

# Leith Wheeler Corporate Advantage Fund

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

December 31, 2021



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 relatively stable source of monthly income. The Fund will invest in fixed income securities (including corporate bonds, preferred shares, high-yield debt, loans, convertible debt and guaranteed mortgages). The Fund primarily invests in a range of Canadian securities and may also invest in foreign securities. The Fund will also invest in broad range of companies and is not restricted by capitalization or industry sector, although portfolio diversification is a consideration in the selection of securities of the Fund. Under normal circumstances, the Fund will keep its portfolio fully invested to the greatest extent possible.

This Fund invests in a mix of assets to provide a source of income. The asset mix includes investment-grade fixed income securities, providing the lower risk portion of the portfolio, and preferred shares, high-yield debt, loans, convertible debt and guaranteed mortgages, which provide additional income with less liquidity and potentially more credit risk. The allocation of investments in the Fund's portfolio is determined by the Manager to optimize the income and balance the risk of the portfolio using the follow target ranges for the asset mix: investment grade fixed income securities 25% - 100%; preferred shares 0% - 30%; high-yield debt 0% - 20%; loans 0% - 10%; convertible debt 0% - 20% and guaranteed mortgages 0% - 10%.

### 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 21.5% in 2021 to \$149.4 million from \$123 million at the end of 2020. Of this change, \$3.4 million was attributable to positive investment performance and \$23 million to net inflows from unitholders.

The Corporate Advantage Fund had positive returns in 2021 with Series A units up +2.6%. Series B and Series F units increased by +1.8% and +2.1%, respectively, both after fees and expenses.

The Corporate Advantage Fund is invested in a core portfolio of investment grade bonds with a concentration in high-quality corporate issuers, including an allocation to preferred shares, high yield bonds and senior loans. The asset mix of the Fund at the end of December was 77.8% investment grade corporate bonds, 11.3% preferred shares, 9.5% high yield bonds and senior loans (through the Leith Wheeler Multi Credit Fund), and 1.4% cash and equivalents.

Credit markets were relatively stable during the second half of 2021. Demand for corporate credit remains strong, underpinned by accommodative global monetary policies; however, credit spreads widened slightly towards the end of the year as concerns regarding the impact of Omicron weighed on markets. Despite modest recent weakness, credit spreads are now back to levels prior to the Q1 2020 pandemic-led widening.

Fixed income returns were negative over the year as yields rose across the curve. The corporate bond portfolio outperformed its blended benchmark (50% FTSE Canada Short-Term Corporate Bond Index / 50% FTSE Canada Mid-Term Corporate Bond Index) during the year due to strong security selection and its opportunistic allocations to preferred shares. During the year, we also reduced our exposure to banks in favour of utilities issuers, due to more attractive relative valuations.

As the economic recovery progresses and inflation remains elevated, we continue to expect bond yields to rise slightly. However, uncertainty remains high given risks related to the pandemic, so market volatility will likely be elevated, particularly as central banks maneuver the gradual reduction of economic stimulus.

Inflation will be monitored closely over the next year as market participants and central banks assess whether the current elevated inflation levels are transitory. While supply chain disruptions and commodity prices will likely subside as the recovery continues and backlogs are filled, some components of inflation, particularly rising wages, can be stickier in nature. The longer-term path of inflation is uncertain at this time as there is insufficient data to get a full picture, and we continue to closely monitor economic releases for indications of price pressure.

High yield bonds and bank loans delivered strong returns in 2021. Credit spreads remain at levels that are below the long-term average, however expected default rates for both high yield bonds and bank loans are very low as a result of the continued improvement in credit fundamentals and very open access to liquidity through capital markets.

Our portfolio continues to be positioned with a bias towards owning fixed rate high yield bonds over bank loans, with bank loans representing just under one-third of the overall portfolio at the end of the year. With bank loans continuing to trade at or above par value, we believe that high yield bonds currently offer better relative value. We continue to seek attractive opportunities to increase loan exposure in the portfolio.

## Management Discussion of Fund Performance (cont.)

### Results of Operations (cont.)

The high yield bond and bank loan markets continue to be very active and robust heading into 2022. Investors continue to seek additional yield, which has provided ample liquidity in the market. We believe that high yield market returns will continue to be positive moving forward in an economic environment that continues to improve with the support from monetary and fiscal policy.

The Leith Wheeler Preferred Share Fund increased by 25.0% over the year and outperformed the S&P/TSX Preferred Share Index by 5.6%.

Government of Canada five-year bond yields continued their ascent to end the year at 1.3%, primarily in reaction to the change in signaling from the Bank of Canada, indicating it would likely be embarking on a monetary tightening cycle in the spring of 2022, ahead of the previously signaled timing of mid-to-late 2022. Preferred share spreads also grinded in further, as ETFs experienced inflows of \$755 million in the year (compared to \$257 million of redemptions in 2020).

There is still significantly less new issuance in the market compared to prior years, with \$12.4 billion of Limited Resource Capital Notes (LRCNs) issued by bank and insurance companies alone in 2021, and many non-financial companies opting for cheaper financing through hybrid bonds and calling their preferred shares.

While we do not think bank and insurance company preferred share issuance will disappear, we do expect this sector will shrink as a percentage of the overall index, where it is currently sitting at 48%, and many potential maturities are due to be called in the sector in 2022.

The preferred share portfolio was overweight rate resets at 85.3% of the portfolio compared to 79.7% for the Index and underweight perpetuals at 12.9% of the portfolio compared to 17.9% for the Index. The overweight in rate resets and underweight in perpetuals both contributed to the Fund's outperformance over the year. While floating rate were the top performing structural type at +8.6%, we did not have any exposure relative to the Index (which holds a 2.4% weight) and that was a minor detractor from performance. We are slowly adding to our exposure in perpetuals and Financials where we find value.

Looking ahead, we believe that higher interest rates, lack of issuance, continued redemptions and demand for high-yielding products will continue to support the preferred share market in 2022.

The Fund remains invested in approximately 80% investment grade corporate bonds, 10% preferred shares, and 10% senior loans and high yield, with a focus on tax-aware monthly distributions.

### Recent Developments

In January 2022, the Bank of Canada continued to hold its key interest rate as low as 0.25%. Bond indices fell for the month of January.

Effective April 1, 2021, the Fund formally adopted an investment performance benchmark you can use to assess the relative performance of your investments versus a blend of published indices. The blended benchmark is 50% FTSE Canada Short Term Corporate Bond Index and 50% FTSE Canada Mid Term Corporate Bond Index.

### 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.

As at December 31, 2021, the Fund owned 1,565,268 Series A units of the Leith Wheeler Multi Credit Fund and 1,677,501 Series A units of the Leith Wheeler Preferred Share Fund, which are funds under common management.

### 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 and Series F units of the Fund are 0.75% and 0.50%, respectively. During the year, the Fund paid the Manager \$40,641 for Series B and \$93,077 for Series F (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.

<b>Series A (inception May 29, 2014)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Net assets attributable to holders of redeemable units - per unit, beginning of period <sup>(1) (3)</sup>	\$10.53	\$10.12	\$9.89	\$10.21	\$10.18
Increase (decrease) from operations:					
Total revenue	0.31	0.32	0.34	0.36	0.37
Total expenses	-	-	-	-	-
Realized gains (losses) for the year	0.08	0.05	0.09	(0.03)	0.12
Unrealized gains (losses) for the year	(0.12)	0.32	0.24	(0.38)	(0.10)
Total increase (decrease) from operations <sup>(1)</sup>	0.27	0.69	0.67	(0.05)	0.38
Distributions:					
From income (excluding dividends)	(0.27)	(0.26)	(0.26)	(0.23)	(0.31)
From dividends	(0.05)	(0.07)	(0.07)	(0.08)	(0.04)
From capital gains	(0.07)	(0.04)	(0.10)	-	-
Return of capital	-	-	-	-	-
Total Annual Distributions <sup>(2)</sup>	(0.39)	(0.37)	(0.43)	(0.31)	(0.36)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$10.42	\$10.53	\$10.12	\$9.89	\$10.21
<b>Series B (inception May 29, 2014)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Net assets attributable to holders of redeemable units - per unit, beginning of period <sup>(1) (3)</sup>	\$10.36	\$9.90	\$9.69	\$9.95	\$10.02
Increase (decrease) from operations:					
Total revenue	0.33	0.24	0.39	(0.68)	0.62
Total expenses	(0.08)	(0.05)	(0.21)	(0.18)	(0.39)
Realized gains (losses) for the year	0.09	0.04	0.11	0.06	0.19
Unrealized gains (losses) for the year	(0.14)	0.24	0.28	0.71	(0.17)
Total increase (decrease) from operations <sup>(1)</sup>	0.20	0.47	0.57	(0.09)	0.25
Distributions:					
From income (excluding dividends)	(0.17)	(0.15)	(0.18)	(0.11)	(0.29)
From dividends	(0.05)	(0.05)	(0.07)	(0.07)	(0.08)
From capital gains	(0.07)	(0.03)	(0.10)	-	-
Return of capital	-	-	-	-	-
Total Annual Distributions <sup>(2)</sup>	(0.29)	(0.23)	(0.35)	(0.18)	(0.36)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$10.26	\$10.36	\$9.90	\$9.69	\$9.95

**Financial Highlights (cont.)****The Fund's Net Assets Attributable to Holders of Redeemable Units per Unit (cont.)**

<b>Series F (inception September 10, 2015)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Net assets attributable to holders of redeemable units - per unit, beginning of period <sup>(1) (4)</sup>	\$10.05	\$9.63	\$9.44	\$9.69	\$9.69
Increase (decrease) from operations:					
Total revenue	0.31	0.36	0.29	0.37	0.29
Total expenses	(0.05)	(0.07)	(0.01)	(0.02)	(0.01)
Realized gains (losses) for the year	0.08	0.06	0.08	(0.04)	0.09
Unrealized gains (losses) for the year	(0.13)	0.35	0.21	(0.38)	(0.08)
Total increase (decrease) from operations <sup>(1)</sup>	0.21	0.70	0.57	(0.07)	0.28
Distributions:					
From income (excluding dividends)	(0.15)	(0.19)	(0.22)	(0.13)	(0.27)
From dividends	(0.05)	(0.06)	(0.07)	(0.05)	(0.05)
From capital gains	(0.07)	(0.03)	(0.10)	-	-
Return of capital	-	-	-	-	-
Total Annual Distributions <sup>(2)</sup>	(0.27)	(0.28)	(0.39)	(0.18)	(0.32)
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$9.98	\$10.05	\$9.63	\$9.44	\$9.69

(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) From May 29, 2014, inception date of Series A and Series B units of the Fund.

(4) From September 10, 2015, inception date of Series F units of the Fund. Series F initial net asset value per unit offering commenced at the closing net asset value per unit of Series B on September 10, 2015 of \$10.07.

## Financial Highlights (cont.)

## Ratios and Supplemental Data

Series A (inception May 29, 2014)	2021	2020	2019	2018	2017
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	125,959	95,760	115,955	128,309	92,593
Number of units outstanding (000s) <sup>(1)</sup>	12,088	9,090	11,458	12,971	9,067
Management expense ratio (%) <sup>(2)</sup>	-	-	-	-	-
Management expense ratio before waivers or absorptions (%)	0.02	0.02	0.02	0.02	0.03
Trading expense ratio (%) <sup>(3)</sup>	0.01	0.01	-	0.01	0.04
Portfolio turnover rate (%) <sup>(4)</sup>	76.48	167.19	101.88	112.09	93.08
Net assets attributable to holders of redeemable units - per unit (\$)	10.42	10.53	10.12	9.89	10.21

Series B (inception May 29, 2014)	2021	2020	2019	2018	2017
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	6,182	5,230	8,266	8,111	6,047
Number of units outstanding (000s) <sup>(1)</sup>	603	505	835	837	607
Management expense ratio (%) <sup>(2)</sup>	0.80	0.80	0.79	0.79	0.79
Management expense ratio before waivers or absorptions (%)	0.82	0.82	0.81	0.81	0.82
Trading expense ratio (%) <sup>(3)</sup>	0.01	0.01	-	0.01	0.04
Portfolio turnover rate (%) <sup>(4)</sup>	76.48	167.19	101.88	112.09	93.08
Net assets attributable to holders of redeemable units - per unit (\$)	10.26	10.36	9.90	9.69	9.95

Series F (inception September 10, 2015)	2021	2020	2019	2018	2017
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	17,307	22,018	26,336	24,915	26,105
Number of units outstanding (000s) <sup>(1)</sup>	1,734	2,191	2,734	2,638	2,694
Management expense ratio (%) <sup>(2)</sup>	0.54	0.54	0.53	0.53	0.53
Management expense ratio before waivers or absorptions (%)	0.56	0.56	0.55	0.55	0.56
Trading expense ratio (%) <sup>(3)</sup>	0.01	0.01	-	0.01	0.04
Portfolio turnover rate (%) <sup>(4)</sup>	76.48	167.19	101.88	112.09	93.08
Net assets attributable to holders of redeemable units - per unit (\$)	9.98	10.05	9.63	9.44	9.69

- (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**

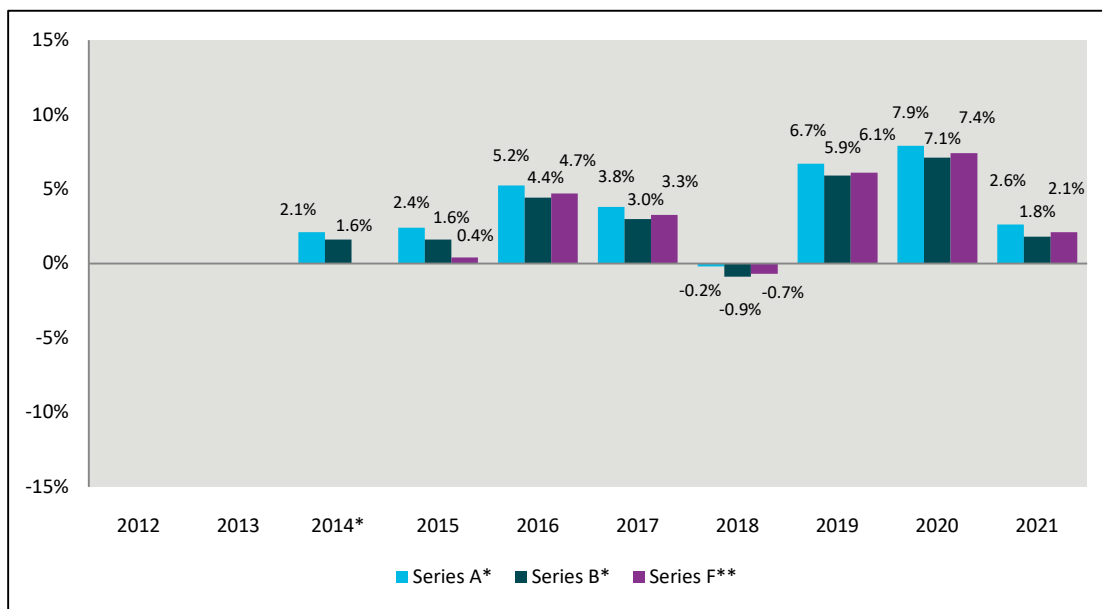
**General**

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.



\* Series A and Series B units were created May 29, 2014. Return from May 29, 2014 to December 31, 2014, not annualized.

\*\* Series F units were created on September 10, 2015. Return from September 10, 2015 to December 31, 2015, not annualized.

**Past Performance (cont.)****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 and F) with a blended benchmark return for the year ended December 31, 2021. The blended benchmark (the "Benchmark") is comprised of 50% FTSE Canada Short Term Corporate Bond Index and 50% FTSE Canada Mid Term Corporate Bond Index. Each of these indices is used as a proxy to measure returns for the associated asset classes. The FTSE Canada Short Term Corporate Bond Index measures the total return attributable to bonds with maturities 5 years and under. The FTSE Canada Mid Term Corporate Bond Index measures the total return attributable to bonds with maturities between 5 to 10 years. A discussion of the performance of the Fund as compared to this broad-based index 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 *	2.6%	5.7%	4.1%	n/a
Benchmark***	-1.0%	4.7%	3.5%	n/a
Fund – Series B *	1.8%	4.9%	3.3%	n/a
Benchmark***	-1.0%	4.7%	3.5%	n/a
Fund – Series F **	2.1%	5.2%	3.6%	n/a
Benchmark***	-1.0%	4.7%	3.5%	n/a

\* Series A and Series B units were created May 29, 2014.

\*\* Series F units were created on September 10, 2015.

\*\*\* Effective April 1, 2021, the Fund formally adopted an investment performance benchmark, which you can use to assess the relative performance of your investments versus a blend of published indices. We have chosen a custom blended benchmark that has similar asset class(es) and risk and return characteristics to the Fund. However, the characteristics of the benchmark will not match that of the Fund due to our active management of the Fund. The benchmark will be presented retroactively to help you better assess the Fund's past performance.



**Summary of Investment Portfolio**

As at December 31, 2021

**Top 25 Positions**

Issuer	% of Net Asset Value
Leith Wheeler Preferred Share Fund Series A	11.5%
Leith Wheeler Multi Credit Fund Series A	10.0%
Bell Canada 2.5% May 14, 2030	1.7%
Toronto-Dominion Bank 3.1% April 22, 2030	1.5%
Toronto-Dominion Bank 1.91% July 18, 2023	1.3%
Bank of Nova Scotia 2.29% June 28, 2024	1.2%
Royal Bank of Canada 2.35% July 02, 2024	1.2%
Tourmaline Oil Corp 2.08% January 25, 2028	1.2%
SmartCentres Real Estate Investment Trust 1.74% December 16, 2025	1.2%
TransCanada PipeLines Ltd 3.39% March 15, 2028	1.1%
TransCanada PipeLines Ltd 3.8% April 05, 2027	1.1%
North West Redwater Partnership / NWR Financing Co Ltd 4.25% June 01, 2029	1.0%
Sun Life Financial Inc 2.58% May 10, 2032	1.0%
Bell Canada 2.9% August 12, 2026	1.0%
Bank of Nova Scotia 1.4% November 01, 2027	1.0%
Canadian Imperial Bank of Commerce 2.97% July 11, 2023	1.0%
Bank of Nova Scotia 2.38% May 01, 2023	1.0%
Toronto-Dominion Bank 1.9% September 11, 2028	0.9%
ARC Resources Ltd 2.35% March 10, 2026	0.9%
Toronto-Dominion Bank 1.13% December 09, 2025	0.9%
Brookfield Renewable Partners ULC 3.63% January 15, 2027	0.9%
TELUS Corp 2.35% January 27, 2028	0.8%
Greater Toronto Airports Authority 1.54% May 03, 2028	0.8%
H&R Real Estate Investment Trust 2.63% February 19, 2027	0.8%
Royal Bank of Canada 2.61% November 01, 2024	0.8%

**Portfolio Allocation**

Portfolio Breakdown	% of Net Asset Value
Bonds	77.8%
Preferred Shares	11.3%
High Yield Bonds	6.7%
Senior Loans	2.8%
Cash & Other Net Assets	1.3%
Hedging	0.1%

The Fund held no short positions as at December 31, 2021.

*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)*