Leith Wheeler INVESTMENT FUNDS LTD. | Quiet Money®

Leith Wheeler Investment Funds
Quarterly Review – December 31, 2019

	MER %	3 Mo %	1 Yr %	3 Yrs %	5 Yrs %	10 Yrs %
LW Canadian Equity Fund	1.49	3.8	19.1	4.1	4.8	7.4
LW Canadian Dividend Fund	1.51	3.3	19.1	4.0	5.9	n/a
LW Carbon Constrained Cdn Equity Fund	1.47	2.4	20.6	n/a	n/a	n/a
LW US Equity Fund (C$)	1.32	4.4	18.6	7.5	9.3	11.2
LW US Dividend Fund (USD)	1.34	5.8	23.3	7.6	n/a	n/a
LW US Small /Mid-Cap Fund (C$)	1.31	3.5	23.9	10.4	n/a	n/a
LW International Equity Plus Fund (C$)	1.49	4.6	5.3	4.4	6.0	4.4
LW Emerging Markets Fund (C$)	1.63	11.6	9.2	n/a	n/a	n/a
LW Balanced Fund	1.17	2.3	12.3	4.6	5.3	6.7
LW Income Advantage Fund**	0.85	2.0	10.7	3.5	4.2	n/a
LW Core Bond Fund	0.79	-0.9	6.4	3.0	2.7	3.9
LW Corporate Advantage Fund	0.79	0.9	5.9	2.6	2.8	n/a
LW High Yield Bond Fund	0.87	1.3	6.2	4.3	n/a	n/a
LW High Yield Bond Fund (C$ Hedged)	0.87	3.0	10.6	4.7	n/a	n/a
LW Multi Credit Fund	1.00	2.7	9.5	n/a	n/a	n/a
LW Preferred Share Fund***	1.01	5.3	2.0	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	1.1	0.7	0.5
Peer Comparison*	**Median %**	**3 Mo %**	**1 Yr %**	**3 Yrs %**	**5 Yrs %**	**10 Yrs %**
Median Canadian Equity Fund	2.05	2.5	19.5	5.1	4.6	6.1
Median Dividend & Income Equity Fund	1.99	2.1	18.5	5.2	4.9	6.7
Median US Equity Fund (C$)	1.95	6.2	22.9	10.8	9.9	12.1
Median International Equity Fund (C$)	1.99	6.7	17.8	8.0	7.0	6.1
Median Global Equity Balanced Fund	2.28	3.8	15.2	6.0	5.6	6.4
Median Cdn Fixed Income Balanced Fund	1.96	0.8	8.9	3.3	3.1	4.0
Median Fixed Income Fund	1.30	-0.9	5.9	2.5	2.0	3.0
Median High Yield Fixed Income	1.35	1.5	9.5	3.9	3.8	5.4
Median Money Market Fund	0.77	0.3	1.2	0.8	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 December 31, 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*

What a difference a year makes. Last year ended with markets under pressure and many stock indices falling over 10%. We wrote in our fourth quarter 2018 review that negative headlines about global trade concerns had probably become too pessimistic and that fundamental economic conditions were still quite strong. As a result, with more attractive valuations we positioned our balanced portfolios with an overweight to equities heading into 2019.

Fortunately, we were correct with equity markets rebounding well. It is quite striking how different market sentiment was at the end of 2019, compared to a year ago. In some respects, it's a useful reminder not to get too caught up in those headlines in the business section of the news.

While the US/China trade war and its impact on global growth was top of mind throughout the year, investors were optimistic in the fourth quarter that trade tensions would ease with a Phase One agreement between the two countries, growth would stabilize, and central banks' policy rates would remain low in the short-term.

The Canadian Equity Fund finished the year on a strong note and outperformed the S&P/TSX Composite Index in the fourth quarter. NuVista Energy (+28.6%), Canadian Natural Resources (+20.3%), and Tourmaline Oil (+17.1%), were among the top performers in the Fund, as rising oil prices and an easing of global growth concerns led to a rebound in Energy. These stocks were all weak a year ago, and we added to our positions in 2018.

The U.S. Equity Fund provided a solid return in the fourth quarter but trailed the S&P 500 return of 7.0%, as our underweight in the top-performing Information Technology sector continued to hurt relative results. On the positive side, UnitedHealth Group was the top performer in the portfolio, up 33.0% during the fourth quarter after reporting strong earnings and sales results that beat expectations.

The International Equity Plus Fund rebounded in the fourth quarter but lagged the MSCI EAFE Index return of 6.1%. In another example of a change in sentiment versus a year ago, the Fund was helped by its holdings in the UK, as the country made progress on its efforts to leave the European Union.

Most of the major equity markets across the globe provided double-digit returns for the calendar year. The S&P 500 was the best performing market in 2019, posting a 31.5% gain in US dollars, and a still impressive 25.2% return in Canadian dollars. Both Canadian and International equity markets also provided strong returns, with the TSX Composite up 22.9% and the MSCI EAFE up 16.2%.

Our equity portfolios delivered strong returns but had difficulty keeping up with the hot markets of 2019, which saw the continued dominance of several expensive technology stocks. While we do own many of the more attractively priced technology companies, not owning some of the high-fliers such as Shopify (+173.5%) and Apple (+79.5%) hurt our relative results in Canada and the US. In addition, amid falling bond yields during the year, investors preferred the perceived safety of defensive and yield-oriented stocks such as gold (+42.5%) and pipelines (+34.5%) – areas we have no exposure to in our Canadian equity funds as these businesses are overpriced relative to their growth potential.

While almost half of the companies we owned during the year provided returns over 20%, an area of weakness during the year was companies in more economically-sensitive sectors like Energy and Materials, which lagged the indices. Pessimism in these areas is probably too severe, just as pessimism was overdone for the broad markets in 2018. We believe these weaker areas in our funds represent good value and should contribute to outperformance in the future. Our patience with underperforming names is usually well rewarded.

As we enter a new decade and reflect on the last 10 years, one might wonder whether the rally has gone on too long and if it can continue. We would first note that it hasn't been a smooth ride. This bull market has had its normal share of hiccups, including the European debt crisis of 2010/11, the commodity price crash of 2014/15, and more recently global trade uncertainty in 2018. Canadian and International markets are up between 7% and 8% per annum over the last decade, which are respectable results but not excessive, when compared to bond returns of over 4%. US markets are the standout performer, up over 16%, but our value portfolio is positioned differently to the S&P500. While we agree that no asset classes are cheap, we are still finding value selectively.

In fixed income markets, Canadian government bond yields rose steadily during the quarter, due to a combination of both rising real yields (suggesting a more positive outlook for growth) combined with a recovery in long-term inflation expectations from previously depressed levels. As a result, our Core Bond Fund declined modestly in the fourth quarter. However, bond returns for the full 2019 year were strong, as accommodative central bank policy pushed bond yields lower for most of the year.

In our Balanced Fund, we have been maintaining our neutral asset mix position, neither overweight nor underweight equities as valuations overall are reasonable. Across our equity portfolios, we remain focused on business fundamentals, owning companies that we expect will weather any future economic storms which will inevitably occur, although we cannot predict when.

Canadian Equity Fund

Canadian equity markets finished the year with a solid fourth quarter of performance, as US/China trade tensions moderated and investors became somewhat more optimistic that global growth would stabilize. The S&P/TSX Composite (TSX) was up 3.2% in the quarter, led by the outperformance of four sectors. Information Technology (+10.8%) was the top performing sector, helped by the 25.2% increase in Shopify. The improved trade outlook helped the more economically sensitive sectors of Energy (+7.1%) and Industrials (+5.2%) to outperform. The Materials sector was up 7.8% with gold (+8.4%) and silver (+21.2%) stocks continuing to perform well, despite economic sentiment turning more positive.

On the other hand, rising bond yields led to a rotation out of Real Estate (-2.4%) and Consumer Staples (-3.9%). Health Care (-5.9%) was once again the worst performing sector, as cannabis stocks extended their losses into the fourth quarter.

The Canadian Equity Fund outperformed the TSX during the fourth quarter, returning 4.1% after fees and expenses, due to a rebound in its Energy holdings, as well as notably strong performance from Cineplex in Communication Services. No exposure to the Health Care sector was also a positive. Conversely, performance was hurt by having no exposure to gold and silver stocks, as well as not owning Shopify.

In the Energy sector, oil and gas producers rebounded in the fourth quarter with the 13% rise in oil prices and the improvement in Canadian natural gas prices. NuVista Energy (+28.6%), Canadian Natural Resources (+20.3%), and Tourmaline Oil (+17.1%) were among the top performers in the Fund. These companies continue to perform well operationally, generating strong free cash flow. We added to our positions in all three names in early October. These shares are still attractively valued.

One of the weaker performers in the portfolio was uranium producer, Cameco, which declined 7.7% as the company reported below expectation sales volumes. The commodity price environment remains challenging given slower reactor restarts and elevated global inventories impacting the supply and demand outlook. We trimmed our position over the fourth quarter in favour of more attractive opportunities.

While 2019 was a very strong year for Canadian equities, it was also one which was difficult to keep up with due to the leadership of a few areas. Some of the themes mentioned above for this quarter have also been in favour over the year. Information Technology (+64.9%) has been the best performing sector, led by the 173.5% rise in Shopify. Investor expectations for continued growth going forward remain very high and are reflected in Shopify's expensive valuation. Gold stocks (+42.5%) have also done well this year, amid economic uncertainty and falling interest rates. We have not owned gold companies due to their expensive valuations and poor record of capital allocation. The long-term performance of the gold sub-sector continues to materially lag that of the overall market.

The weakest area of the portfolio has been the oil and gas producers we own, including Tourmaline (-7.7%) and NuVista (-21.8%). While these companies and several others have rebounded in the fourth quarter, it has been a challenging year as the Canadian energy sector has struggled with export capacity and political and regulatory uncertainty, in addition to falling commodity prices earlier in the year. Many energy companies we hold have moderated spending in this environment and have been using excess cash flow to pay down debt. With solid management teams and balance sheets in good shape, our holdings continue to represent good value, which we believe will be rewarded over the long term.

On a positive note, many companies in the portfolio have provided strong double-digit returns for the year. iA Financial is the top performer in the Fund, increasing 69.0% as it reported several quarters of strong financial results and recently announced the acquisition of US vehicle warranty provider, IAS, which will expand the company's existing warranty operations and provide opportunities for earnings accretion.

Recreational vehicle manufacturer BRP (+68.8%) also provided impressive returns for the year. The company continues to show strong product and dealer momentum, which has driven revenue growth. Other companies that were up significantly in the year include Cineplex (+56.0%), Constellation Software (+48.5%) and Brookfield Asset Management (+45.3%).

With the strength in equities, we have generally been trimming companies that have performed well and seen returns narrow. 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.

Canadian Dividend Fund

Similar to the Canadian Equity Fund, the Canadian Dividend Fund outperformed the TSX during the fourth quarter, returning 3.3% after fees and expenses.

In the Energy sector, oil and gas producers rebounded in the fourth quarter with the 13% rise in oil prices and the improvement in Canadian natural gas prices. Canadian Natural Resources was up 20.3% as it continues to perform well operationally and is generating strong free cash flow that is being used to pay down debt and repurchase shares.

Improved economic sentiment over the quarter helped Caterpillar dealers, Toromont Industries (+10.7%) and Finning International (+10.0%). Toromont reported solid third quarter results, helped by strong equipment sales and improved operating results at its refrigeration business, CIMCO.

On the weaker side, Canadian Tire declined 5.3% in the fourth quarter. The company announced good financial results with positive same store sales growth of 2.7%, increased its dividend, and rolled out a new Operational Efficiency program that will target over $200 million in annualized savings by 2022. However, shares fell in December following a report released by a US short-seller. We believe Canadian Tire will continue to experience healthy sales growth going forward given its efforts to expand e-commerce and its position as a retailer of choice in seasonal goods not typically purchased online (shovels, lawnmowers, etc.).

In the Real Estate sector, First Capital was down 6.0% despite releasing solid results, completing a REIT conversion and detailing plans to capitalize on significant development opportunities within the portfolio.

On a positive note, many companies in the portfolio have provided strong double-digit returns for the year. Companies that were up significantly in the year include Cineplex (+52.5%), Constellation Software (+48.5%), Brookfield Asset Management (+45.3%), CT REIT (+44.4%) and Brookfield Infrastructure (+43.8%).

With the strength in equities, we have generally been trimming companies that have performed well and seen returns narrow. For example, over the year, we have trimmed Fund holdings of Brookfield Asset Management, Brookfield Infrastructure and Constellation Software. We have used the proceeds to add selectively to companies where we see attractive value. Earlier in the year, we added new holdings in Sleep Country and Cineplex, as investors became too pessimistic on the outlook for these businesses. For Cineplex, its value was realized a lot quicker than we expected with the recent acquisition announcement.

US Equity Fund

Returns on US equities were again positive during the quarter. The S&P 500 Index (the Index) increased 7.0% in the fourth quarter in Canadian dollar terms and over 25% in 2019.
The US Equity Fund performed well, returning 4.8% after fees and expenses during the quarter, but underperformed the index primarily due to security selection and an underweight in the outperforming Information Technology sector. Portfolio holdings in the Financials sector were contributors to underperformance. On the positive side, security selection in Real Estate and an underweight to Consumer Staples contributed positively to returns.

General Electric (GE) was a positive contributor during the quarter as the company continued to make progress on growing its aviation business, stabilizing its gas-powered turbine business, and deleveraging their balance sheet. While shares advanced strongly over the quarter and year, we believe that there is considerable upside remaining. Other positive contributors to performance included Royal Caribbean Cruises and MGM Resorts International.

The largest detractor to performance in the quarter was Spirit AeroSystems Holdings - an aerostructure manufacturer providing fuselage, wings, and engine housings. Its major customers are Boeing and Airbus, smaller plane original equipment manufacturers, and defense contractors. The company has been impacted by the grounding of the Boeing 737 MAX, making up a large component of the company's revenue and earnings. We have stress-tested different scenarios and believe that Spirit is cheap under most production rate scenarios. Another detractor from performance was Coca-Cola European Partners. (CCEP) which reported flat revenues and shares underperformed on forward commentary.

US Dividend Fund (USD)

The US Dividend Fund advanced by 5.8% (in US dollars) during the fourth quarter. Fund performance was helped by holdings in General Electric , United Health Group and CVS Corp. Detractors from performance included New York Community Bancorp, DuPont De Nemours, Inc. and Exelon Corp.

US Small/Mid Cap Equity Fund

US small/mid-cap equities rallied in the fourth quarter, with the Russell 2500 Index ("the Index") delivering a strong return of 6.4% (8.5% in USD terms), led by Health Care (+15.9%), Information Technology (+8.7%), and Energy (+6.4%) sectors. Utilities were the only sector finishing the quarter with a loss (-4.0%).

The US Small/Mid Cap Fund returned 3.5% after fees and expenses during the fourth quarter. The relative underperformance was mainly attributable to having limited exposure to the top performing sectors noted above, and a couple of stock specific issues.
Over the fourth quarter, Cinemark Holdings (-13.3%), a suburban focused movie theatre business with operations in the US and South America, was the weakest performer. The company's third quarter results were weak as a result of higher big box film concentration and consequently lower film gross margins. However, these kinds of quarterly fluctuations are common in this business. On the positive side, domestic

concession per ticket continues to improve. We feel that today's discounted share price more than compensates us for this risk.

Shares of Middleby, a leading foodservice equipment manufacturer, declined 8.2% over the fourth quarter as investors' concern over the near-term weaker demand environment continued. In response, the company has been focusing its efforts on improving cost efficiency, including facility consolidations, sales of non-core assets, and working to better lever their scale advantages.

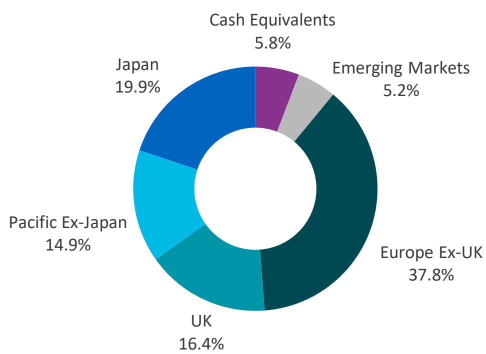
One of the top contributors over the fourth quarter was Wyndham Hotels & Resorts (+19.5%), a hotel franchisor with 20 hotel brands worldwide. Its franchise retention rate is at peak levels and expectations of its net new hotel growth rate has improved. In addition, the company has continued to buy back undervalued shares throughout the year.

For the full 2019 year, the US Small/Mid Cap Fund delivered a strong gain of 23.9% after fees and expenses, outperforming the Index return of 21.6% due to strong stock selection across various sectors. Nearly three quarters of the portfolio outperformed the Index, with a number of companies delivering stellar returns of over 50% (Tetra Tech + 59.3%, Keysight Technologies +57.0%, Carlisle +54.9%, and Air Lease +51.4%).

International Equity Plus Fund

The International Equity Plus Fund returned 4.6% after fees and expenses during the fourth quarter, lagging the MSCI EAFE Index, which returned 6.1% in the same period. The Fund has been positioned defensively throughout 2019. As the market rallied, defensive areas such as Telecoms underperformed while Energy stocks were broadly flat. The most significant detractor to performance was Nokia which warned on its 2020 outlook and suspended the dividend. Financial stocks rallied as yield curves steepened and Health Care stocks recovered ground on continued positive operating results.

The country weightings of the International Equity Plus Fund at December 31, 2019 were:

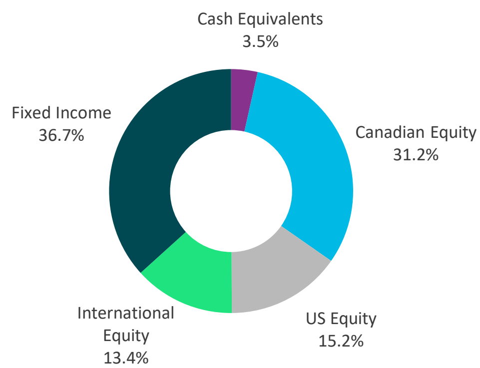


Emerging Markets Equity Fund

The Emerging Markets Fund had a strong quarter, returning 11.6% after fees and expenses, outperforming the MSCI Emerging Markets Index which returned 9.7%. Investors had punished emerging market stocks in previous quarters given the trade war between the U.S. and China, slowing Chinese growth, and a strong U.S. dollar but this created opportunities to enter in or add to positions at attractive prices. The Fund remains focused on investing in inexpensive companies whose fundamentals should improve. Return since inception remains strong against both broad and value indices.

Balanced Fund

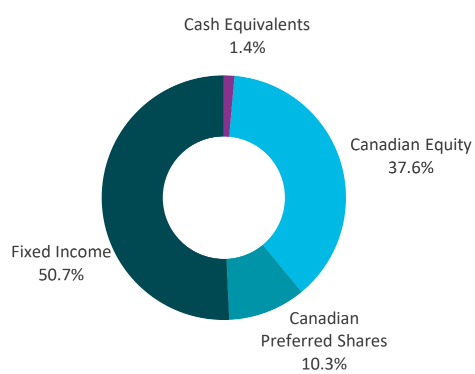
The Balanced Fund advanced by 2.3% after fees and expenses in the fourth quarter of 2019. The asset mix for the Fund at December 31, 2019 was:



Income Advantage Fund

The Income Advantage Fund advanced by 2.0% after fees and expenses in the fourth quarter. The Fund's preferred share holdings led performance followed by strong positive contributions from the Canadian dividend equity holdings and fixed income holdings (both investment grade and sub-investment grade).

The asset mix for the Income Advantage Fund at December 31, 2019 was:



Core Bond Fund

Following four consecutive quarters of strong returns, the fourth quarter of 2019 saw slightly negative bond returns, primarily due to the rise in government bond yields. Returns for the full 2019 calendar year, however, remain near 8% for core bond strategies.

The Core Bond Fund declined by 0.9% during the quarter, slightly lagging the FTSE Canada Universe Bond Index during the quarter which declined by 0.7%. Fund performance was helped by to a combination of overweight allocation to short-dated corporate bonds (that provide additional yield) and interest rate curve strategies that outperformed the benchmark.

The Bank of Canada left the overnight policy rate unchanged during the quarter, with expectations rising for the central bank to leave policy rates unchanged through 2020. Although there are many uncertainties on the horizon, inflation remains broadly in-line with target and more recent economic data has suggested that growth has stabilized and the economy remains resilient, with a strong labour market, rising wages and re-emerging strength in the Canadian housing market. In addition, global trade frictions appear to be easing with both the USMCA close to ratification and a thawing of US-China relations.

Credit spreads tightened markedly into the end of the year due to renewed optimism on trade, low interest rates and a stabilization in global economic growth. Both corporate and provincial credit spreads are now at or near the smallest levels seen in 2019 (and in some cases at the smallest levels in several years).

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 than the Index, which generates additional yield for the Fund without exposing the portfolio to undue credit risk. Furthermore, the Fund remained underweight provincial bonds during the quarter when provincial bond spreads significantly underperformed corporate credit.

Although considerable uncertainty remains, we are more optimistic than in prior quarters for several reasons:

Firstly, the near ratification of USMCA combined with a thawing in US-China trade tensions should provide a material boost to sentiment in the future, and this could in turn help to boost capital investment, which has been the laggard compared to other areas of the economy.

Secondly, a combination of low interest rates, buoyant capital markets and growing fiscal stimulus (either heading into a US election or from a reversal in European fiscal austerity) could provide additional support to growth and further extend the already record-breaking length of the existing recovery. We see limited signs of the excesses in credit or inflation that have in the past been the catalyst for such recoveries to end abruptly.

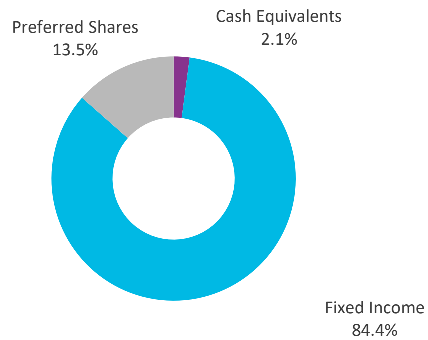
Thirdly, we believe that recent indicators suggest that the economic weakness experienced in 2018 and early 2019 was limited to a modest slowdown and is not the forerunner for a recession. The US and Canada remain near full employment, real wages are rising, asset markets (stocks, credit, housing) are all strong, and interest rates remain low for the foreseeable future.

Finally, The US Federal Reserve has signalled that they are likely done cutting rates in the short-term, and the Bank of Canada continues to indicate that they believe current monetary policy is appropriate, particularly with inflation close to target.

Corporate Advantage Fund

The Corporate Advantage Fund advanced by 0.9% after fees and expenses during the fourth quarter. The largest contributor to performance was the Fund's holdings preferred shares, followed by its investment grade and high yield bond holdings.

The asset mix of the Corporate Advantage Fund at December 31, 2019 was:



High Yield Bond Fund

Sub-investment grade fixed income returned another positive quarter as equity markets rallied and high yield credit spreads declined. Optimism over a "Phase One" trade deal between the United States and China and continued dovishness by the Federal Reserve contributed to U.S. Treasury yields rebounding off multiyear lows reached in the third quarter. "Risk on" sentiment in the fourth quarter saw lower quality bonds outperform, a reversal to prior quarters in which investors preferred higher quality credit.

The High Yield Bond Fund returned 1.3% and the Currency Hedged series of the Fund advanced by 3.0%, both after fees and expenses, during the quarter. Fund performance was helped by two energy holdings, Talen Energy (+7.8%) And Gulfport Energy (+10.2%. Oil refiner and energy distributor, Par Pacific (+6.3%) and Superior Plus (+4.6%) also contributed to positive returns in the quarter.

The main detractor from performance during the quarter was office use headphone company Plantronics (-7.6%), resulting from falling revenue due to trade tensions and integration issues. While the bonds offer good relative value to other single B names, a decline in their equity led to their debt ratios looking more like a low B-rated entity. With no near-term positive catalysts, we fully exited the position in November.

The Fund is defensively positioned by holding bonds with shorter term to maturity as the compensation to hold longer dated bonds remain low. We continue to be positive on sub-investment grade fixed income as forward expectation of default rates are low and credit spreads remain stable. Our expectation continues to be that future returns will be generated primarily through high coupon income.

Multi Credit Fund

The Multi Credit Fund returned 2.7% after fees and expenses during the quarter, helped by its high yield bond holdings which outperformed senior secured loans over the quarter. Factors that impacted the High Yield Bond Fund were also seen in the Multi Credit Fund performance.

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.

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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