

Leith Wheeler Core Bond Fund

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2018



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 or SEDAR at 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 increased by 1.3% in 2018 to \$195.8 million from \$193.3 million at the end of 2017. Of this change, \$2.8 million was attributable to investment gains and \$0.3 million to net outflows.

During 2018, the Core Bond Fund advanced by 1.6% before fees and 0.8% after fees and expenses, compared to the FTSE TMX Canada Universe Bond index, which returned 1.4% during the same period.

The Core Bond portfolio performance was positive throughout 2018, as the decline in bond yields more than offset a modest cheapening in corporate and provincial bonds.

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, with 10-year Government of Canada yields declining from 2.42% at the end of September 2018 to yield below 2% by the end of the year. 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.

At the beginning of the fourth quarter, the portfolio was positioned to benefit from a modest rise in bond yields, a strategy that had worked well throughout most of 2018. However, this directional view turned out to be wrong in the fourth quarter. The impact on the portfolio, however, was relatively modest and over the full year our directional view on duration remained a positive contributor to performance. The portfolio ended the year with a sensitivity to interest rates that was close to neutral relative to the index.

However, several other strategies in the portfolio did have a more negative impact on performance during the fourth quarter.

For instance, the portfolio includes real return bonds where the principal and interest payments are linked to inflation. We established an overweight position in these bonds earlier in 2018 when they implied an inflation rate close to 1.6% over the next 30 years, a rate that we thought was too low relative to future expectations of inflation and the rate of inflation targeted by the Bank of Canada. Due to a combination of depressed market sentiment and relative illiquidity in these bonds, this implied rate of inflation declined further during the fourth quarter to 1.4%.

To put this 1.4% inflation into context, Canada has experienced an average rate of inflation over the past 30 years of 2.1%, and an average rate of 1.9% since the start of inflation targeting in 1991. In fact, inflation has rarely averaged (even over a shorter 10-year period) below 1.4%, outside of the Great Depression or in the period following the Canadian successive recessions in the 1950s. While, in hindsight, we were early with this position, we continue to remain overweight real return bonds in the portfolio.

The portfolio is positioned overweight short-dated bonds, particularly short-dated corporate bonds, which increases the yield of the portfolio while minimizing the portfolio's sensitivity to widening credit spreads. This strategy is funded by an offsetting underweight in bonds with mid-dated maturities. Over a long-term investment horizon, this trade has added value to the portfolio, with the additional yield from short-dated corporate bonds more than offsetting any impact from spread widening and curve flattening. However, this strategy was a drag on performance during the fourth quarter because bonds with mid-dated maturities, which we were underweight, outperformed all other maturities.

After a relatively benign year, investment-grade corporate credit spreads widened sharply during the fourth quarter over concerns about higher debt servicing costs and weaker economic growth.

Management Discussion of Fund Performance (cont.)

Results of Operations (cont.)

Relative to the recent sell-off in global equity markets, however, the correction in corporate credit markets was relatively modest. The magnitude of the sell-off in credit markets was in fact lower than the those seen during the European financial crisis in 2011 and the collapse in oil prices in 2015-16.

The portfolio 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 portfolio even more resilient to a widening in credit spreads. As a result, the impact on the portfolio was relatively minimal during the fourth quarter, and the corporate credit holdings were a significant contributor to performance over the full year.

Provincial bond credit spreads widened slightly during the quarter as well, and the portfolio benefited from being positioned underweight provincial bonds overall. However, the portfolio 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 portfolio 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, even with the recent rise in provincial credit spreads.

In other spread products, we remain overweight in government agency bonds, including National Housing Act mortgage-backed securities. These are AAA-rated bonds, secured by underlying mortgages, which have an explicit Federal government guarantee, but which trade at a discount to Government of Canada bonds due to their non-standard monthly cashflows and exclusion from Canadian bond indices. We had established and held an overweight position in these bonds for the past two years at depressed valuations. Since the middle of 2018, these bonds have outperformed other credit issues, particularly during the market volatility seen in the fourth quarter.

Recent Developments

The Bank of Canada raised its key interest rate to 1.75% in October and has held steady through January 2019.

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.

Management Fees

The Manager provides the Fund with investment management services, including fund accounting and unitholder record keeping. In return, the Manager receives a management fee based on the net assets of the Fund, calculated on a daily basis. The annualized management fee for the Series B units of the Fund is 0.75%. During the year, the Fund paid the Manager \$218,343 (exclusive of GST/HST) of its net assets as management fees. The Fund does not reimburse the Manager for operating costs incurred in administering the Fund. The Manager paid all operating expenses except brokerage commissions, transaction charges and taxes. In respect of Series A units, the unitholder pays the Manager a negotiated management fee outside the Fund.

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	2018	2017	2016	2015	2014
Net assets attributable to holders of redeemable units - per unit, beginning of year ⁽¹⁾	\$10.68	\$10.71	\$11.00	\$11.19	\$10.68
Increase (decrease) from operations:					
Total revenue	0.32	0.32	0.32	0.39	0.40
Total expenses	-	-	-	-	-
Realized gains (losses) for the year	(0.12)	(0.13)	0.18	0.27	0.19
Unrealized gains (losses) for the year	(0.03)	0.11	(0.29)	(0.22)	0.37
Total increase (decrease) from operations ⁽¹⁾	0.17	0.30	0.22	0.44	0.96
Distributions:					
From income (excluding dividends)	(0.31)	(0.32)	(0.35)	(0.38)	(0.41)
From dividends	-	-	-	(0.01)	-
From capital gains	-	-	(0.18)	(0.22)	(0.02)
Return of capital	-	-	-	-	-
Total Annual Distributions ⁽²⁾	(0.31)	(0.32)	(0.53)	(0.61)	(0.43)
Net assets attributable to holders of redeemable units - per unit, end of year ⁽¹⁾	\$10.52	\$10.68	\$10.71	\$11.00	\$11.19

Series B	2018	2017	2016	2015	2014
Net assets attributable to holders of redeemable units - per unit, beginning of year ⁽¹⁾	\$10.79	\$10.80	\$11.05	\$11.21	\$10.72
Increase (decrease) from operations:					
Total revenue	0.26	0.31	0.43	0.37	0.39
Total expenses	(0.09)	(0.08)	(0.08)	(0.08)	(0.08)
Realized gains (losses) for the year	(0.09)	(0.12)	0.24	0.26	0.19
Unrealized gains (losses) for the year	(0.03)	0.10	(0.39)	(0.21)	0.37
Total increase (decrease) from operations ⁽¹⁾	0.05	0.21	0.20	0.34	0.87
Distributions:					
From income (excluding dividends)	(0.16)	(0.21)	(0.22)	(0.26)	(0.35)
From dividends	-	-	-	-	-
From capital gains	-	-	(0.18)	(0.23)	(0.02)
Return of capital	-	-	-	-	-
Total Annual Distributions ⁽²⁾	(0.16)	(0.21)	(0.40)	(0.49)	(0.37)
Net assets attributable to holders of redeemable units - per unit, end of year ⁽¹⁾	\$10.71	\$10.79	\$10.80	\$11.05	\$11.21

(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.

Financial Highlights (cont.)

Ratios and Supplemental Data

Series A	2018	2017	2016	2015	2014
Total net assets attributable to holders of redeemable units (\$000s) ⁽¹⁾	172,793	161,816	174,933	155,559	164,835
Number of units outstanding (000s) ⁽¹⁾	16,418	15,158	16,339	14,145	14,726
Management expense ratio (%) ⁽²⁾	-	-	-	-	-
Management expense ratio before waivers or absorptions (%)	-	-	-	-	-
Trading expense ratio (%) ⁽³⁾	-	-	-	-	-
Portfolio turnover rate (%) ⁽⁴⁾	148.39	154.60	143.16	101.26	80.38
Net assets attributable to holders of redeemable units - per unit (\$)	10.52	10.68	10.71	11.00	11.19

Series B	2018	2017	2016	2015	2014
Total net assets attributable to holders of redeemable units (\$000s) ⁽¹⁾	22,971	31,508	36,034	44,280	48,965
Number of units outstanding (000s) ⁽¹⁾	2,145	2,920	3,338	4,009	4,368
Management expense ratio (%) ⁽²⁾	0.79	0.79	0.79	0.79	0.79
Management expense ratio before waivers or absorptions (%)	0.79	0.79	0.79	0.79	0.79
Trading expense ratio (%) ⁽³⁾	-	-	-	-	-
Portfolio turnover rate (%) ⁽⁴⁾	148.39	154.60	143.16	101.26	80.38
Net assets attributable to holders of redeemable units - per unit (\$)	10.71	10.79	10.80	11.05	11.21

(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.

Past Performance

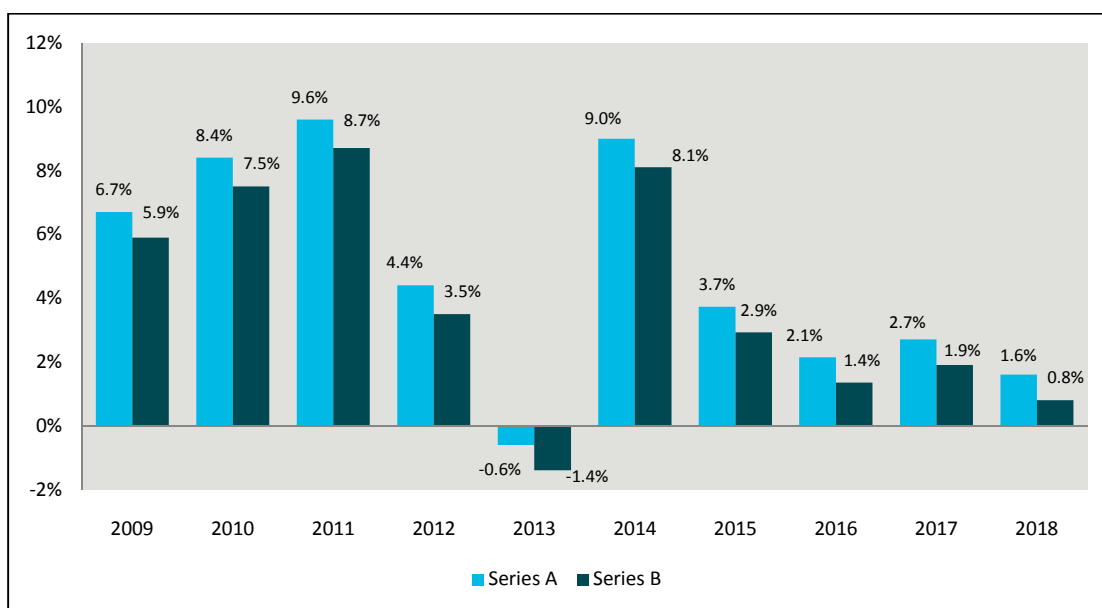
General

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.



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) with the FTSE TMX Canada Bond Universe Index, in each case for the year ended December 31, 2018. The FTSE TMX Canada Bond Universe 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	1.6%	2.1%	3.8%	4.7%
Benchmark	1.4%	1.9%	3.5%	4.2%
Fund – Series B	0.8%	1.3%	3.0%	3.9%
Benchmark	1.4%	1.9%	3.5%	4.2%

Summary of Investment Portfolio

As at December 31, 2018

Top 25 Positions

Issuer	% of Net Asset Value
Canadian Government Bond 2.00% December 01, 2051	3.0%
Canada Housing Trust No 1 2.55% December 15, 2023	2.7%
Province of Alberta 3.05% December 01, 2048	2.5%
Province of Ontario 5.60% June 02, 2035	2.4%
Canadian Mortgage Pools 1.88% September 01, 2022	2.1%
Canadian Government Bond 5.00% June 01, 2037	2.1%
Canadian Western Bank 2.38% January 23, 2020	2.0%
Province of Manitoba 6.30% March 05, 2031	2.0%
Canadian Mortgage Pools 1.25% March 15, 2021	1.8%
Province of Ontario 2.90% June 02, 2049	1.7%
Province of Alberta 2.90% December 01, 2028	1.6%
Province of Quebec 8.50% April 01, 2026	1.6%
Canadian Government RRB 0.50% December 01, 2050	1.5%
Toronto-Dominion Bank 2.04% March 08, 2021	1.5%
Union Gas Ltd 2.76% June 02, 2021	1.5%
Bank of Montreal 2.84% June 04, 2020	1.4%
Province of Manitoba 3.40% September 05, 2048	1.3%
Royal Bank of Canada 1.58% September 13, 2021	1.3%
Canadian Mortgage Pools 5.44% March 01, 2028	1.3%
Bruce Power LP 2.84% June 23, 2021	1.3%
Canadian Imperial Bank of Commerce 1.66% January 20, 2020	1.3%
First Nations Finance Authority 3.05% June 01, 2028	1.2%
Hydro Quebec 4.00% February 15, 2055	1.2%
Canadian Natural Resources Ltd 2.05% June 01, 2020	1.2%
Canadian Mortgage Pools 1.40% May 01, 2021	1.1%

Portfolio Allocation

Portfolio Breakdown	% of Net Asset Value
Corporate Bonds	51.2%
Provincial Bonds	23.7%
Federal Bonds	18.1%
Municipal Bonds	2.7%
Maple Bonds	1.9%
Real Return Bonds	1.5%
Cash & Other Net Assets	0.9%

The Fund held no short positions as at December 31, 2018.

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.