



# Leith Wheeler Canadian Equity Fund

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE  
June 30, 2011

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This Interim Management Report of Fund Performance contains financial highlights but does not contain either interim or annual financial statements of the investment fund. You can obtain a free copy of the interim or annual financial statements at your request, 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).

Security holders 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.

#### A NOTE ON FORWARD LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, including its strategy, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and urge you to avoid placing undue reliance on forward-looking statements. Further, you should be aware of the fact that the Fund has no specific intention of updating any forward-looking statements as a result of new information, future events or otherwise.

## Investment Objective and Strategies

### Fund Objective:

To provide superior long-term investment returns by investing in a diversified portfolio of Canadian common shares, convertible debentures and other equity related securities. Under normal circumstances the Fund will keep its portfolio fully invested, to the greatest extent possible, in equity and equity related securities.

### Investment Style:

Our approach to stock picking is based on fundamental research with a strong “value” bias. Our test for value is viewing any investment we make as if we were “buying the whole business”. Therefore, the critical question becomes “what would be the price of the whole business that would make the purchase a profitable one?”. Our experience has been that the price of a company in the stock market does not always reflect its real value. This discrepancy between price and value creates excellent investment opportunities.

As value investors, we tend to include companies in the portfolio when they are “out of favour” by the market and have declined in price. Companies can become undervalued when there is a lack of investor awareness; when an entire industry is out of favour with investors; or when a company experiences a short-term difficulty which, following careful analysis, we believe can be overcome. By purchasing these companies after a price decline, we find we are able to control risk in the portfolio as these investments often have less downside risk while offering a decent potential return.

### Risk

The overall risks of investing in the Fund are as described in the Prospectus. There were no material changes to the Fund during the year that affected the overall level of risk.

### Results of Operations

In the first half of 2011, the Fund’s net assets increased by 6.0% to \$1.2 billion from \$1.1 billion at the end of 2010. Of this change, \$69.3 million was attributable to investment gains and \$2.8 million to net outflows.

After posting a solid start to 2011 in the first three months of the year, the second quarter proved to be more problematic for Canadian equity returns. Lingering concerns about the earthquake damage in Japan, the Greek fiscal situation and signs of economic softness in China and the United States, weighed heavily on equity prices in Canada. During the second quarter, the S&P/TSX Composite dropped 5.2%. Year to date, the Canadian market is up slightly at 0.2%.

In the first half of 2011, the S&P/TSX Composite was led by the Health Care (+56.4%), Telecommunication Services (+13.3%) and Industrials (+10.8%) sectors. The worse

performing sector in the first six months of the year was Information Technology (-30.8%), which was driven in large part by a 52.0% decrease in Research in Motion’s share price over that time period. The decline came as investors & analysts lost confidence in the company’s ability to respond to strong competition from Apple and android smart phone manufacturers.

The Leith Wheeler Canadian Equity Fund outperformed the S&P/TSX Composite in first half of 2011 as Series A of the Fund returned 6.2% and Series B of the Fund advanced by 5.4% after fees and expenses. The majority of the Fund’s outperformance was attributable to its significant underweight to the Materials sector, which declined 9.7% in the first six months of the year. This positive relative performance represents a reversal of the underperformance the Fund experienced in 2010, which was due in part to its Materials underweight and the sector’s strong returns last year.

The top contributors to the Fund’s performance in the first half of 2011 were Saputo (17.9%), CN Rail (17.3%) and TD Bank (11.9%). Additionally, a number of the Fund’s small and mid-capitalization Energy holdings posted very strong gains, with Pure Energy Services (+30.5%), Pulse Seismic (+30.5%) and Savanna Energy Services (+22.7%) all finishing up over 20% year-to-date. In contrast, two of the Fund’s large capitalization Energy holdings hurt performance, as Talisman Energy and Canadian Natural Resources declined by 9.7% and 8.4% respectively.

During the first six months of 2011, we were fortunate to find a number of opportunities to add high quality companies to the Fund. In the Materials sector, we added a small position in West Fraser Timber, Canada’s largest lumber company, in the first quarter. We also initiated a position in Teck Resources, Canada’s largest diversified resource company, which specializes in the production of metallurgical coal, copper and zinc. In the Energy sector, we established positions in TransCanada Pipelines, a large developer and operator of energy infrastructure, and Longview Oil Corporation, a small-capitalization oil and gas producer, in the first half of 2011. In the Financials sector, we added Intact Financial, the largest property and casualty insurer in Canada, and Onex Corporation, a private equity and investment management company, to the Fund.

Another noteworthy development in the Fund’s portfolio in the first half of 2011 was the spinout of Enerflex by Toromont Industries in June. We originally sold our position in Enerflex during the first quarter of 2010 to Toromont, which is also a Fund holding, for \$14.25 per share in a cash and stock deal. The “new” Enerflex is one of the largest natural gas compression businesses in North America and is a large competitor in that space in South Africa and Eastern Australia. Going forward, Enerflex will focus on growing its natural gas compression business

while also looking to be a larger player in the natural gas processing business in North America. Currently, the company is trading at a discount to its peer group and we feel that the long term prospects for the company remain very attractive.

During the first quarter of 2011 we sold our position in Tim Hortons, which had been a Fund holding since 2006. Our overall view of the company at that time of sale was that it was a reasonably strong business, but its allocation of capital and communication with shareholders had been disappointing. Based on this view, we took advantage of an above average valuation to exit our position. We also sold our position in Trican Well Services in the first quarter, as its share price had appreciated to a level where the potential future returns were lower than other investment opportunities. In the second quarter of 2011, we sold our position in Pengrowth Energy. At the time of sale, Pengrowth was undergoing a transition in its management team and corporate strategy. To our surprise, the market was willing to price in a successful turnaround well in advance of its actual occurrence, giving us the opportunity to sell our shares at an attractive valuation. Finally, Genworth Canada was eliminated from the portfolio in the second quarter. Genworth is the largest private residential mortgage insurer in Canada. Given the build-up of mortgage and other consumer debt in Canada, our view is that the growth of mortgage originations will slow in the next few years and Genworth's revenues and will earnings growth will slow materially.

Since the stock market bottom in March 2009, the market's advance has been widespread, as one would expect after the decline caused by the Financial Crisis in 2007-2008. We are now at the stage where investors are being far more discerning and as a consequence, equity returns will be more selective going forward. Our bottom-up approach to equity selection should continue to add value in this type of environment. Based on our view of a recovering world economy, we still believe that corporate earnings growth and moderate bond yields should translate into attractive equity returns. Going forward, Leith Wheeler will continue to apply its value investment principles to security selection as we have always done.

#### **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.

#### **Recent Developments**

Equity markets continued to be volatile in the early part of the second half of 2011 as fears of an impending global recession were fuelled by reports in the media. Rating agency Standard & Poor's (S&P) downgraded U.S.

government long-term debt from AAA to AA+ in August. This led the markets to decline significantly as investors who were concerned about debt levels in Europe and recent disappointing global economic news now digested the impact of a downgrade in U.S. debt. Concern has increased that we may be entering another recession at a time when the government's ability to respond to a slowdown is limited. On a positive note, the downgrade has put the fiscal situation in the U.S. under more of a spotlight and should, hopefully, push the politicians into a more credible long term plan to deal with their debt and deficits.

On the economic front, the last month has seen a significant revision in global growth prospects. These revisions have led to corrections in major equity markets globally and declines in interest rates for most developed bond markets. These concerns around growth expectations are somewhat of a reaction to policy tightening in many regions of the world. Emerging market countries have been leading the global economy higher since the end of the last recession. Unfortunately, price increases in these markets have led to persistent inflation with wage increases becoming routine. To battle this inflation, we have seen a tightening in monetary policy over the past year. Though these increases have had only a modest impact on economic performance to date, the market is concerned that a more significant slowdown is underway. Although we expect to see some slowing of growth from the recent lofty levels in the emerging markets, we still expect these markets to be a key engine that keeps global GDP on an upward trend.

In Europe, the ECB has increased interest rates twice this year despite stresses within the periphery countries of Greece, Portugal, and Ireland. Recent stock market declines were precipitated by a lack of confidence in the Eurozone's ability to manage larger debtor countries such as Italy and Spain. Recent economic data has shown only a modest softening in the industrial heartland within core Europe. However, the stock market has started to discount much slower growth throughout the Eurozone due to continued concerns around peripheral debt levels and the potential impact from weakening emerging economy exports. In the U.S., most signs are pointing to an environment of continued slow economic growth, and the recent market volatility has increased the downside risk to these expectations. Our economy is closely linked to the U.S., as well as to the rest of the world, so our stock market has fallen in tandem. The market is concerned that we will see a recession and with the recent economic weakness, the risks of a recession have increased. However, our base case scenario is for the U.S. economy and Europe not to enter a recession but rather to see a low level of growth in their economies despite their fiscal situation and debt levels.

## Financial Highlights

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 six months and for the past five years or for the periods since inception.

### The Fund's Net Assets per Unit (CAD\$)

SERIES A	2011 YTD	2010	2009	2008	2007	2006
<b>Net assets, beginning of year<sup>(1)</sup></b>	\$33.21	\$29.04	\$23.15	\$34.06	\$34.07	\$29.65
<b>Increase (decrease) from operations:</b>						
Total revenue	0.4	0.81	0.83	0.91	0.83	0.63
Total expenses	-	-	-	(0.11)	(0.15)	(0.25)
Realized gains (losses) for the period	1.53	0.74	(1.59)	0.12	2.90	1.59
Unrealized gains (losses) for the period	0.05	3.61	7.75	(12.06)	(1.50)	3.43
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	1.98	5.16	6.99	(11.14)	2.08	5.40
<b>Distributions:</b>						
From income (excluding dividends)	-	(0.13)	(0.11)	(0.01)	(0.02)	(0.03)
From dividends	(0.43)	(0.66)	(0.68)	(0.88)	(0.81)	(0.85)
From capital gains	-	-	-	(0.07)	(1.65)	(0.35)
Return of capital	-	-	-	-	-	-
<b>Total Annual Distributions<sup>(3)</sup></b>	(0.43)	(0.79)	(0.79)	(0.96)	(2.48)	(1.23)
<b>Net assets, end of year<sup>(1)</sup></b>	\$34.83	\$33.21	\$29.04	\$23.15	\$34.06	\$34.07

SERIES B	2011 YTD	2010	2009	2008	2007	2006
<b>Net assets, beginning of year<sup>(1)</sup></b>	\$34.46	\$30.04	\$23.90	\$35.01	\$34.44	\$29.65
<b>Increase (decrease) from operations:</b>						
Total revenue	0.55	0.83	0.83	0.94	0.84	0.48
Total expenses	(0.28)	(0.48)	(0.38)	(0.12)	(0.15)	(0.19)
Realized gains (losses) for the period	2.13	0.75	(1.59)	0.12	2.92	1.19
Unrealized gains (losses) for the period	0.07	3.66	7.75	(12.45)	(1.51)	2.57
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	2.47	4.76	6.61	(11.51)	2.10	4.05
<b>Distributions:</b>						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	(0.07)	(0.22)	(0.39)	(0.41)	(0.77)	(0.41)
From capital gains	-	-	-	-	(0.58)	-
Return of capital	-	-	-	-	-	-
<b>Total Annual Distributions<sup>(3)</sup></b>	(0.07)	(0.22)	(0.39)	(0.41)	(1.35)	(0.41)
<b>Net assets, end of year<sup>(1)</sup></b>	\$36.24	\$34.46	\$30.04	\$23.90	\$35.01	\$34.44

(1) This information is derived from the Fund's unaudited interim financial statements and audited annual financial statements. The net assets per security presented in the financial statements differs from the net asset value calculated for fund pricing purposes. An explanation of these differences can be found in the Note 4 of the financial statements.

(2) Net assets 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.

(3) Distributions are reinvested in additional units of the Fund or paid in cash.

**Ratios and Supplemental Data**

SERIES A	YTD 2011	2010	2009	2008	2007	2006
Total net asset value (\$)(000's) <sup>(1)</sup>	1,043,436	901,029	668,733	514,153	571,671	453,961
Number of units outstanding (000's) <sup>(1)</sup>	29,879	27,079	22,963	22,135	16,228	13,325
Management expense ratio (%) <sup>(2)</sup>	-	-	-	-	-	-
Management expense ratio before Waivers or absorptions (%)	-	-	-	-	-	-
Trading expense ratio (%) <sup>(3)</sup>	0.05	0.11	-	0.06	0.06	0.08
Portfolio turnover rate (%) <sup>(4)</sup>	22.93	48.0	41.20	10.22	20.95	18.84
SERIES B	YTD 2011	2010	2009	2008	2007	2006
Total net asset value (\$)(000's) <sup>(1)</sup>	129,696	204,579	165,035	118,180	160,348	140,543
Number of units outstanding (000's) <sup>(1)</sup>	3570	5,926	5,479	4,926	4,428	4,081
Management expense ratio (%) <sup>(2)</sup>	1.57	1.52	1.47	1.47	1.48	1.49
Management expense ratio before Waivers or absorptions (%)	1.57	1.52	1.47	1.47	1.48	1.49
Trading expense ratio (%) <sup>(3)</sup>	0.05	0.11	0.09	0.06	0.06	0.08
Portfolio turnover rate (%) <sup>(4)</sup>	22.93	48.0	41.20	10.22	20.95	18.84

(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 for the stated period and is expressed as an annualized percentage of 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.

**Management Fees**

Leith Wheeler Investment Counsel Ltd. (the "Manager") provides the Fund with investment management services, including Fund accounting and unitholder record keeping. In return, the Manager receives a management fee based on the net assets of the Fund, calculated on a daily basis. The annualized management fee for the Series B units of the Fund is 1.40%. Year to date, the Fund paid the Manager \$1.2 million (exclusive of 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 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 Series B units of the Fund. If a broker charges you a commission or fee, that is a matter between you and the dealer.

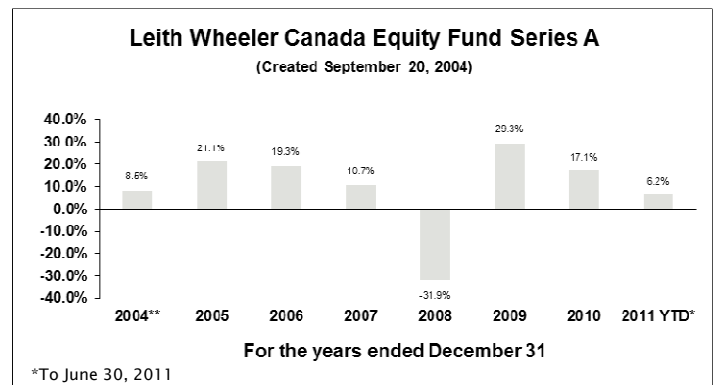
**Past Performance**

**General**

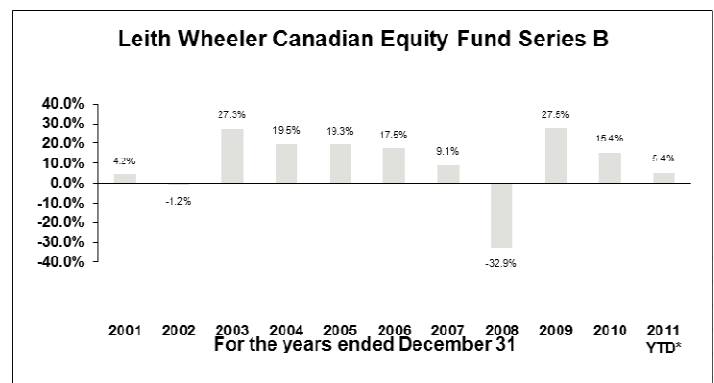
The Fund's performance assumes all distributions made by the Fund in the periods shown were reinvested in units of the Fund and is based on Trading NAV. If you hold the Fund outside a Registered Plan, you will be taxed on these distributions. The performance information does not take into account sales 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 chart shows the Fund's historical return, which changes each year and illustrates how the Fund's performance has changed for the six-month period ended June 30, 2011 and each financial period ended December 31. The 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 period.



\*\*Since September 2004, not annualized



\*To June 30, 2011

## Summary of Investment Portfolio\*

As at June 30, 2011

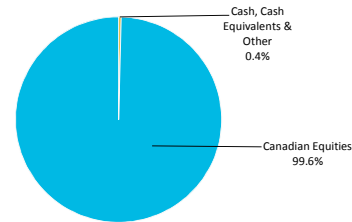
### Top 25 Holdings

Issuer	% of Net Asset Value
TD Bank	6.8%
Saputo Inc.	6.7%
Scotiabank	5.8%
Canadian Natural Resources Ltd.	5.7%
Royal Bank of Canada	5.1%
EnCana Corporation	4.9%
Talisman Energy Inc.	4.7%
CAE Inc.	4.3%
CN Rail	4.0%
Shaw Comm. B	3.3%
Toromont Industries Ltd.	3.1%
Canadian Imperial Bank of Commerce	2.9%
Finning International Inc.	2.8%
National Bank of Canada	2.5%
TransCanada Corp	2.4%
Great-West Lifeco Inc.	2.3%
Rogers Comm. Cl. B	2.3%
Canadian Tire A	2.2%
Canadian Western Bank	2.2%
Manulife Financial Corp.	2.2%
Cogeco Cable Inc.	1.8%
Astral Media Inc.	1.7%
Enerflex Ltd.	1.7%
Baytex Energy Corp	1.6%

\*The summary of investment portfolio may change due to ongoing portfolio transactions of the investment Fund. A quarterly update is available upon request.

Sector Asset Mix	% of Net Asset Value
Financials	34.7%
Energy	24.7%
Industrials	16.4%
Consumer Discretionary	10.8%
Consumer Staples	7.8%
Telecom Services	2.3%
Information Technology	1.7%
Materials	1.2%
Cash and other	0.4%

## Portfolio Composition



\*Cash and cash equivalents includes other assets and liabilities.