

# Leith Wheeler Core Bond Fund

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2023



This annual management report of fund performance contains financial highlights, but does not contain complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-888-292-1122, by writing to us at 1500 – 400 Burrard Street, Vancouver, BC V6C 3A6 or by visiting our website at [www.leithwheeler.com](http://www.leithwheeler.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## Management Discussion of Fund Performance

### Investment Objective and Strategies

To provide a stable and attractive total return through investment in Canadian fixed income securities. The Fund will invest in Government and high-grade corporate bonds, with a varying mix between short term, medium term and longer term maturities depending on the assessment of interest rate trends and prospective returns.

Safety and liquidity are the focus of our approach to fixed income investing. Economic conditions are constantly monitored by Leith Wheeler to forecast interest rate changes. The added value for the Fixed Income Fund will come from Leith Wheeler identifying opportunities to shift investments between various maturities and between Federal, Provincial and Corporate bonds.

### Risk

The overall risks of investing in the Fund are as described in the Simplified Prospectus. There were no material changes to the Fund during the year that affected the overall level of risk.

### Results of Operations

The Fund's net assets decreased by 8.7% in 2023 to \$257.7 million from \$282.4 million at the end of 2022. Of this change, \$19.4 million was attributable to positive investment performance and \$44.1 million to net outflows from unitholders.

For the year ended December 31, 2023, Series A of the Core Bond Fund returned +7.6% before fees and expenses compared to the FTSE Canada Universe Bond Total Return Index, which returned +6.7%. Series F of the Core Bond Fund (formerly Series B) returned +6.8% after fees and expenses.

The Core Bond Fund seeks to provide a stable and attractive total return through its investment in fixed income securities. As of December 31, 2023, the Fund held 25.1% in Federal issues, 22.5% in Provincial issues, 3.8% in Municipal issues, 48.0% in investment grade corporate issues and 0.6% cash and other net assets.

The fund continues to invest in high-quality investment-grade securities. As of December 31, 2023, the fund held 29.6% in AAA securities, 16.4% in AA, 38% in A and 16.0% in BBB.

We continue to view the fixed income market as offering attractive real returns, with the broad fixed income market in Canada offering yields that are approximately 2% over long-term inflation expectations. Although this measure of real yields has declined during the quarter as government bond yields rallied and credit spreads tightened, the overall real yields offered by Canadian fixed income markets remain at attractive levels compared to the past decade.

Following a surprisingly strong start to the year, the economy has weakened more in line with our expectations. This was broadly expected given our acknowledgement of the lagged effects of monetary policy – the interest rate hikes of Spring 2022, when the Bank of Canada first embarked on its tightening cycle, are only now being felt. Our expectation continues to be for a shallow recession over the next year once the full effect of tighter financial conditions has transmitted to the economy.

Given our outlook for the economy, we continue to be cautious on our exposure to credit. While we have maintained an overweight exposure to corporate credit during the quarter, we have taken the opportunity provided by a tightening in credit spreads to reduce this exposure. We continue to be of the view that credit spreads continue to offer reasonable compensation for credit risk, but further economic weakening in Canada – including any reverberations in the Canadian housing market from high interest rates – is a risk factor for corporate credit, particularly in the financial sector.

### Recent Developments

In January 2024, the FTSE Canada Universe Bond Index returned -1.4%

**Management Discussion of Fund Performance (cont.)**

**Related Party Transactions**

Leith Wheeler Investment Counsel Ltd. (the “Manager”) is the manager and portfolio advisor of the Fund and is responsible for the Fund’s day-to-day operations. The Fund pays the Manager a management fee as compensation for managing the investment portfolio of the Fund.

In addition, effective November 1, 2023, the Fund pays a fixed administration fee and in exchange the Manager pays certain operating expenses of the Fund. These expenses include, but are not limited to: annual fees, normal course meeting fees and reimbursement of normal course expenses for members of the IRC; accounting and fund valuation costs; custody fees; audit and legal fees; and the costs of preparing and distributing annual and interim financial reports, prospectuses, fund facts documents and investor communications.

**Management Fees and Administration Fees**

Effective October 18, 2023, the Series B units were redesignated to Series F and the management fee was reduced from 0.75% to 0.50%. Management fees in respect of Series F were calculated at a maximum of 0.75% until the reclassification date, when they reduced to 0.50% per annum, before GST/HST, of the daily Net Asset Value of Series F.

Management fees and administration fees of each series of the Fund are payable to the Manager and calculated at the following annual percentages, before GST/HST, of the daily NAV of each series of the Fund. Administration fees became effective November 1, 2023.

Fee	Series A	Series B	Series F
Management Fees	*	0.75 %	0.50 %
Administration Fees	0.02 %	0.10 %	0.10 %

\* Series A unitholders pay a negotiated management fee

We do not directly or indirectly pay fees, sales commissions or trailing commissions, nor do we provide any non-monetary benefits to registered dealers for distributions of units of the Fund. If a broker charges you a commission or fee, that is a matter between you and the dealer.

## Financial Highlights

### The Fund's Net Assets Attributable to Holders of Redeemable Units per Unit

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years or for the periods since inception. This information is derived from the Fund's audited annual financial statements.

Series A	2023	2022	2021	2020	2019
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1)</sup>	\$9.43	\$10.91	\$11.45	\$10.98	\$10.52
Increase (decrease) from operations:					
Total revenue	0.34	0.30	0.29	0.31	0.31
Total expenses	-	-	-	-	-
Realized gains (losses) for the year	(0.26)	(0.58)	(0.11)	0.39	0.20
Unrealized gains (losses) for the year	0.62	(0.70)	(0.40)	0.29	0.26
Total increase (decrease) from operations <sup>(1)</sup>	0.70	(0.98)	(0.22)	0.99	0.77
Distributions:					
From income (excluding dividends)	(0.34)	(0.28)	(0.29)	(0.33)	(0.31)
From dividends	-	-	-	-	-
From capital gains	-	-	-	(0.16)	-
Return of capital	(0.14)	-	-	-	-
Total Annual Distributions <sup>(2)</sup>	(0.48)	(0.28)	(0.29)	(0.49)	(0.31)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$9.65	\$9.43	\$10.91	\$11.45	\$10.98

Series F (formerly Series B) <sup>(3)</sup>	2023	2022	2021	2020	2019
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1)</sup>	\$9.83	\$11.19	\$11.73	\$11.17	\$10.71
Increase (decrease) from operations:					
Total revenue	0.36	0.60	0.37	0.32	0.32
Total expenses	-	(0.08)	(0.09)	(0.08)	(0.09)
Realized gains (losses) for the year	(0.28)	(1.17)	(0.14)	0.41	0.20
Unrealized gains (losses) for the year	0.62	(1.39)	(0.51)	0.32	0.26
Total increase (decrease) from operations <sup>(1)</sup>	0.70	(2.04)	(0.37)	0.97	0.69
Distributions:					
From income (excluding dividends)	(0.05)	(0.05)	(0.20)	(0.16)	(0.23)
From dividends	-	-	-	-	-
From capital gains	-	-	-	(0.16)	-
Return of capital	(0.04)	-	-	-	-
Total Annual Distributions <sup>(2)</sup>	(0.09)	(0.05)	(0.20)	(0.32)	(0.23)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$10.41	\$9.83	\$11.19	\$11.73	\$11.17

(1) Net assets attributable to holders of redeemable units and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(2) Distributions are reinvested in additional units of the Fund or paid in cash.

(3) Effective October 18, 2023, Series B units were redesignated to Series F and the management fee was reduced from 0.75% to 0.50%.

## Financial Highlights (cont.)

## Ratios and Supplemental Data

Series A	2023	2022	2021	2020	2019
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	257,004	278,513	180,490	174,427	192,997
Number of units outstanding (000s) <sup>(1)</sup>	26,625	29,522	16,545	15,236	17,581
Management expense ratio (%) <sup>(2)</sup>	-	-	-	-	-
Management expense ratio before waivers or absorptions (%)	-	-	-	-	-
Trading expense ratio (%) <sup>(3)</sup>	-	-	0.01	-	-
Portfolio turnover rate (%) <sup>(4)</sup>	195.50	173.07	126.46	135.10	134.62
Net assets attributable to holders of redeemable units - per unit (\$)	9.65	9.43	10.91	11.45	10.98

Series F (formerly Series B) <sup>(5)</sup>	2023	2022	2021	2020	2019
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	712	3,837	10,436	12,309	22,857
Number of units outstanding (000s) <sup>(1)</sup>	68	390	933	1,049	2,047
Management expense ratio (%) <sup>(2) (5)</sup>	0.75	0.79	0.79	0.79	0.79
Management expense ratio before waivers or absorptions (%) <sup>(5)</sup>	0.75	0.79	0.79	0.79	0.79
Trading expense ratio (%) <sup>(3)</sup>	-	-	0.01	-	-
Portfolio turnover rate (%) <sup>(4)</sup>	195.50	173.07	126.46	135.10	134.62
Net assets attributable to holders of redeemable units - per unit (\$)	10.41	9.83	11.19	11.73	11.17

(1) This information is provided as at December 31 of the year shown; unless noted otherwise.

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of the daily average net asset value during the period.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(5) Effective October 18, 2023, Series B units were redesignated to Series F and the management fee was reduced from 0.75% to 0.50%.

**Past Performance**

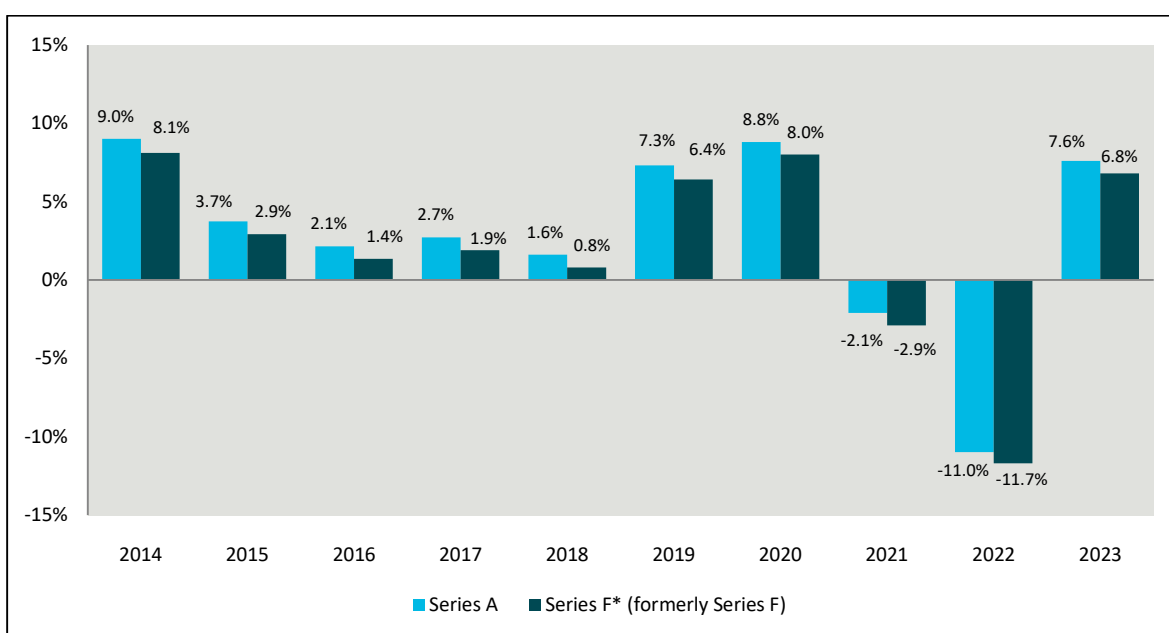
**General**

The Fund’s performance assumes all distributions made by the Fund in the years shown were reinvested in units of the Fund and is based on net asset value per unit. If you hold the Fund outside a Registered Plan, you will be taxed on these distributions.

The performance information does not take into account sales charges, other charges or taxes that, if applicable, would have reduced returns or performance; but includes management fees and other expenses borne directly by the Fund. Past performance does not necessarily indicate how the Fund may perform in the future.

**Year-by-Year Returns**

The following bar chart shows the Fund’s historical return, which changes each year and illustrates how the Fund’s performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each year.



\* Effective October 18, 2023, Series B units were redesignated to Series F and the management fee was reduced from 0.75% to 0.50%.

**Annual Compound Returns**

The following table compares the historical annual compound return of the Fund (before fees for Series A and after fees for Series B (formerly Series B)) with the FTSE Canada Universe Bond Index, in each case for the year ended December 31, 2023. The FTSE Canada Universe Bond Index measures the total return attributable to bonds, and includes representative bond issues by issuer, quality, and term. A discussion of the performance of the Fund as compared to the benchmark is found in the Results of Operations section of this document.

For the Years ended December 31	1 Year	3 Years	5 Years	10 Years
Fund – Series A	7.6%	-2.1%	1.8%	2.8%
Benchmark	6.7%	-2.8%	1.3%	2.4%
Fund – Series F (formerly Series B) *	6.8%	-2.9%	1.0%	2.0%
Benchmark	6.7%	-2.8%	1.3%	2.4%

\* Effective October 18, 2023, Series B units were redesignated to Series F and the management fee was reduced from 0.75% to 0.50%.

## Summary of Investment Portfolio

As at December 31, 2023

### Top 25 Positions

Issuer	% of Net Asset Value
Canada Housing Trust No. 1, 2.65%, 15/12/2028	8.7%
Government of Canada, 1.75%, 01/12/2053	3.3%
Province of Ontario, 4.65%, 02/06/2041	2.8%
Government of Canada, 3.25%, 01/09/2028	2.6%
CPPIB Capital Inc., 4.75%, 02/06/2033	2.6%
Canadian Imperial Bank of Commerce, 2.75%, 07/03/2025	2.1%
CPPIB Capital Inc., 3.95%, 02/06/2032	1.7%
Fair Hydro Trust, Callable, 3.36%, 15/05/2035	1.7%
Canada Housing Trust No. 1, 1.75%, 15/06/2030	1.7%
Royal Bank of Canada, 3.37%, 29/09/2025	1.6%
The Toronto-Dominion Bank, 2.67%, 09/09/2025	1.6%
Province of Ontario, 2.90%, 02/12/2046	1.5%
Canadian Mortgage Pools, Callable, 4.04%, 01/08/2028	1.4%
CPPIB Capital Inc., 3.25%, 08/03/2028	1.4%
Province of Alberta, 3.05%, 01/12/2048	1.4%
Province of Manitoba, 5.70%, 05/03/2037	1.3%
British Columbia Investment Management Corporation, 4.90%, 02/06/2033	1.3%
New York Life Global Funding, 5.25%, 30/06/2026	1.1%
Province of Manitoba, 4.10%, 05/03/2041	1.1%
The Bank of Nova Scotia, 5.50%, 08/05/2026	1.0%
City of Montreal, 4.10%, 01/12/2034	1.0%
Canada Housing Trust No. 1, Floating Rate, 5.38%, 15/03/2024	1.0%
Province of Newfoundland and Labrador, 2.05%, 02/06/2031	1.0%
Province of Saskatchewan, 2.80%, 02/12/2052	1.0%
Province of Ontario, 3.40%, 08/09/2028	0.9%

### Portfolio Allocation

Portfolio Breakdown	% of Net Asset Value
Investment Grade Corporate Bonds	48.0%
Federal Bonds	25.1%
Provincials Bonds	22.5%
Municipal Bonds	3.8%
Cash & Other Net Assets	0.6%

The Fund held no short positions as at December 31, 2023.

*The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and a quarterly update is available at [www.leithwheeler.com](http://www.leithwheeler.com).*