

Leith Wheeler Preferred Share 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 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 investors with income and the opportunity for long term capital appreciation by investing primarily in a portfolio of Canadian preferred share securities. This Fund invests primarily in publicly listed preferred shares, including securities convertible into preferred shares, with a minimum preferred share quality of Pfd-3(low) (per Dominion Bond Rating Service or equivalent).

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 35.9% in 2019, rising to \$40.5 million from \$29.8 million at the end of 2018. Of this change, \$1.4 million was attributable to investment gains and \$9.3 million to net inflows.

The Preferred Share Fund had positive returns during 2019 with Series A units advancing 3.0%. Series B and Series F units advanced by 2.0% and 2.2% respectively, both after fees and expenses, during the year. As of December 31, the Fund was made up of 92.8% rate reset preferreds, 6.3% perpetual preferreds, 0.0% floating rate preferreds and 0.9% cash and equivalents.

After a slow start to the year, patient investors were rewarded with an interest rate rally in December, as five-year Government of Canada bond yields gained 0.2% to 1.7%. However, rates were still down 0.2% overall in 2019. Given the move down in yields, the best performing preferred share structure was perpetual preferred shares, which move inversely with 5-year Government of Canada bond yields, followed by rate resets which were flat, and floating rate was the worst performing structure due to its high correlation with the move in interest rates.

The Leith Wheeler Preferred Share Fund overweights rate reset preferred shares at 92.9% versus 79.0% for the S&P/TSX Preferred Share Index and underweights perpetual preferred shares at 6.3% versus 18.4% for the index. The Fund has no exposure to floating rate preferred shares, which was a small positive contributor to performance. This active overweighting in rate resets and underweighting in perpetuals was the largest driver of underperformance in the Fund in 2019.

While we have not seen any new preferred share issuance in Canada for seven months, the market did have two back-to-back months of positive inflows at the end of the year, and short interest in ETFs tapered off, which helped to support the bullish backdrop.

We continue to see a lot of potential upside both from valuations and credit spreads, particularly in rate reset preferred shares. Preferred spreads are still trading at some of the widest levels relative to investment grade and high yield bond spreads that we've seen, and we believe there will be a point at which the asset class is attractive enough for institutional investors to re-enter the market, which should then provide a healthy boost to returns. There is a lot of pessimism from the market priced in, and our portfolio is well-positioned for a rebound.

Recent Developments

In the first quarter of 2020, global equity markets have been declining dramatically as fears have grown about the economic impact of the COVID-19 virus, and an instability in world oil prices prompted by a price war between Russia and Saudi Arabia. Central banks have been active in cutting rates, but it will take time to work through the full impact of these shocks. Fixed income reactions to the perceived spike in risk has been a surge in demand for sovereign bonds and a sell-off in high yield markets. We cannot forecast the ultimate hit to GDP growth or the shape of the recovery, but it is clear that markets are communicating a high level of alarm. In the meantime, we are keeping our discipline. As value investors, we continue to see opportunities to add to high quality businesses at prices that are becoming increasingly attractive, and are doing so across all portfolios.

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.

At December 31, 2019, the Leith Wheeler Income Advantage Fund and the Leith Wheeler Corporate Advantage Fund owned 953,545 Series A units and 2,456,388 Series A units of the Fund, respectively, which are both under common management. Combined, the holdings represent 71.5% 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 and Series F units of the Fund are 0.90% and 0.70%, respectively. During the year, the Fund paid the Manager \$506 for Series B and \$16,044 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 22, 2018)	2019	2018	2017	2016	2015
Net assets attributable to holders of redeemable units - per unit, beginning of year ^{(1) (3)}	\$8.67	\$10.00	n/a	n/a	n/a
Increase (decrease) from operations:					
Total revenue	0.44	0.25	n/a	n/a	n/a
Total expenses	-	-	n/a	n/a	n/a
Realized gains (losses) for the year	(0.21)	(0.26)	n/a	n/a	n/a
Unrealized gains (losses) for the year	0.11	(1.34)	n/a	n/a	n/a
Total increase (decrease) from operations ⁽¹⁾	0.34	(1.35)	n/a	n/a	n/a
Distributions:					
From income (excluding dividends)	-	-	n/a	n/a	n/a
From dividends	(0.41)	(0.22)	n/a	n/a	n/a
From capital gains	-	-	n/a	n/a	n/a
Return of capital	-	-	n/a	n/a	n/a
Total Annual Distributions ⁽²⁾	(0.41)	(0.22)	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year ⁽¹⁾	\$8.50	\$8.67	n/a	n/a	n/a

Series B (inception May 22, 2018)	2019	2018	2017	2016	2015
Net assets attributable to holders of redeemable units - per unit, beginning of year ^{(1) (3)}	\$8.66	\$10.00	n/a	n/a	n/a
Increase (decrease) from operations:					
Total revenue	3.43	0.25	n/a	n/a	n/a
Total expenses	(2.47)	(0.82)	n/a	n/a	n/a
Realized gains (losses) for the year	(1.64)	(0.26)	n/a	n/a	n/a
Unrealized gains (losses) for the year	0.89	(1.37)	n/a	n/a	n/a
Total increase (decrease) from operations ⁽¹⁾	0.21	(2.20)	n/a	n/a	n/a
Distributions:					
From income (excluding dividends)	-	-	n/a	n/a	n/a
From dividends	(0.35)	(0.18)	n/a	n/a	n/a
From capital gains	-	-	n/a	n/a	n/a
Return of capital	-	-	n/a	n/a	n/a
Total Annual Distributions ⁽²⁾	(0.35)	(0.18)	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year ⁽¹⁾	\$8.47	\$8.66	n/a	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 22, 2018)	2019	2018	2017	2016	2015
Net assets attributable to holders of redeemable units - per unit, beginning of year ⁽¹⁾⁽³⁾	\$8.56	\$10.00	n/a	n/a	n/a
Increase (decrease) from operations:					
Total revenue	0.33	0.65	n/a	n/a	n/a
Total expenses	-	-	n/a	n/a	n/a
Realized gains (losses) for the year	(0.16)	(0.68)	n/a	n/a	n/a
Unrealized gains (losses) for the year	0.09	(3.49)	n/a	n/a	n/a
Total increase (decrease) from operations ⁽¹⁾	0.26	(3.52)	n/a	n/a	n/a
Distributions:					
From income (excluding dividends)	-	-	n/a	n/a	n/a
From dividends	(0.38)	(0.28)	n/a	n/a	n/a
From capital gains	-	-	n/a	n/a	n/a
Return of capital	-	-	n/a	n/a	n/a
Total Annual Distributions ⁽²⁾	(0.38)	(0.28)	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit, end of year ⁽¹⁾	\$8.37	\$8.56	n/a	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 22, 2018, inception date of Series A, B and F units of the Fund.

Financial Highlights (cont.)

Ratios and Supplemental Data

Series A (inception May 22, 2018)	2019	2018	2017	2016	2015
Total net assets attributable to holders of redeemable units (\$000s) ⁽¹⁾	37,501	27,977	n/a	n/a	n/a
Number of units outstanding (000s) ⁽¹⁾	4,414	3,228	n/a	n/a	n/a
Management expense ratio (%) ⁽²⁾	-	-	n/a	n/a	n/a
Management expense ratio before waivers or absorptions (%)	0.07	0.06	n/a	n/a	n/a
Trading expense ratio (%) ⁽³⁾	0.07	0.10	n/a	n/a	n/a
Portfolio turnover rate (%) ⁽⁴⁾	30.71	64.62	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit (\$)	8.50	8.67	n/a	n/a	n/a

Series B (inception May 22, 2018)	2019	2018	2017	2016	2015
Total net assets attributable to holders of redeemable units (\$000s) ⁽¹⁾	69	45	n/a	n/a	n/a
Number of units outstanding (000s) ⁽¹⁾	8	5	n/a	n/a	n/a
Management expense ratio (%) ⁽²⁾	0.95	0.95	n/a	n/a	n/a
Management expense ratio before waivers or absorptions (%)	1.02	1.01	n/a	n/a	n/a
Trading expense ratio (%) ⁽³⁾	0.07	0.10	n/a	n/a	n/a
Portfolio turnover rate (%) ⁽⁴⁾	30.71	64.62	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit (\$)	8.47	8.66	n/a	n/a	n/a

Series F (inception May 22, 2018)	2019	2018	2017	2016	2015
Total net assets attributable to holders of redeemable units (\$000s) ⁽¹⁾	2,932	1,765	n/a	n/a	n/a
Number of units outstanding (000s) ⁽¹⁾	350	206	n/a	n/a	n/a
Management expense ratio (%) ⁽²⁾	0.74	0.74	n/a	n/a	n/a
Management expense ratio before waivers or absorptions (%)	0.81	0.80	n/a	n/a	n/a
Trading expense ratio (%) ⁽³⁾	0.07	0.10	n/a	n/a	n/a
Portfolio turnover rate (%) ⁽⁴⁾	30.71	64.62	n/a	n/a	n/a
Net assets attributable to holders of redeemable units - per unit (\$)	8.37	8.56	n/a	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

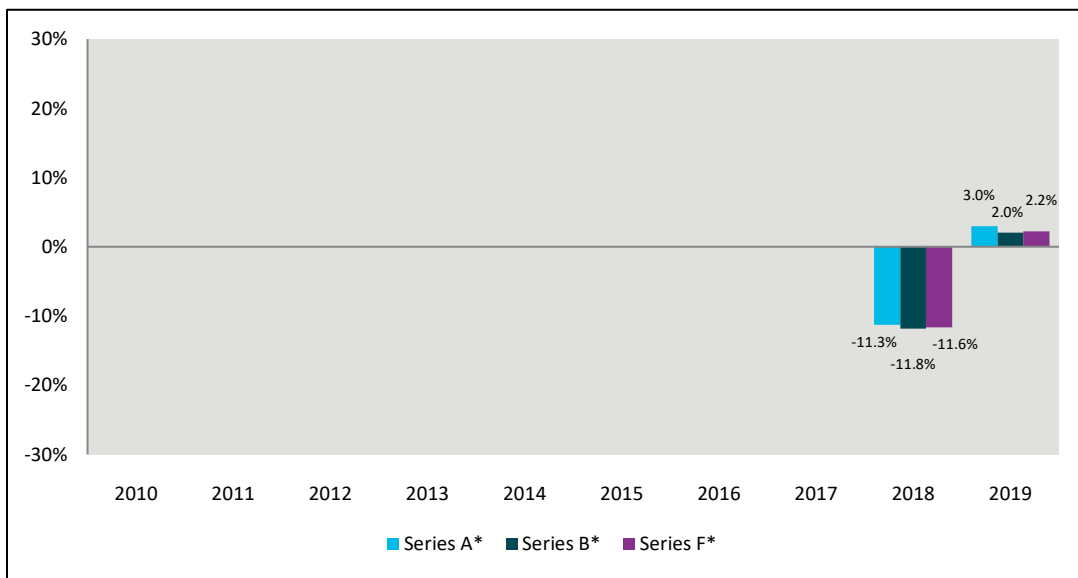
General

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 22, 2018. Performance start date is May 25, 2018, which is the date of first unitholder contribution to the Series. Returns from May 25, 2018 to December 31, 2018, 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 S&P/TSX Preferred Share Index (CAD), in each case for the year ended December 31, 2019. The S&P/TSX Preferred Share Index is an index which tracks the performance of the Canadian preferred stock market. A discussion of the performance of the Fund as compared to the 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 *	3.0%	n/a	n/a	n/a
Benchmark	3.5%	n/a	n/a	n/a
Fund – Series B *	2.0%	n/a	n/a	n/a
Benchmark	3.5%	n/a	n/a	n/a
Fund – Series F *	2.2%	n/a	n/a	n/a
Benchmark	3.5%	n/a	n/a	n/a

* Series A, Series B and Series F units were created on May 22, 2018. Performance start date is May 25, 2018, 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
Royal Bank of Canada Step Up Preferred Shares, Series J	7.0%
Sun Life Financial Inc Step Up Preferred Shares, Series I	5.3%
Pembina Pipeline Corp Step Up Preferred Shares, Series C	5.2%
Toronto-Dominion Bank Step Up Preferred Shares, Series E	5.1%
TC Energy Corp Step Up Preferred Shares, Series G	4.1%
BCE Inc Step Up Preferred Shares, Series M	3.8%
Enbridge Inc Step Up Preferred Shares, Series B	3.7%
Pembina Pipeline Corp Step Up Preferred Shares, Series I	3.4%
Actions Privilegies Energie Renouvelable Brookfield Inc Step Up Preferred Shares, Series A	3.0%
Emera Inc Step Up Preferred Shares, Series F	2.9%
Manulife Financial Corp Step Up Preferred Shares, Series G	2.8%
National Bank of Canada Step Up Preferred Shares, Series C	2.6%
Brookfield Office Properties Inc Step Up Preferred Shares, Series R	2.6%
Intact Financial Corp Step Up Preferred Shares, Series C	2.5%
AltaGas Ltd Step Up Preferred Shares, Series A	2.4%
Enbridge Inc Step Up Preferred Shares, Series G	2.2%
Manulife Financial Corp Step Up Preferred Shares, Series O	2.2%
Bank of Montreal Step Up Preferred Shares, Series C	2.1%
Great-West Lifeco Inc Straight Preferred Shares, Series P	2.0%
Husky Energy Inc Step Up Preferred Shares, Series E	1.9%
Bank of Nova Scotia Step Up Preferred Shares, Series Z	1.9%
Enbridge Inc Step Up Preferred Shares, Series T	1.8%
AltaGas Ltd Step Up Preferred Shares, Series G	1.8%
CU Inc Straight Preferred Shares, Series A	1.7%
Toronto-Dominion Bank Step Up Preferred Shares, Series G	1.7%

Portfolio Allocation

Portfolio Breakdown	% of Net Asset Value
Step Up Preferred Shares	92.8%
Straight Preferred Shares	6.3%
Cash & Other Net Assets	0.9%

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.