

Financial Statements of

**LEITH WHEELER BALANCED FUND**

Years ended December 31, 2010 and 2009

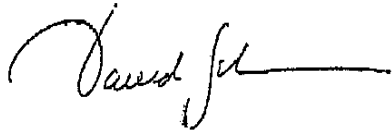
## MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Leith Wheeler Balanced Fund (the “Fund”) have been prepared by the Manager, Leith Wheeler Investment Counsel Ltd. The Manager is responsible for the preparation and presentation of the Fund’s financial statements and the development of internal controls over the financial reporting process.

The Board of Directors of the Manager is responsible for reviewing and approving the financial statements and for overseeing the Manager’s performance of its financial reporting responsibilities. The Board of Directors has approved the accompanying financial statements of the Fund.

KPMG LLP, the external auditors of the Fund, were appointed by the Manager, and the external auditors can only be changed with the prior approval of the unitholders of the Fund. As explained in their auditors’ report, KPMG LLP have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their auditors’ report is included in this Annual Report.

### Leith Wheeler Investment Counsel Ltd.



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David Schaffner  
President and Chief Executive Officer



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Cecilia Wong  
Chief Financial Officer

March 29, 2011



**KPMG LLP**  
**Chartered Accountants**  
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## INDEPENDENT AUDITORS' REPORT

To the Unitholders of Leith Wheeler Balanced Fund

We have audited the accompanying financial statements of Leith Wheeler Balanced Fund, which comprise the statement of investment portfolio as at December 31, 2010, the statements of net assets as at December 31, 2010 and December 31, 2009, the statements of operations and changes in net assets for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *The Manager's Responsibility for the Financial Statements*

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the statement of investment portfolio of Leith Wheeler Balanced Fund as at December 31, 2010, its statements of net assets as at December 31, 2010 and December 31, 2009, and its statements of operations and changes in net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

March 29, 2011

Vancouver, Canada

# LEITH WHEELER BALANCED FUND

Statement of Investment Portfolio

December 31, 2010

Face amount	Cost	Fair value	Percentage of net assets
<b>Bonds and Guarantees</b>			
<b>Federal Bonds and Guarantees:</b>			
\$ 129,000 Canada 1.50% December 1, 2012	\$ 128,561	\$ 128,585	
24,000 Canada 4.00% June 1, 2016	25,906	25,776	
36,000 Canada 4.00% June 1, 2017	39,823	38,739	
207,000 Canada 5.75% June 1, 2029	274,896	270,033	
744,000 Canada 4.00% June 1, 2041	813,674	809,387	
410,000 Canada Housing Trust 4.55% December 15, 2012	439,476	431,401	
1,970,000 Canada Housing Trust 1.79% March 15, 2014	1,999,180	1,998,565	
108,684 Canada Housing Act MBS 97545784 2.10% August 1, 2014	105,245	107,855	
	<b>3,826,761</b>	<b>3,810,341</b>	<b>6.14%</b>
<b>Provincial Bonds and Guarantees:</b>			
169,000 Alberta Capital Financial Authority 4.65% June 15, 2017	185,711	183,852	
186,000 Province of British Columbia 3.70% December 18, 2020	182,261	185,356	
295,000 Province of British Columbia 6.35% June 18, 2031	353,830	378,889	
247,000 Province of British Columbia 4.95% June 18, 2040	266,618	274,157	
279,000 Province of Manitoba 6.30% June 5, 2031	310,374	354,456	
240,000 Province of New Brunswick 4.55% March 26, 2037	225,879	243,677	
868,000 Province of Ontario 4.20% June 2, 2020	856,125	895,032	
260,000 Province of Ontario 8.00% June 2, 2026	350,285	372,357	
285,000 Province of Ontario 6.20% June 2, 2031	321,580	357,099	
192,000 Province of Ontario 4.65% June 2, 2041	199,969	202,277	
208,000 Province of Quebec 4.50% December 1, 2016	211,085	223,748	
555,000 Province of Quebec 4.50% December 1, 2019	563,432	586,419	
414,000 Province of Quebec 6.25% June 1, 2032	465,262	518,761	
272,000 Province of Saskatchewan 5.00% March 5, 2037	278,047	302,357	
	<b>4,770,458</b>	<b>5,078,437</b>	<b>8.18%</b>
<b>Municipal Bonds and Guarantees:</b>			
314,000 British Columbia Municipal Financial Authority 4.88% June 3, 2019	323,555	339,354	
54,000 City of Toronto 4.50% December 2, 2019	53,833	55,978	
	<b>377,388</b>	<b>395,332</b>	<b>0.64%</b>
<b>Corporate Bonds and Guarantees:</b>			
100,000 Anheuser-Busch InBev 3.65% January 12, 2016	99,960	100,377	
208,000 Algonquin Credit Card Trust 06-1 C 5.46% July 15, 2011	208,000	208,733	
281,000 Algonquin Credit Card Trust 07-1 C 5.09% June 15, 2012	281,000	278,283	

# LEITH WHEELER BALANCED FUND

Statement of Investment Portfolio (continued)

December 31, 2010

Face amount	Cost	Fair value	Percentage of net assets
<b>Bonds, Debentures and Guarantees</b>			
<b>Corporate Bonds &amp; Guarantees (continued):</b>			
\$ 268,000 Algonquin Credit Card Trust 07-1 B 4.79% June 15, 2012	\$ 268,000	\$ 268,666	
129,684 Alliance Pipeline LP 7.23% June 30, 2015	145,150	141,502	
60,000 Alliance Pipeline LP 4.93% December 16, 2019	\$ 60,000	\$ 61,986	
90,000 Altalink LP 5.24% May 29, 2018	92,317	98,736	
90,000 American Express Canada Credit Corp. 4.85% October 3, 2014	90,000	94,571	
164,000 Bank of Montreal 3.49% June 10, 2016	164,000	164,267	
83,000 Bank of Montreal 6.17% March 28, 2018	95,073	93,690	
52,000 Bank of Montreal Capital Trust 6 10.22% December 31, 2018	54,886	66,595	
420,000 Bank of Nova Scotia 5.04% April 8, 2013	442,785	444,582	
186,000 Bank of Nova Scotia 4.94% April 15, 2014	192,547	197,137	
107,000 Bank of Nova Scotia Bats5 7.80% June 30, 2019	111,270	122,844	
25,000 Bell Canada 4.85% June 30, 2014	24,961	26,413	
113,000 Bell Canada 3.60% December 2, 2015	112,810	113,198	
71,000 Bridgepoint 7.25% August 31, 2042	72,362	82,893	
265,000 Broadway Credit Card Trust 08-2 A 5.45% June 17, 2013	270,016	283,184	
117,000 Brookfield Renewable Power 5.25% November 5, 2018	116,958	118,869	
120,000 Canadian Western Bank 4.39% November 30, 2015	120,000	119,218	
280,000 Canadian Credit Card Trust 05-2 B 4.86% April 24, 2012	280,000	286,474	
50,000 CDP Financial Inc. 4.60% July 15, 2020	49,897	51,966	
108,000 CIBC 4.75% December 22, 2014	115,019	115,226	
93,000 Claregold Trust 06-1 C 5.12% January 15, 2013	92,996	91,633	
3,507 Canada Mortgage Acceptance Corp 06-C4 B 4.73% January 15, 2011	3,507	3,499	
118,000 Canada Mortgage Acceptance Corp 06-C5 C 4.85% October 15, 2011	117,999	116,949	
66,000 Emera Inc. 4.10% October 20, 2014	65,976	68,203	
113,000 Enbridge Pipeline 4.45% April 6, 2020	112,955	115,993	
15,000 Fortis Alberta Inc. 5.37% October 30, 2039	14,937	15,987	
71,000 GE Capital Canada 4.24% June 8, 2015	70,997	72,961	
203,000 Glacier Credit Card Trust 06-2 B 4.77% May 20, 2014	203,000	207,469	
286,000 Glacier Credit Card Trust 08-1 B 6.03% February 20, 2013	286,000	300,383	
229,000 Gloucester Credit Card Trust 04-1 A 5.38% May 15, 2014	244,118	245,216	
134,000 Gloucester Credit Card Trust 06-1 B 4.99% March 15, 2011	134,000	134,475	
126,000 Great West Lifeco 6.14% March 21, 2018	128,801	141,635	
96,000 Great West Lifeco 7.13% June 26, 2018	97,623	107,411	
111,000 Great West Lifeco 4.65% August 13, 2020	111,260	111,169	
22,000 Great West Lifeco 6.67% March 21, 2033	24,556	25,435	
112,000 Great West Lifeco 6.00% November 16, 2039	115,066	120,840	

# LEITH WHEELER BALANCED FUND

Statement of Investment Portfolio (continued)

December 31, 2010

Face amount		Cost	Fair value	Percentage of net assets
<b>Bonds, Debentures and Guarantees</b>				
<b>Corporate Bonds &amp; Guarantees (continued):</b>				
\$ 226,000	Halifax Bank of Scotland Plc 5.11% June 21, 2012	\$ 226,000	\$ 192,100	
67,000	Hong Kong and HSBC 3.56% October 4, 2017	67,000	65,745	
93,000	Hydro One 5.36% May 20, 2036	98,912	98,899	
50,000	Hydro One 5.49% July 16, 2040	54,405	54,419	
144,000	Manulife Financial Corp. 5.51% June 26, 2018	153,605	152,164	
30,600	Maritime & North East Pipeline LLC 6.90% November 30, 2019	35,035	34,647	
56,550	Maritime & North East Pipeline LLC 4.34% November 30, 2019	56,548	57,598	
52,000	Metro Inc. 5.97% October 15, 2035	51,964	51,690	
140,000	Merrill Lynch 4.50% January 30, 2012	131,701	141,784	
355,224	Merrill Lynch Financial Asset 01-Can6 A2 6.38% November 12, 2011	368,698	363,848	
264,000	Merrill Lynch Financial Asset 02-Can7 A2 6.14% May 12, 2012	267,860	272,988	
328,000	Merrill Lynch Financial Asset 02-Can8 A2 5.74% November 12, 2012	331,599	341,584	
98,000	Merrill Lynch Financial Asset 04-Can14 C 5.60% March 12, 2015	98,556	93,396	
71,000	Merrill Lynch Financial Asset 04-Can14 B 5.48% March 12, 2015	71,131	72,163	
95,000	Merrill Lynch Financial Asset 05-Can15 C 5.27% March 12, 2015	94,403	88,902	
122,000	Merrill Lynch Financial Asset 05-Can16 C 4.80% July 12, 2015	121,996	111,009	
61,841	Merrill Lynch Financial Asset 05-Can17 A1 4.38% August 12, 2015	59,307	63,476	
233,000	Merrill Lynch Financial Asset 05-Can17 C 4.93% November 12, 2015	232,985	211,951	
112,000	Merrill Lynch Financial Asset 06-Can18 C 5.04% March 12, 2016	111,318	100,166	
148,000	National Bank of Canada 5.55% November 15, 2013	148,828	158,916	
61,000	National Bank of Canada 3.15% February 11, 2015	61,000	61,245	
111,000	National Bank of Canada Asset Trust 7.24% June 30, 2018	121,450	127,983	
161,000	Real Estate Asset Liquid Trust 06-2 B 4.71% September 12, 2016	160,986	153,648	
125,000	Royal Bank 3.18% November 2, 2015	123,569	122,408	
103,000	Royal Bank 4.93% July 16, 2025	102,967	105,308	
228,000	Schooner Trust 05-4 B 4.52% September 12, 2015	227,986	225,009	
75,000	Schooner Trust 05-4 A2 4.36% September 12, 2015	70,328	76,303	
102,000	Schooner Trust 05-4 C 4.57% September 12, 2015	89,542	97,799	
59,000	Shaw 5.50% December 7, 2020	58,785	59,725	
43,000	Shaw 6.75% November 9, 2039	41,863	42,398	

# LEITH WHEELER BALANCED FUND

Statement of Investment Portfolio (continued)

December 31, 2010

Face amount	Cost	Fair value	Percentage of net assets
<b><i>Bonds, Debentures and Guarantees</i></b>			
<b>Corporate Bonds &amp; Guarantees (continued):</b>			
\$ 225,000 Solar Trust 02-1 A2 5.83% August 12, 2012	\$ 230,994	\$ 233,963	
173,000 Sun Life Financial 5.70% July 2, 2019	174,906	184,553	
219,000 TD Capital Trust Bank 5.48% April 2, 2015	238,757	238,227	
109,000 TD Capital Trust Bank 3.37% November 2, 2015	109,000	107,669	
17,000 Toronto Dominion Bank 5.76% December 18, 2017	14,348	18,506	
105,000 Toronto Dominion Bank 6 6.63% June 30, 2021	105,000	113,856	
235,000 Terasen Gas 10.30% September 30, 2016	326,225	316,592	
56,000 Terasen Gas 6.50% May 1, 2034	61,329	68,044	
135,807 University of Ontario 6.35% October 15, 2034	135,806	145,820	
60,000 Westcoast Energy 3.28% January 15, 2016	59,947	59,962	
46,000 Westcoast Energy 8.50% September 4, 2018	58,633	58,830	
67,000 Westpac Bank Corp. 3.75% December 1, 2014	67,717	67,609	
	<b>10,713,791</b>	<b>10,831,570</b>	<b>17.45%</b>
<b>Total Bonds and Guarantees</b>	<b>\$ 19,688,398</b>	<b>\$ 20,115,680</b>	<b>32.41%</b>

# LEITH WHEELER BALANCED FUND

Statement of Investment Portfolio (continued)

December 31, 2010

Number of shares	Cost	Fair value	Percentage of net assets
<b>Canadian Equity</b>			
<b>Consumer Discretionary:</b>			
8,000 Astral Media Inc.	\$ 273,849	\$ 335,600	
3,800 Canadian Tire A	224,122	259,084	
8,300 Cogeco Cable Inc.	296,929	340,383	
4,700 Corus Entertainment B Non-Voting	101,830	103,964	
7,200 Forzani Group Ltd. Class A	110,081	131,760	
13,000 Great Canadian Gaming Corp.	95,110	95,550	
28,200 Shaw Communication B	570,849	600,660	
700 Tim Hortons Inc.	21,525	28,770	
10,600 Transat A.T. Inc. Class B	253,685	199,068	
	<b>1,947,980</b>	<b>2,094,839</b>	<b>3.38%</b>
<b>Consumer Staple:</b>			
17,200 Alimentation Couche-Tard Sub Voting	356,550	465,088	
32,400 Saputo Inc.	525,303	1,278,504	
	<b>881,853</b>	<b>1,743,592</b>	<b>2.81%</b>
<b>Energy:</b>			
64,400 Anderson Energy Ltd.	114,451	66,976	
9,400 Baytex Energy Trust	187,653	437,946	
23,000 Canadian Natural Resources Ltd.	833,502	1,018,210	
26,900 Encana Corporation	789,430	781,176	
22,600 Nuvista Energy Ltd.	210,176	209,050	
26,700 Pengrowth Energy Trust	282,601	340,692	
26,000 Progress Energy Resources Corp.	286,830	330,200	
29,200 Pulse Seismic Inc.	57,270	50,808	
7,552 Pure Energy Services Ltd.	54,606	43,651	
27,400 Savanna Energy Services Corp.	458,523	193,718	
50,400 Talisman Energy Inc.	704,096	1,114,344	
7,500 Trican Well Service Ltd.	101,898	150,825	
	<b>4,081,036</b>	<b>4,737,596</b>	<b>7.63%</b>
<b>Financials:</b>			
20,600 Bank of Nova Scotia	791,342	1,174,818	
7,800 Canadian Imperial Bank of Commerce	569,884	610,038	
18,200 Canadian Western Bank	403,715	516,152	
13,600 Genworth MI Canada Inc.	262,525	374,408	
17,580 Great-West Lifeco Inc.	456,786	463,409	
4,100 Home Capital Group Inc.	191,205	212,052	
11,800 Industrial Alliance Insurance and Financial Service Inc.	335,662	433,532	
24,200 Manulife Financial Corp.	368,831	413,820	
2,600 National Bank of Canada	172,414	177,840	
15,900 Royal Bank of Canada	615,300	829,980	
17,000 Toronto Dominion Bank	823,077	1,259,700	
	<b>4,990,741</b>	<b>6,465,749</b>	<b>10.42%</b>
<b>Industrials:</b>			
65,200 CAE Inc.	594,769	745,888	
11,600 Canadian National Railway Co.	488,178	768,500	
24,300 Finning International Inc.	356,320	656,586	
6,200 Richelieu Hardware Ltd.	145,220	189,844	
46,229 Toromont Industries Ltd.	585,448	1,422,004	
1,100 Wajax Income Fund	30,525	40,359	
7,400 Westjet Airlines Ltd	105,112	103,822	
	<b>2,305,572</b>	<b>3,927,003</b>	<b>6.33%</b>

# LEITH WHEELER BALANCED FUND

Statement of Investment Portfolio (continued)

December 31, 2010

Number of shares	Cost	Fair value	Percentage of net assets
<b>Canadian Equity</b>			
<b>Information Technology:</b>			
5,600 Constellation Software Inc.	\$ 122,705	\$ 277,592	
12,700 Miranda Technologies Inc.	178,488	69,215	
	<b>301,193</b>	<b>346,807</b>	<b>0.56%</b>
<b>Telecom Services:</b>			
18,500 Rogers Communications Class B	<b>594,601</b>	<b>638,435</b>	<b>1.03%</b>
<b>Total Canadian Equity</b>	<b>15,102,976</b>	<b>19,954,021</b>	<b>32.16%</b>
<b>Foreign Equity</b>			
<b>Consumer Discretionary:</b>			
9,400 Carnival Corp.	410,342	431,093	
5,200 Fortune Brands Inc.	242,424	311,660	
17,800 Gannett Co. Inc.	659,747	266,797	
900 Harley Davidson Inc.	43,113	31,043	
5,800 Lennar Corp.- Class B	155,385	89,184	
1,500 Home Depot Inc.	56,278	52,291	
2,700 Walt Disney Co.	85,787	100,757	
	<b>1,653,076</b>	<b>1,282,825</b>	<b>2.07%</b>
<b>Consumer Staple:</b>			
2,125 Brown-Forman Corp.	109,564	147,165	
5,900 Coca-Cola Co.	318,505	386,065	
6,200 Procter And Gamble Co.	384,197	396,754	
1,000 Sanderson Farms Inc.	39,812	38,939	
8,100 Sysco Corp.	240,301	236,854	
11,500 Walgreen Co.	378,280	445,849	
	<b>1,470,659</b>	<b>1,651,626</b>	<b>2.66%</b>
<b>Energy:</b>			
3,700 Apache Corp.	317,251	438,879	
14,100 Nabors Industries Ltd.	315,278	328,579	
8,000 Tidewater Inc.	376,335	428,553	
	<b>1,008,864</b>	<b>1,196,011</b>	<b>1.93%</b>
<b>Financials:</b>			
1,000 American Express Co.	30,431	42,718	
3,500 Berkshire Hathaway Inc.-Class B	256,662	278,836	
1,600 Markel Corp.	621,852	603,762	
16,600 Washington Federal Inc.	348,907	279,190	
13,800 Wells Fargo & Co.	420,392	425,353	
	<b>1,678,244</b>	<b>1,629,859</b>	<b>2.63%</b>

# LEITH WHEELER BALANCED FUND

Statement of Investment Portfolio (continued)

December 31, 2010

Number of shares	Cost	Fair value	Percentage of net assets
<b>Foreign Equity</b>			
<b>Health Care:</b>			
3,700 Becton Dickinson Co.	\$ 274,879	\$ 311,109	
1,600 Dentsply International Inc.	49,950	54,377	
7,400 Johnson And Johnson	496,577	455,292	
11,900 Merck And Company Inc.	491,611	426,915	
24,500 Pfizer Inc.	588,762	426,678	
	<b>1,901,779</b>	<b>1,674,371</b>	<b>2.70%</b>
<b>Industrials:</b>			
5,600 3M Co.	444,902	480,893	
1,900 Crane Co.	66,479	77,593	
4,000 Granite Construction Inc.	121,912	109,167	
5,200 Heartland Express Inc.	83,283	82,854	
3,600 Hubbell Inc.- Class B	162,508	215,335	
1,400 Simpson Manufacturing Co. Inc.	43,867	43,040	
1,400 United Technologies Corp.	87,394	109,613	
	<b>1,010,345</b>	<b>1,118,495</b>	<b>1.80%</b>
<b>Information Technology:</b>			
9,200 Intel Corporation	207,846	192,523	
11,700 Microsoft Corporation	328,757	324,667	
33,800 Tellabs Inc.	280,727	228,263	
	<b>817,330</b>	<b>745,453</b>	<b>1.20%</b>
<b>International Fund:</b>			
1,102,550 Leith Wheeler International Equity Plus Series A	<b>10,607,919</b>	<b>10,172,405</b>	<b>16.39%</b>
<b>Materials:</b>			
8,100 Bemis Company Inc.	249,254	263,198	
2,200 Eagle Materials Inc.	70,423	61,705	
500 Martin Marietta Materials	40,920	45,911	
	<b>360,597</b>	<b>370,814</b>	<b>0.60%</b>
<b>Utilities:</b>			
15,400 MDU Resources Group Inc.	<b>327,980</b>	<b>310,779</b>	<b>0.50%</b>
<b>Total Foreign Equity</b>	<b>20,836,793</b>	<b>20,152,638</b>	<b>32.48%</b>
<b>Money Market Securities</b>	<b>1,465,418</b>	<b>1,465,418</b>	<b>2.36%</b>
<b>Total Investment Portfolio</b>	<b>\$ 57,093,585</b>	<b>61,687,757</b>	<b>99.41%</b>
<b>Other Assets less Liabilities</b>		<b>363,576</b>	<b>0.59%</b>
<b>Net Assets</b>		<b>\$ 62,051,333</b>	<b>100.00%</b>

See accompanying notes to financial statements.

# LEITH WHEELER BALANCED FUND

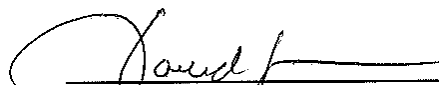
## Statements of Net Assets

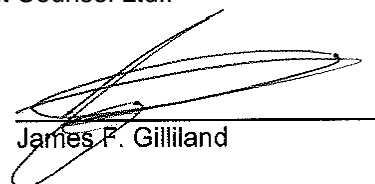
December 31, 2010 and 2009

	2010	2009
<b>Assets</b>		
Investment portfolio, at fair value	\$ 61,687,757	\$ 59,016,545
Cash	109,279	96,615
Subscriptions receivable	288,334	5,989
Accrued income receivable	172,664	167,558
	<u>62,258,034</u>	<u>59,286,707</u>
<b>Liabilities</b>		
Redemptions payable	48,021	44,552
Payable to brokers	28,401	18,021
Management fees payable	130,279	118,806
	<u>206,701</u>	<u>181,379</u>
<b>Net assets representing unitholders' equity</b>	<b>\$ 62,051,333</b>	<b>\$ 59,105,328</b>
<b>Unitholders' equity allocation by series</b>	<b>62,051,333</b>	<b>59,105,328</b>
<b>Number of units outstanding (note 8):</b>	<b>3,128,539</b>	<b>3,221,369</b>
<b>Net asset per unit (note 3):</b>	<b>\$ 19.83</b>	<b>\$ 18.35</b>

See accompanying notes to financial statements.

On behalf of the Manager, Leith Wheeler Investment Counsel Ltd.:

  
\_\_\_\_\_  
David Schaffner Director

  
\_\_\_\_\_  
James P. Gilliland Director

# LEITH WHEELER BALANCED FUND

## Statements of Operations

Years ended December 31, 2010 and 2009

	2010	2009
Investment income:		
Dividends	\$ 855,675	\$ 941,587
Interest	957,452	983,948
Other	74,883	81,104
	<hr/> 1,888,010	<hr/> 2,006,639
Expenses:		
Management fees (note 6)	661,338	622,693
Harmonized Sales Tax (note 7)	56,480	31,135
	<hr/> 717,818	<hr/> 653,828
Net investment income	1,170,192	1,352,811
Net gain (loss) from investing activities:		
Proceeds from sale of investments	35,301,219	52,380,612
Investment portfolio at cost, beginning of year	57,834,347	69,170,432
Cost of investments purchased	33,218,404	43,581,541
Investment portfolio at cost, end of year	<hr/> (57,093,585)	<hr/> (57,834,347)
Cost of investments sold	33,959,166	54,917,626
Net realized gain (loss) on sale of investments	1,342,053	(2,537,014)
Change in unrealized appreciation in value of investments	3,430,680	8,292,605
Transaction costs	<hr/> (27,789)	<hr/> (33,832)
Net gain from investing activities	<hr/> 4,744,944	<hr/> 5,721,759
<b>Increase in net assets from operations</b>	<hr/> <b>\$ 5,915,136</b>	<hr/> <b>\$ 7,074,570</b>
<b>Increase in net assets from operations per unit</b>	<hr/> <b>\$ 1.85</b>	<hr/> <b>\$ 2.11</b>

See accompanying notes to financial statements.

# LEITH WHEELER BALANCED FUND

## Statements of Changes in Net Assets

Years ended December 31, 2010 and 2009

	2010	2009
Increase (decrease) in net assets from operations	\$ 5,915,136	\$ 7,074,570
Distributions to unitholders of taxable income:		
Out of net investment income	(1,171,012)	(1,352,820)
Unit transactions (note 8):		
Subscription of units	9,454,492	9,409,474
Reinvestment of distributions	1,137,693	1,324,201
Redemption of units	(12,390,304)	(19,666,391)
	(1,798,119)	(8,932,716)
Increase (decrease) in net assets	2,946,005	(3,210,966)
Net assets, beginning of year	59,105,328	62,316,294
<b>Net assets, end of year</b>	<b>\$ 62,051,333</b>	<b>\$ 59,105,328</b>

See accompanying notes to financial statements.

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements

Years ended December 31, 2010 and 2009

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## 1. Operations:

The Leith Wheeler Balanced Fund (the "Fund") was established under the laws of British Columbia pursuant to various trust indentures between Leith Wheeler Investment Counsel Ltd., as manager ( the "Manager" ), and Canada Trust Company, as trustee. Effective June 30, 1999, the Fund's trustee was changed to CIBC Mellon Trust Company and the Fund's custodian was changed to the Canadian Imperial Bank of Commerce.

The Fund commenced operations on September 22, 1987. The Balanced Fund only has one series of units outstanding.

## 2. Significant accounting policies:

### (a) Valuation of investments:

Investments are deemed to be held for trading in accordance with Canadian Institute of Chartered Accountants (CICA) Section 3855, *Financial Instruments - Recognition and Measurement* ("Section 3855") and therefore are recorded at fair value in accordance with CICA Accounting Guideline 18, *Investment Companies*.

Financial instruments carried at fair value are categorized in accordance with CICA Section 3862, *Financial Instruments – Disclosures* ("Section 3862"). Section 3862 establishes a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments.

The three levels of the fair value hierarchy are as follows:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

The fair value of investments as at the financial reporting date is determined as follows:

The fair value of equity securities is generally the closing bid price for a security on the recognized exchange on which it is principally traded.

Bonds and other debt securities are recorded at fair value, usually established using the closing bid price on the over-the-counter market.

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements

Years ended December 31, 2010 and 2009

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## 2. Significant accounting policies (continued):

### (a) Valuation of investments (continued):

Money market securities are valued at amortized cost, which approximates their fair value.

Should the quoted value for a security, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value of the security is estimated by using appropriate valuation techniques. Fair value is determined by the Manager on the basis of the most recently reported information for the security, similar securities and the markets in which the security is active.

Investments in securities of another investment fund are valued on a business day at the net asset value per security calculated in accordance with the offering documents of such a investment fund.

### (b) Investment transactions:

Investment purchase and sale transactions are recorded as of the trade date. Realized gains and losses from investments transactions are calculated on an average cost basis. The period change in the difference between fair value and average cost of securities represents unrealized gains and losses. Brokers' commissions and other transaction charges are immediately charged to net income in the period incurred. Cost of securities presented in the Statement of Investments represents the amount paid for each security, including brokerage commissions and other trading costs, and is determined on an average cost basis.

### (c) Income recognition:

Income from investments is recognized on an accrual basis, with dividends recorded as of the ex-dividend date. Other income includes income from income trusts. Distributions received from income trusts are recognized based on the nature of the underlying components such as income, capital gains, and return of capital.

### (d) Foreign exchange:

Foreign currency amounts are translated into Canadian dollars on the following bases:

- (i) Fair value of portfolio investments, other assets and liabilities at the rate of exchange prevailing on each valuation day.
- (ii) Purchases and sales of portfolio investments, income and expenses at the rate of exchange prevailing on the respective dates of such transactions.

Realized and unrealized gains and losses from foreign exchange are included in realized gain (loss) on sale of investments and change in unrealized appreciation (depreciation) of investments, respectively.

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements

Years ended December 31, 2010 and 2009

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## 2. Significant accounting policies (continued):

### (e) Valuation of each series of units:

A different net asset value is calculated for each series of units of the Fund. The net asset value of a particular series of units is computed by calculating the value of that series' proportionate share of the assets less liabilities of the Fund common to all series less the liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged to that series. Other expenses are allocated proportionately to each series based upon the relative net assets of each series. Expenses are accrued daily.

### (f) Per unit value:

Per unit values are calculated as follows:

- (i) Net asset value per unit is calculated by dividing the net assets attributable to the series, as applicable, determined in accordance with Generally Accepted Accounting Principles (GAAP), by the total number of units of the series outstanding at year end.
- (ii) Net increase (decrease) in net assets from operations per unit, represents the net increase (decrease) in net assets of the series from operations for the year divided by the daily weighted average units outstanding for the series during the year.

### (g) Other assets and liabilities:

For the purpose of categorization in accordance with Section 3855, accrued interest and dividends, receivables for securities issued, amounts due from brokers, the Manager, and other net assets are designated as receivables and recorded at cost or amortized cost. Similarly, amounts due to brokers, accounts payable for securities redeemed, accrued expenses and other liabilities (including market fees payable) are designated as other financial liabilities and reported at cost or amortized cost. Cost or amortized cost approximates fair value for these assets and liabilities.

### (h) Income taxes:

The Fund qualifies as an open-ended mutual fund trust under the *Income Tax Act (Canada)*. The Fund distributes to unitholders the following amounts which would otherwise attract tax in the Fund.

- Quarterly, net investment income;
- Annually, net realized gain on sale of investment, net of loss carryforwards and other applicable deductions allowed by the taxation authorities.

Accordingly, no provision for income taxes is reflected in the financial statements of the Fund.

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements

Years ended December 31, 2010 and 2009

## 2. Significant accounting policies (continued):

### (i) Future accounting change

The CICA will transition publicly accountable entities from Canadian generally accepted accounting principles (GAAP) to International Financial Reporting Standards (IFRS). The Fund's financial statements will be prepared in accordance with IFRS for the fiscal year commencing on January 1, 2013 and will include comparative information prepared on the same basis. The impact of adopting IFRS is expected to be mainly in presentation and additional disclosures in the Financial Statements of the Fund.

## 3. Reconciliation of Net Asset Value to Net Assets:

The calculation of net assets of an investment fund for financial reporting ("Net Assets") differs from the calculation of the net asset value ("Net Asset Value") of an investment fund because Section 3855 requires the fair values of marketable securities to be based on the closing bid quotations, while for trading purposes, these are generally determined at either the last sale price or the midpoint between the closing bid and asked quotations.

Section 14.2 of National Instrument 81-106 ("NI 81-106") issued by the Canadian Securities Administrators requires an investment fund to calculate its daily Net Asset Value for the purchase and redemption of units based on the fair value of the investment fund's assets and liabilities. The Fund has not changed the methodology in this respect. In accordance with NI 81-106, the Net Asset Value per unit compared to the Net Assets per unit and an explanation of the differences between such amounts, are required in the notes to the financial statements.

The impact of applying Section 3855 on the Net Asset Value of the Fund is as follows:

As at December 31, 2010			Amounts per Unit as at December 31, 2010	
Net Asset Value (Closing sale/ mid price)	Section 3855 adjustment	Net Assets (Closing bid price)	Net Asset Value (Closing sale/ mid price)	Net Assets (Closing bid price)
\$ 62,085,285	\$ (33,952)	\$ 62,051,333	\$ 19.84	\$ 19.83

As at December 31, 2009			Amounts per Unit as at December 31, 2009	
Net Asset Value (Closing sale/ mid price)	Section 3855 adjustment	Net Assets (Closing bid price)	Net Asset Value (Closing sale/ mid price)	Net Assets (Closing bid price)
\$ 59,170,854	\$ (65,526)	\$ 59,105,328	\$ 18.37	\$ 18.35

# LEITH WHEELER BALANCED FUND

## Notes to Financial Statements

Years ended December 31, 2010 and 2009

### 4. Fair value of Financial Instruments:

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Fund's financial instruments are recorded at fair value or at amounts that approximates fair value in the financial statements.

The following table presents information regarding the classification of the Fund's financial instruments within the fair value hierarchy as at December 31, 2010 and 2009:

	Assets at fair value as at December 31, 2010			
	Level 1	Level 2	Level 3	Total
Short Term Notes	\$ -	\$ 1,465,418	\$ -	\$ 1,465,418
Bonds (including Mortgage Backed Securities)	-	20,115,680	-	20,115,680
Equities – Long	29,934,254	-	-	29,934,254
Investment Fund Units	10,172,405	-	-	10,172,405
	\$ 40,106,659	\$ 21,581,098	\$ -	\$ 61,687,757

	Assets at fair value as at December 31, 2009			
	Level 1	Level 2	Level 3	Total
Short Term Notes	\$ -	\$ 1,178,886	\$ -	\$ 1,178,886
Bonds (including Mortgage Backed Securities)	-	19,536,219	-	19,536,219
Equities – Long	29,239,631	-	-	29,239,631
Investment Fund Units	9,061,809	-	-	9,061,809
	\$ 38,301,440	\$ 20,717,105	\$ -	\$ 59,016,545

There were no transfers between the three levels from December 31, 2009 to December 31, 2010 (December 31, 2008 to December 31, 2009 - nil).

### 5. Financial instrument risk and risk management:

The investment objective of the Fund is to provide investors with a relatively stable, superior long-term rate of return, through a balanced portfolio of common shares and fixed income securities.

The Fund's investment activities expose it to a variety of financial risks. The Statement of Investments presents the securities held by the Fund as at December 31, 2010, and groups the securities by asset type, geographic region and/or market segment. Significant risks arising from the financial instruments held by the Fund are discussed below.

No changes affecting the overall level of risk of investing in the Fund were made during the period. The risks of the Fund will remain as discussed in the most recent Simplified Prospectus.

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements

Years ended December 31, 2010 and 2009

## 5. Financial instrument risk and risk management (continued):

### (a) Currency risk:

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. Equities in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to the Fund's functional currency in determining fair value.

The Fund holds assets and liabilities, including cash and equities that are denominated in currencies other than the Canadian dollar, the functional currency. It is, therefore, exposed to currency risk, as the value of the securities denominated in other currencies fluctuate due to changes in exchange rates. At December 31, the Canadian dollar equivalent currency exposures of the Fund were as follows:

	Currency exposure		Percentage of net assets	
	2010	2009	2010	2009
US Dollar	\$ 10,161,648	\$ 9,692,184	16.4%	16.4%
Japanese Yen	3,301,406	2,892,140	5.3%	4.9%
Euro	2,091,948	1,775,745	3.4%	3.0%
British Pound	817,241	887,691	1.3%	1.5%
South African Rand	606,112	489,706	1.0%	0.8%
South Korean Won	436,805	386,159	0.7%	0.7%
Australia Dollar	338,591	241,736	0.5%	0.4%
Brazilian Real	265,327	245,535	0.4%	0.4%
Swiss Franc	124,705	143,578	0.2%	0.2%
Russian Ruble	115,587	-	0.2%	-%
Norwegian Krone	112,046	-	0.2%	-%
Danish Krone	-	436,729	-%	0.7%
	\$ 18,371,416	\$17,191,203	29.6%	29.0%

If the exchange rate between the Canadian dollar and the foreign currencies that the Fund is exposed to increased or decreased by 1% at December 31, 2010, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$183,714 (2009 - \$171,912). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements

Years ended December 31, 2010 and 2009

## 5. Financial instrument risk and risk management (continued):

### (b) Interest rate risk:

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates.

As at December 31, the Fund's exposure to debt instruments by maturity is as follows:

	Less than 1 year	1 - 5 Years	5 – 10 Years	Greater than 10 years	Total
2010					
Fixed income securities	4.1%	44.7%	26.3%	24.9%	100.0%
2009					
Fixed income securities	4.4%	46.9%	24.6%	24.1%	100.0%

As at December 31, 2010, had prevailing interest rates raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the Fund's net assets would have decreased or increased, respectively, by approximately \$1,217,603 (2009 - \$1,125,290). The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, actual trading results may differ and the difference could be material.

### (c) Other market risk:

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital.

The Manager moderates this risk through a careful selection of securities and other financial instruments within the parameter of the investment strategy. The statement of investment groups securities by asset type, geographic region and/or market segment.

For this Fund, the most significant exposure to other price risk arises from its investment in equity securities. As at December 31, 2010, had the prices on the respective stock exchanges for these securities raised or lowered by 10%, with all other variables held constant, net assets would have increased or decreased by approximately \$3,947,597 (2009 - \$3,774,041) respectively. In practice, the actual trading results may differ and the difference could be material.

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements

Years ended December 31, 2010 and 2009

## 5. Financial instrument risk and risk management (continued):

### (d) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of investments, as presented on the Statement of Investments, represents the maximum credit risk exposure.

As at December 31, the Fund invested in debt instruments with the following credit ratings (credit ratings are obtained from Standard & Poor's, Moody's, Fitch and/or Dominion Bond Rating Services. Where one or more rating is obtained for a security, the most common rating has been used):

Debt instruments by Credit Rating	Percentage of Debt Instruments	
	2010	2009
AAA	35.7%	42.3%
AA	26.8%	19.5%
A	28.0%	27.6%
BBB	9.5%	10.6%

### (e) Liquidity risk:

Liquidity risk is defined as the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price.

The Fund's exposure to liquidity risk is concentrated in the daily cash redemptions of units. Therefore, the Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed. In addition, the Fund retains sufficient cash and cash equivalent positions to maintain liquidity. The Fund is also subject to the requirements of NI 81-102, where the Fund shall not purchase an illiquid asset if, immediately after the purchase, more than 10 percent of the net assets of the fund, taken at market value at the time of purchase, would consist of illiquid assets.

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements

Years ended December 31, 2010 and 2009

## 6. Management fees and expenses:

As at December 31, 2010, the Balanced Fund only has one (2009 – one) series of units issued and in respect of these units, the Manager is entitled to receive a management fee, calculated daily and paid quarterly, equal to 1.10% per annum applied to the Net Asset Value of the series.

The Manager is also entitled to reimbursement of reasonable expenses incurred on behalf of the Fund in connection with charges made for registry and transfer agency services, interest expense, and costs and expenses associated with holding unitholders' meetings.

The Manager has at times absorbed certain expenses incurred on behalf of the Fund, in which case such amounts are shown as a deduction from expenses in the statements of operations. The Manager is under no legal obligation to continue this arrangement, and may terminate it at any time.

Management fees and subscriptions for units include distributions that may be made to particular unitholders by the Manager in respect of fee reductions agreed between the respective unitholder and the Manager. Such management fee distributions for the year were \$222,180 (2009 - \$208,511).

## 7. Harmonized sales tax:

Effective July 1, 2010, certain provinces have harmonized their provincial sales tax (PST) with the federal goods and services tax (GST). This resulted in an increase in the management expense ratio of the units of the Fund. "Harmonized sales tax" (HST) on the Statement of Operations represents the total HST (including GST up to June 30, 2010) calculated on all expenses.

Investment funds in Canada are required to calculate the HST rate using specific rules. The specific rules and guidance require HST to be calculated using the residency of unitholders and the current value of their interests, rather than the physical location of the fund manager. This results in a blended HST rate that is applied to the management fees and expenses of the Fund.

## 8. Unitholders' equity:

Pursuant to its trust indenture, the Fund has authorized an unlimited number of units, which are redeemable at the option of the unitholders. Issued units are summarized as follows:

	Outstanding units at beginning of year	Purchased during the year	Reinvested distributions	Redeemed during the year	Outstanding units at end of year
2010	3,221,369	497,950	60,399	(651,179)	3,128,539
2009	3,766,800	553,370	77,937	(1,176,738)	3,221,369

# LEITH WHEELER BALANCED FUND

Notes to Financial Statements

Years ended December 31, 2010 and 2009

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## **9. Income taxes:**

The Fund has non tax effected net realized capital losses available of \$2,188,000 (2009 - \$2,633,000) for utilization against net realized capital gains in future years. Capital losses have no expiry. The Fund has no non-capital loss carryforwards.

## **10. Brokerage commissions:**

The total brokerage commissions paid by the Fund for the year ended were \$18,706 (2009 - \$23,273).

## **11. Related party transactions:**

The Balanced Fund owns 1,102,550 units (2009 - 1,050,308) of the Leith Wheeler International Equity Plus Fund Series A, which is a Fund under common management. The Balanced Fund earned approximately \$231,335 in dividend income (2009 - \$217,972) and nil (2009 - nil) in capital gains on that investment.

A statement of portfolio transactions for the year ended December 31, 2010 will be provided for the Fund, without charge, on request to the Manager:

Leith Wheeler Investment Counsel Ltd.  
400 Burrard Street, Suite #1500  
Vancouver, BC V6C 3A6

Distributions of each Fund are automatically reinvested in units. Unitholders of the Fund are reminded that you can elect to receive your distributions in cash by giving us written notice at least 10 business days before a distribution date. There is no deferred (or contingent) sales or redemption fee payable on redemptions of units.

You can obtain a copy of the current simplified prospectus of the Leith Wheeler Balanced Fund by calling (604) 683-3391 or toll-free at 1 (888) 292-1122 and asking for the Investment Funds department, by e-mail at [info@leithwheeler.com](mailto:info@leithwheeler.com) or by writing to the Investment Funds Department of Leith Wheeler Investment Counsel Ltd. at 1500 - 400 Burrard Street, Vancouver, BC V6C 3A6.

Our clients are entitled to obtain specific information about Leith Wheeler Investment Counsel Ltd. Our most recent Statement of Financial Condition, a list of our directors and senior officers, and any information about administration proceedings that may relate to the firm or our staff are available upon request.

