

# Leith Wheeler Multi Credit Fund

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE  
December 31, 2019



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

The investment objective of the fund is to achieve interest income, with the potential for some long term capital growth, by investing primarily in corporate credit securities. The primary return objective is to deliver income and return in excess of CDOR over a credit cycle. The Fund is intended to have a risk profile similar to that of the Bank of America Merrill Lynch BB-B U.S. High Yield Constrained Index (hedged back to Canadian Dollars), but with lower interest rate risk. The Multi Credit Fund has the ability to invest across the capital structure of a business with a core focus on global high yield bonds, U.S. senior loans and global investment grade 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 were increased by 31.7% in 2019, rising to \$175.9 million from \$133.6 million at the end of 2018. Of this change, \$15.4 million was attributable to investment gains and \$26.9 million attributable to net inflows.

As of December 31st, 2019 the Multi Credit Fund Series A advanced by 10.7% before fees, Series B and Series F both increased 9.6% and 9.7%, respectively, after fees and expenses.

At the beginning of the year, the Multi Credit Fund's asset composition was 32.9% high yield bonds, 67.4% senior secured loans and -0.3% cash & other assets. The fund had strong performance early in the first quarter, as high yield bonds outpaced senior secured loans while rebounding from December lows. The demand for the floating rate asset class were dampened by falling US Treasury yields and a dovish US Federal Reserve that lowered expectations for further interest rate hikes. Overall, the portfolio was led by strong performance in the Materials sector.

As credit spreads tightened, we took the opportunity to improve the portfolio's credit quality. The credit curve also flattened over the first quarter, which reduced the compensation received for holding longer dated bonds. We therefore adjusted the portfolio by shortening both the years to maturity and interest rate sensitivity of the bond holdings.

Performance was positive in the second quarter as well, with credit spreads on high yield bonds rallying in June as a result of further dovish comments from global central banks. The portfolio also benefited from a strong bounce back from several names in the portfolio, including Fage International and Par Pacific, two holdings that had negative returns in the prior quarter.

Throughout the second quarter, the portfolio's composition become more evenly distributed between high yield bonds and senior secured loans. Prior to the second quarter, demand for floating-rate loans dampened versus high yield bonds due to falling US Treasury yields and a dovish US Federal Reserve. We continued to believe that loans provided strong relative performance on a yield basis compared to high yield bonds and modestly increased the loan weight in the first quarter. Performance of loans finally began to catch up in April and we used the opportunity to trim the loan weight in the portfolio closer to neutral.

The fund returned a positive third quarter as interest rates and high yield credit spreads both declined. Lower interest rates were driven by continued uncertainty over trade combined with weak global manufacturing data. High yield credit spreads have been stable year-to-date. However, investors have increased their preference towards higher quality credit, which has resulted in CCC or lower-rated bonds to underperform.

The Multi-Credit portfolio posted a positive return of +1.0% (before fees) in the third quarter of 2019. Senior secured loans outperformed high yield bonds over the quarter. A majority of holdings in the portfolio generated positive returns.

The major market theme in the fourth quarter was optimism over a "Phase One" trade deal between the United States and China and continued dovishness by the Federal Reserve, which contributed to US Treasury yields rebounding off multi-year lows. "Risk on" sentiment in the fourth quarter saw lower quality bonds outperform, a reversal to prior quarters in which investors preferred higher quality credit.

High yield bonds outperformed senior secured loans over the fourth quarter. This is mostly attributable to lower interest rates throughout the year and is observed through the retail market, which experienced consistent fund outflows throughout 2019. Although interest rates slightly increased in the fourth quarter, credit spreads tightened. The market-wide rally was led by lower quality credit and boosted the whole market.

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## Management Discussion of Fund Performance (cont.)

### Recent Developments

In the first quarter of 2020, growing fears about the economic impact of the COVID-19 virus have been impacting fixed income markets. While we cannot forecast the ultimate hit to GDP growth or the shape of the recovery, it is clear that markets are communicating a high level of alarm, with sovereign bonds rallying and high yield bond returns in negative territory year to date. Central bank cuts – meant to ameliorate skittish traders – have been undermined by instability in world oil prices. It will take time to work through the full impact of COVID-19 but for now we are keeping our discipline. We continue to see opportunities to add to issues at prices that are becoming increasingly attractive, and are actively tilting fixed income allocations to areas offering the best relative value.

### 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.

At December 31, 2019, the Leith Wheeler Corporate Advantage Fund, Leith Wheeler Income Advantage Fund, Leith Wheeler Core Plus Bond Fund and Leith Wheeler Balanced Fund owned 1,351,739 Series A, 533,748 Series A, 2,587,225 Series A and 874,418 Series A units of the Fund, respectively, which are under common management. Combined, the holdings represent 30.7% of this 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 and Series F units of the Fund are 0.95% and 0.80%, respectively. During the year, the Fund paid the Manager \$ 68,451 for Series B and \$ 37,447 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.

Series A (inception May 29, 2017)	2019	2018	2017	2016	2015
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1) (3)</sup>	\$9.49	\$10.00	\$10.00	n/a	n/a
Increase (decrease) from operations:					
Total revenue	0.56	0.57	0.26	n/a	n/a
Total expenses	-	-	-	n/a	n/a
Realized gains (losses) for the year	0.19	(0.82)	0.09	n/a	n/a
Unrealized gains (losses) for the year	0.24	(0.23)	(0.12)	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	0.99	(0.48)	0.22	n/a	n/a
Distributions:					
From income (excluding dividends)	(0.34)	(0.20)	(0.07)	n/a	n/a
From dividends	-	-	-	n/a	n/a
From capital gains	(0.06)	(0.04)	(0.02)	n/a	n/a
Return of capital	-	-	-	n/a	n/a
Total Annual Distributions <sup>(2)</sup>	(0.40)	(0.24)	(0.10)	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$10.09	\$9.49	\$10.00	n/a	n/a
<b>Series B (inception May 29, 2017)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1) (3)</sup>	\$9.45	\$9.98	\$10.00	n/a	n/a
Increase (decrease) from operations:					
Total revenue	0.59	0.48	0.24	n/a	n/a
Total expenses	(0.15)	(0.14)	(0.07)	n/a	n/a
Realized gains (losses) for the year	0.19	(0.70)	0.08	n/a	n/a
Unrealized gains (losses) for the year	0.25	(0.19)	(0.11)	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	0.88	(0.55)	0.14	n/a	n/a
Distributions:					
From income (excluding dividends)	(0.21)	(0.12)	(0.06)	n/a	n/a
From dividends	-	-	-	n/a	n/a
From capital gains	(0.06)	(0.04)	(0.02)	n/a	n/a
Return of capital	-	-	-	n/a	n/a
Total Annual Distributions <sup>(2)</sup>	(0.27)	(0.16)	(0.09)	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$10.09	\$9.45	\$9.98	n/a	n/a

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

Series F (inception May 29, 2017)	2019	2018	2017	2016	2015
Net assets attributable to holders of redeemable units - per unit, beginning of year <sup>(1) (3)</sup>	\$9.47	\$9.99	\$10.00	n/a	n/a
Increase (decrease) from operations:					
Total revenue	0.50	0.58	0.11	n/a	n/a
Total expenses	(0.01)	(0.01)	-	n/a	n/a
Realized gains (losses) for the year	0.16	(0.83)	0.04	n/a	n/a
Unrealized gains (losses) for the year	0.22	(0.24)	(0.05)	n/a	n/a
Total increase (decrease) from operations <sup>(1)</sup>	0.87	(0.50)	0.09	n/a	n/a
Distributions:					
From income (excluding dividends)	(0.24)	(0.13)	(0.06)	n/a	n/a
From dividends	-	-	-	n/a	n/a
From capital gains	(0.06)	(0.04)	(0.02)	n/a	n/a
Return of capital	-	-	-	n/a	n/a
Total Annual Distributions <sup>(2)</sup>	(0.30)	(0.17)	(0.08)	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year <sup>(1)</sup>	\$10.09	\$9.47	\$9.99	n/a	n/a

(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, 2017, inception date of Series A, B and F units of the Fund.

## Financial Highlights (cont.)

## Ratios and Supplemental Data

Series A (inception May 29, 2017)	2019	2018	2017	2016	2015
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	164,005	122,882	45,132	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	16,257	12,951	4,515	n/a	n/a
Management expense ratio (%) <sup>(2)</sup>	-	-	-	-	-
Management expense ratio before waivers or absorptions (%)	0.02	0.03	0.17	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	-	0.01	0.01	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	186.70	226.82	79.78	n/a	n/a
Net assets attributable to holders of redeemable units - per unit (\$)	10.09	9.49	10.00	n/a	n/a

Series B (inception May 29, 2017)	2019	2018	2017	2016	2015
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	6,992	6,971	2,877	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	693	737	288	n/a	n/a
Management expense ratio (%) <sup>(2)</sup>	1.03	1.00	1.00	n/a	n/a
Management expense ratio before waivers or absorptions (%)	1.05	1.03	1.16	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	-	0.01	0.01	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	186.70	226.82	79.78	n/a	n/a
Net assets attributable to holders of redeemable units - per unit (\$)	10.09	9.45	9.98	n/a	n/a

Series F (inception May 29, 2017)	2019	2018	2017	2016	2015
Total net assets attributable to holders of redeemable units (\$000s) <sup>(1)</sup>	4,912	3,710	452	n/a	n/a
Number of units outstanding (000s) <sup>(1)</sup>	487	392	45	n/a	n/a
Management expense ratio (%) <sup>(2)</sup>	0.85	0.84	0.84	n/a	n/a
Management expense ratio before waivers or absorptions (%)	0.87	0.87	1.01	n/a	n/a
Trading expense ratio (%) <sup>(3)</sup>	-	0.01	0.01	n/a	n/a
Portfolio turnover rate (%) <sup>(4)</sup>	186.70	226.82	79.78	n/a	n/a
Net assets attributable to holders of redeemable units - per unit (\$)	10.09	9.47	9.99	n/a	n/a

(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**

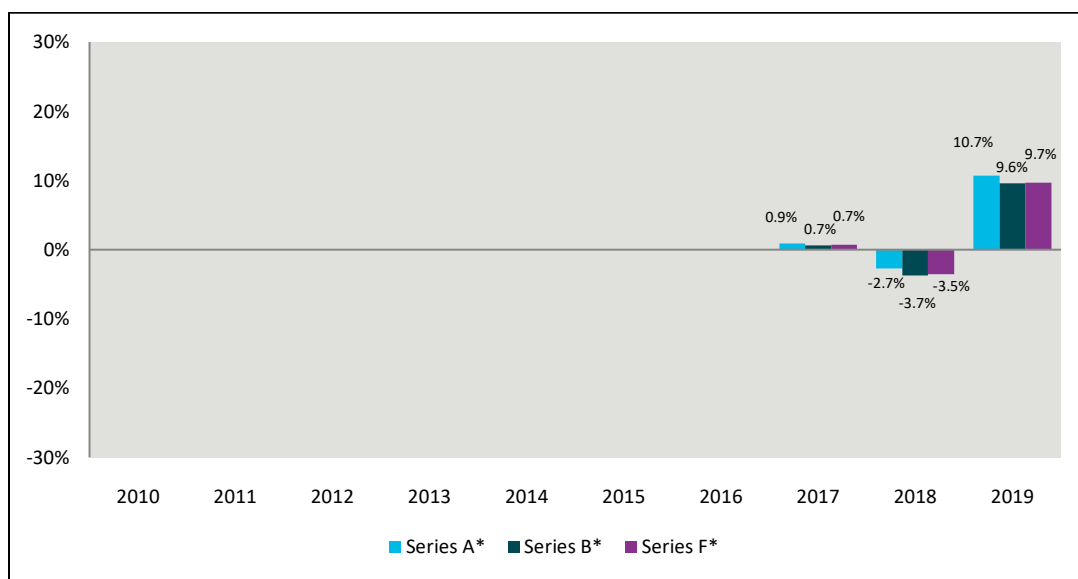
**General**

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, Series B and Series F units were created on May 29, 2017. Performance start date is September 26, 2017, which is the date of first unitholder contribution to the Series. Returns from September 26, 2017 to December 31, 2017, 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 the Bank of America Merrill Lynch BB-B U.S. High Yield Index (CAD) in each case for the year ended December 31, 2019. The Bank of America Merrill Lynch BB-B U.S. High Yield Index (CAD) measures the total return attributable to high yield liquid corporate bonds, and includes representative bond issues by issuer, quality, and term. 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.

<b>For the Years ended December 31</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
Fund – Series A *	10.7%	n/a	n/a	n/a
Bank of America Merrill Lynch BB-B U.S. High Yield Index (CAD)	14.0%	n/a	n/a	n/a
Fund – Series B *	9.6%	n/a	n/a	n/a
Bank of America Merrill Lynch BB-B U.S. High Yield Index (CAD)	14.0%	n/a	n/a	n/a
Fund – Series F *	9.7%	n/a	n/a	n/a
Bank of America Merrill Lynch BB-B U.S. High Yield Index (CAD)	14.0%	n/a	n/a	n/a

\* Series A, Series B and Series F units were created on May 29, 2017. Performance start date is September 26, 2017, which is the date of first unitholder contribution to the Series.



**Summary of Investment Portfolio**

As at December 31, 2019

**Top 25 Positions**

Issuer	% of Net Asset Value
Cash & Other Net Assets	8.5%
Delek US Holdings Inc 3.952% March 31, 2025	4.7%
GFL Environmental Inc 4.799% May 30, 2025	3.9%
Vertiv Group Corporation 5.927% November 30, 2023	3.8%
Graftech Finance Inc 5.299% February 12, 2025	3.8%
Grizzly Acquisitions Inc 5.349% October 01, 2025	3.6%
Navistar Inc 5.24% November 06, 2024	3.6%
Sprint Communications Inc 4.75% February 02, 2024	3.6%
Talen Energy Supply LLC 6.625% January 15, 2028	3.5%
Cornerstone Building Brands Inc 5.486% April 12, 2025	3.3%
Par Petroleum LLC 8.74% January 12, 2026	3.1%
MPH Acquisition Holdings LLC 4.695% June 07, 2023	2.9%
First Quantum Minerals Ltd 7.25% May 15, 2022	2.9%
CenturyLink Inc 4.549% January 31, 2025	2.8%
Weekley Homes LLC / Weekley Finance Corp 6% February 01, 2023	2.7%
Diamond 1 Finance Corp / Diamond 2 Finance Corp 7.125% June 15, 2024	2.6%
Albertsons Cos Inc / Safeway Inc / New Albertsons LP / Albertsons LLC 4.625% January 15, 2027	2.5%
Adient US LLC 6.182% May 06, 2024	2.3%
CVR Refining LLC / Coffeyville Finance Inc 6.5% November 01, 2022	2.2%
Par Petroleum LLC / Par Petroleum Finance Corp 7.75% December 15, 2025	2.1%
Teva Pharmaceutical Finance IV LLC 2.25% March 18, 2020	2.1%
Cerence Inc 7.691% October 01, 2024	2.1%
Teine Energy Ltd 6.875% September 30, 2022	2.1%
Iron Mountain Inc 6% August 15, 2023	2.0%
Gulfport Energy Corp 6.625% May 01, 2023	1.9%

**Portfolio Allocation**

Portfolio Breakdown	% of Net Asset Value
Senior Loans	53.5%
High Yield Bonds	36.8%
Cash & Other Net Assets	8.5%
Investment-Grade Bonds	1.2%

The Fund held no short positions as at December 31, 2019.

*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).*