess credit.

There are always clouds on the horizon, and now they include concerns about global trade, volatile commodity prices, government shutdowns, and tightening monetary policy. These negative headlines have probably swung too far to the pessimistic side, even though the risk of recession may have risen a bit. Corporate earnings grew significantly in the US in 2018, yet the US market fell on concerns about 2019. When this has happened in the past, concerns proved to be overdone and markets recovered well. The US economy remains strong, with high employment and rising wages supporting consumption, from which the global economy will benefit. Although it is clear that we are in the midst of an economic slowdown, several other large economies including the eurozone and China have policy options available to offset short-term weaknesses.

While we are now a decade into the economic recovery following the 2008 financial crisis, we do not see the same build-up in excessive risk taking or credit that have characterized prior recessions. Corporate debt levels are sustainable. Meanwhile, households deleveraged significantly in the United States following the financial crisis and have started moderating in Canada from record highs.

As a result, we continue to expect positive economic growth and modestly higher bond yields through 2019 compared to current pessimistic expectations. If we are wrong and a recession does occur this year, we are confident that the businesses we have invested in will largely weather the storm and will reward our clients' portfolios over the next cycle.

Our fixed income investments provided a positive, but limited, offset to equity returns in balanced portfolios during the quarter. Returns from bonds were more modest than in other equity market declines in the past. This is partly due to lower starting yields, which impact how far yields can fall in order to generate capital gains. In addition, widening corporate credit spreads for both investment-grade and high yield bonds offset some of the gains from declining interest rates.

Volatility in capital markets is normal and creates investment opportunities for us. Although the volatility experienced in 2018 was higher than in the few years prior, we consider this more a return to normal market conditions. It is also somewhat expected as capital markets adjust to higher interest rates and tightening liquidity as global central banks start to reduce the assets on their balance sheets.

We remain focused on what we do best: finding undervalued investments and committing our clients' capital for the long term. Fortunately, this volatility has surfaced some of these opportunities and we will continue actively investing where we see value.

Canadian Equity Fund

The fourth quarter was volatile for equity markets as investors worried about an escalating US/China trade war, slowing global growth, rising interest rates, and falling oil prices. As a result, the S&P/TSX Composite Index (TSX) was down 10.1% in the quarter, with eight of the 11 sectors in negative territory. Economically-sensitive sectors were among the worst performing sectors including Energy (-17.3%), Industrials (-13.4%) Consumer Discretionary (-11.9%) and Financials (-11.3%). Amid the volatility, investors favoured some of the traditionally defensive sectors such as Consumer Staples (+5.7%) and Communication Services (+2.0%), while the Materials (+0.9%) sector was helped by a "flight to safety" into gold stocks (+19.3%).

The TSX return had been modestly positive for the year up to the end of September, but the recent weakness led to a disappointing result for the year with the TSX declining 8.9%. Our Canadian Equity Fund lagged the TSX over the quarter, declining 13.2% after fees and expenses. This is because we had limited exposure to defensive sectors and our holdings in the more cyclical sectors of Energy and Materials sold off. The Fund had been outperforming the TSX in the first nine months of the year, but due to the underperformance in the fourth quarter it also underperformed over the year.

The recurring issue throughout the year for the Canadian Energy sector has been centered around pipeline capacity constraints amid rising production and uncertainty over future projects approvals. This came to a head in October when the discount for Canadian heavy oil (Western Canadian Select) versus US oil prices widened to record levels of US$50 per barrel, before narrowing back to normal levels after the Alberta government announced mandatory production cuts. On an absolute basis, oil prices declined over the quarter amid rising supplies and fears of slowing global growth.

As a result, many of the oil and gas producers we own were among the weakest performers in the Fund over both the fourth quarter and the year. Smaller companies, NuVista Energy (-45.6%) and Cardinal Energy (-57.2%), were hit particularly hard over the quarter.

Elsewhere in Energy, pipeline companies outperformed relative to oil producers during the quarter which hurt our relative results given we do not own these companies. As we have communicated in the past, we have avoided pipeline companies due to above-average balance sheet leverage and low growth prospects.

Similarly, in Materials, having no exposure to the Gold sub-sector in the portfolio was a relative drag on results as investors flocked to this perceived "safe haven". Specifically, not owning Gold accounted for approximately half of the relative underperformance in the quarter. We have not owned these companies due to expensive valuations and a poor record of capital allocation. 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.

We acknowledge that this was a difficult way to end the year, having underperformed in a down market. While this is not a desirable outcome, it is not unusual for the Fund to underperform over the short term, when market volatility is driven by macroeconomic fears. This was the case looking back at the fourth quarter of 2014 and into 2015, when markets were concerned about falling commodity prices, a potentially overheated housing market and slowing Canadian growth. In the two years that followed, fears abated, the market rebounded, and our portfolio outperformed based on strong fundamentals in the businesses we own. Over the last four years, the Leith Wheeler Canadian Equity strategy remains ahead of the TSX.

Our goal is to provide clients with superior long term returns despite these short-term gyrations. While we are aware of macroeconomic events and their narratives, we are more focused on company fundamentals and those developments, whether in the news or not, that may have longer term impacts on the businesses we own. The recent sell-off has created more opportunities than alarm bells, and allowed us to add great companies at more attractive valuations.

Canadian Dividend Fund

Similar to the Canadian Equity Fund, the Canadian Dividend Fund lagged the TSX, declining by 13.0% after fees and expenses over the quarter. The same factors that impacted the Canadian Equity Fund played true for the Dividend Fund's performance.

On the positive side, in the Communication Services sector, Rogers was a top performer in the portfolio over both the quarter (+6.0%) and since we initiated our position in the second quarter (+24.9%).

During the recent sell-off we added to our positions in A&W Revenue Royalties, Saputo, and First Capital.

U.S. Equity Fund

Prospects of slower growth, rising interest rates, and weakness in energy markets contributed to a fall of 8.9% in the S&P 500 Index in the quarter.

Energy (-19.6%) was by far the worst performing sector as the price of oil declined from $76/barrel to $46/barrel through the quarter. Expectations for a supply shortage of crude oil during the first half of 2019 (due to sanctions on Iranian crude exports and pipeline capacity in the Permian Basin) gave way to concerns over a crude surplus as supply issues never materialized, meanwhile US oil production surprised to the upside.

Information Technology (-12.7%), Industrials (-12.6%) and Consumer Discretionary (-11.7%) also trailed the S&P 500 while defensive sectors such as Utilities (+7.1%) and Consumer Staples (+0.1%) outperformed. On a quarterly basis, value benchmarks outperformed both the growth benchmarks and the Index for the first time since the end of 2016. We continue to remain patient and methodical in executing our value process, expecting that a cycle of value stock outperformance will follow.

The US Equity Fund declined by 10.3% after fees and expenses during the quarter, lagging the S&P 500 due to an overweight position and negative stock selection in Energy. Fund holdings in Financials and Industrials stocks also weighed on returns. Stock selection and an underweight position in Information Technology was a positive contributor to relative performance. Your portfolio also benefitted from stock selection in Health Care.

U.S. Dividend Fund (USD)

The US Dividend Fund declined 13.5% after fees and expenses, in line with the S&P 500 in the quarter. Outperformance in the Fund's Utility, Communication Services, and Health Care stocks were positive contributors to relative performance while an overweight position in the Energy sector and stock selection in the Industrial sector weighed on returns.

During the fourth quarter, Utilities holding, Entergy Corp recorded strong quarterly earnings in its operating distribution businesses. Simultaneously, the company was awarded regulatory approvals to continue to dispose of its non-regulated nuclear assets. This should mean the valuation will rise as Entergy reduces its non-regulated volatile power generation business while increasing its more stable, regulated distribution businesses.

U.S. Small/Mid Cap Equity Fund

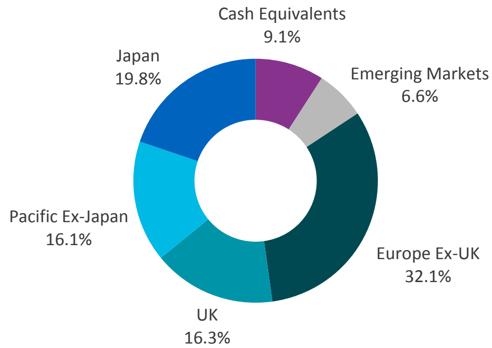
For the second consecutive year, US small/mid-cap indices lagged large-cap ones. The Russell 2500 Index experienced its worst year since the 2008 financial crisis, down 10.0% in USD terms and 2.1% in CAD terms. All cyclical sectors declined by double digits: Energy (-36.0%), Materials (-22.9%), Industrials (-16.5%), Consumer Discretionary (-12.6%) and Financials (-11.6%). In contrast, Utilities and Information Technology were the top performers, up 7.7% and 1.5%, respectively.

In the fourth quarter, the Russell 2500 sold off, falling 18.5% in USD terms and 14.1% in CAD terms. All eleven sectors declined during the quarter, with the worst performers being Energy (-41.2%), Health Care (-22.9%), Materials (-20.9%) and Industrials (-20.4%). The US Small/Mid Cap Equity Fund declined 9.1% after fees and expenses in the quarter, outperforming the Russell 2500. Fund performance was helped by Information Technology holding Keysight Technologies (+49.2% in the year). STORE Capital, one of the Fund's Real Estate holdings, was another top contributor over both the quarter and the year, up 3.1% and 14.0%,

International Equity Plus Fund

Global equity markets were weak in the fourth quarter of 2018. The International Equity Plus Fund declined by 6.4% after fees and expenses during the quarter, while the MSCI EAFE Index declined by 7.8% in the same time period. Fund performance was helped by holdings in the Telecommunications and Information Technology sectors. Financial stocks were the biggest detractors, but our underweight position helped our performance relative to the Index.

The country weightings of the International Equity Plus Fund at December 31, 2018 were:



Emerging Markets Equity Fund

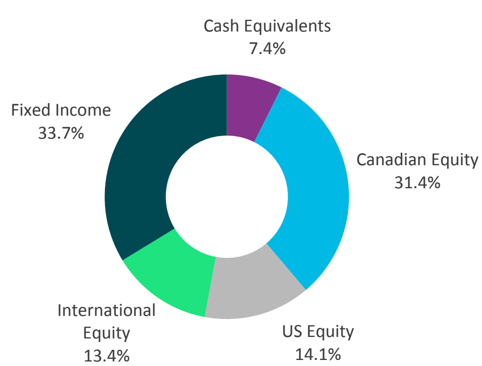
Emerging market (EM) equities regained global leadership during one of the more brutal fourth quarters in recent memory. In Canadian dollar terms, the Emerging Markets Fund returned 1.5% after fees and expenses, faring much better than both the MSCI EM (-2.5%) or MSCI World (-7.8%) Indices during the fourth quarter. For 2018, the Fund outperformed the MSCI EM Index by +4.0%, declining 3.1% versus -7.1% for the index.

Outperformance during the fourth quarter was largely driven by our overweight in Brazil. The Brazilian market was not only the best performing market in EM during the fourth quarter, but also the best performing in the world, delivering a +15.0% dollar-adjusted return.

When looking at the worst emerging market performers for 2018, a notable standout amongst the bottom was China. We had a large underweight in China throughout 2018 which helped relative results. Additionally, the investments we did have in China turned out to be the single largest contributors to outperformance for the year.

Balanced Fund

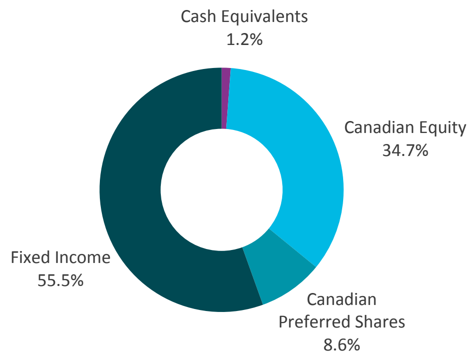
The Balanced Fund declined by 6.2% after fees and expenses in the fourth quarter of 2018. The asset mix for the Fund at December 31, 2018 was:



Income Advantage Fund

The Income Advantage Fund declined by 5.5% after fees and expenses in the fourth quarter of 2018. The Preferred share and dividend paying common stock components of the fund were the weakest contributor to performance, followed by sub-investment grade fixed income assets. Investment grade bonds were the only asset class that generated a positive (albeit modest) return in the fourth quarter.

The asset mix for the Income Advantage Fund at December 31, 2018 was:



Core Bond Fund

Returns on fixed income investments were positive during both the fourth quarter and through 2018, as the decline in bond yields more than offset a modest cheapening in corporate and provincial bonds. The Core Bond Fund returned 1.3% after fees and expenses during the quarter, slightly behind the FTSE TMX Canada Universe Bond Index which advanced by 1.8%. This was primarily to inflation and yield curve strategies.

Market volatility in equity and other asset classes during the fourth quarter led to strong demand for safe haven assets, such as government bonds. As a result, government bond yields declined sharply. In addition, expectations for further rate hikes from the Bank of Canada have declined substantially, with interest rate markets now assessing a more than 50% probability that the Bank of Canada will remain on hold throughout 2019.

The Core Bond Fund remains overweight corporate bonds with an overall portfolio yield modestly higher than the FTSE TMX Universe Index. However, these holdings are predominantly comprised of issues with maturities that are shorter than the Index, resulting in less sensitivity to changes in credit spreads. In addition, we remain biased toward higher-quality issuers, or senior issues within the capital structure, making the Fund even more resilient should corporate bonds weaken further.

Provincial bond credit spreads widened slightly during the quarter as well, and the Fund benefited from being positioned underweight provincial bonds overall. However, the Fund was overweight some of the more oil-sensitive provinces such as Alberta, which underperformed other provincial credit during the quarter. The net effect on the Fund was therefore close to neutral both over the fourth quarter and over the full year. We continue to position the portfolio underweight in provincial bonds, given our view that valuations are high, particularly for the larger, more liquid issuers.

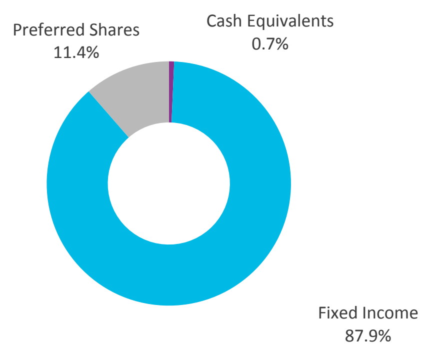
The global economy now appears to have entered a period of slower growth. The slowdown can be attributed to a combination of tighter financial conditions (i.e. central bank rate hikes and balance sheet unwinding, a stronger US dollar) but also rising uncertainty relating to global trade, a sharp decline in global energy prices, and the fading effect of fiscal stimulus in the United States. These factors have together contributed to a reassessment of economic growth and corporate earnings.

We therefore expect central banks in Canada and the US to take a more patient approach to further rate hikes. However, we do not subscribe to the view that there will be rate cuts in 2019 —as is currently being priced into US rate markets— because we expect economic growth to remain positive through 2019 and see the risks of an imminent recession as relatively low. In particular, the labour market in the United States remains very strong, and this strength is showing up as rising wages and strong household consumption, which should be a key engine for global growth in 2019.

Corporate Advantage Fund

The Corporate Advantage Fund declined by 1.3% after fees and expenses in the fourth quarter. The Fund's preferred share holdings were the largest detractors from performance, followed by sub-investment grade fixed income securities. Investment Grade Corporate bonds provided a positive return to the Fund.

The asset mix of the Corporate Advantage Fund at December 31, 2018 was:



High Yield Bond Fund

Sub-investment grade fixed income came under pressure during the fourth quarter, as the correction in US and Canadian equity markets spilled over into other asset classes. However, the magnitude of the sell-off in credit markets was modest relative to those corrections seen during the European financial crisis in 2011 and the collapse in oil prices in 2015-16.

Fortunately, the High Yield Bond Fund's focus on higher-quality BB and B-rated bonds helped it's performance during the quarter. Lower rated bonds, namely CCC-rated bonds, sold off over 10% during the quarter, significantly underperforming higher quality debt.

Relative to investment grade bonds and equity markets, we believe that high yield credit continues to offer favourable return potential, particularly on a risk-adjusted basis, given our outlook for capital markets in 2019.

Multi Credit Fund

The Multi Credit Fund declined by 4.8% after fees and expenses in the fourth quarter. Similar to the High Yield Bond Fund, the Fund's focus on higher-quality credit helped it's performance during the quarter.

We view the correction in credit spreads during the quarter as a healthy adjustment in markets from previously tight levels. We had also positioned the Multi Credit Fund with a more defensive allocation to senior loans and higher-quality bonds within the portfolio.

Credit spreads in high yield markets are a reflection of forward expectations of default rates and have now adjusted to levels that are broadly consistent with our outlook for default rates and the economy. As a result, we retain a conservative, income-oriented bias within the Multi Credit Fund with the expectation that returns will continue to be generated primarily from the high coupon income.

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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