



**Leith Wheeler  
Canadian  
Equity  
Fund**

**MANAGEMENT REPORT OF FUND PERFORMANCE**  
For the Year Ended December 31, 2010

# LEITH WHEELER CANADIAN EQUITY FUND

Management Report of Fund Performance

For the Year Ended December 31, 2010



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This Management Report of Fund Performance contains financial highlights but does not contain the complete 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. fact that the Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise.

# LEITH WHEELER CANADIAN EQUITY FUND

## Management Report of Fund Performance

For the Year Ended December 31, 2010



### 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

We purchase equities with the intention of holding them for the long term. We focus on determining the inherent value of a company as a business and not on predicting short-term fluctuations in that company's share price. 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.

#### 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

The Fund's net assets increased by 32.6% in 2010 to \$1,105.6 million from \$833.8 million at the end of 2010. Of this change, \$158.4 million was attributable to investment gains and \$113.4 million to net inflows.

After an extremely strong 2009 in which the S&P/TSX Composite Index climbed 35.1%, the index had a slow start in 2010, falling 5.4% in January. However, the Index rebounded quickly, rallying to end the first quarter up 3.1% on a wave of improving economic data. The second quarter of 2010 was defined by weak performance for the Index as investors' concerns over high European debt levels and their potential consequences heightened, resulting in a 5.5% decline during the quarter. However, these concerns quickly subsided as the Index again rallied strongly off the second quarter decline increasing 10.3% and 9.5% respectively in third and fourth quarters of 2010. The Index's strong second half performance was partially attributable to increased merger and acquisition speculation, most notably BHP Billiton's \$39 billion hostile bid for Potash Corporation in the third quarter. As we look back on the year 2010 as whole, the exceptionally strong performance in the second half of the year more than made up for first half's weakness, as the Index finished the year up 17.6%.

The S&P/TSX Composite Index's strong performance in 2010 was broad-based, with 86% of the 245 stocks that make up the Index posting positive annual returns. From an industry perspective, the Index was led by the Health Care (+57.0%), Materials (+36.5%) and Consumer Discretionary (+25.3%) sectors. The only industry group in the Index that did not post a positive return in 2010 was the Information Technology sector, which finished the year down 11.6%.

The Canadian Equity Fund underperformed the S&P/TSX Composite in 2010 as Series A of the Fund returned 17.2% and

Series B of the Fund advanced by 15.4% after fees and expenses. The majority of the Fund's underperformance in the year was attributable to its significant underweight to the Materials sector. However, the underperformance was partially offset by some very strong stock selection, as a number of the Fund's larger holdings significantly outperformed the Index in 2010.

The top contributors to the Fund's performance in 2010 were Baytex Energy Trust (+66.3%), Finning International (+65.9%) and Saputo (30.9%). A number of the Fund's bank holdings also posted strong gains in 2010, with Canadian Western Bank (+31.6%), CIBC (20.5%) and the Bank of Nova Scotia (+20.4%) all finishing the year up over 20%. Another noteworthy development in 2010 was Gerdau S.A.'s successful takeover of Gerdau Ameristeel, a long time Fund holding, in the third quarter. Long term unitholders will remember that we originally highlighted this pending transaction in our six month performance report for the period ended June 30, 2010.

We were fortunate to find a number of opportunities to add high quality companies to the Fund in 2010. In the Consumer Discretionary sector we added Great Canadian Gaming, a casino owner and operator with their main properties located in British Columbia, and Canadian Tire, one of the largest retailers and best known consumer brands in the country. We also added Home Capital Group, a non-prime mortgage lender with an outstanding track record of growth and profitability, and National Bank, a company that we know well and have owned in the past with an extremely strong retail banking franchise in Quebec, to the Fund's Financials holdings. In the Industrials sector, we added Wajax Income Fund, a diversified company with three core distribution businesses engaged in the sale and servicing of heavy equipment, diesel engines and industrial components, and WestJet Airlines, a Calgary-based low cost carrier that services a 71 city North American and Caribbean network. Finally, we added Nuvista Energy, a western Canadian producer of oil and natural gas, to the Fund's Energy holdings in the fourth quarter of 2010.

We sold our position in Dollarama Inc. during the third quarter of 2010. We originally purchased Dollarama in late 2009 via the company's initial public offering. Since that time, the stock appreciated to the point where our one and three year return targets for the company were met. In 2010 we also sold our position in Research in Motion, based on the continued deterioration of the company's competitive position. The decision to sell was also specifically related to our serious concerns about the company's ability to keep pace with its peers' software development capabilities. Finally, we sold our position in George Weston in the fourth quarter of 2010. Our original thesis when we purchased the stock was that it was trading at a steep discount to its intrinsic value. After posting very strong returns in 2010, we felt that the potential returns for the stock going forward were too low for us to continue to hold our position.

In an unusual development, we repurchased a position in Manulife Financial midway through the fourth quarter, after having sold it earlier in two tranches (mid-August and early October). We sold Manulife as a result of its weakened balance sheet and its outsized sensitivity to declines in equity markets and long term interest rates. When the company reported its third quarter earnings results, we

# LEITH WHEELER CANADIAN EQUITY FUND

## Management Report of Fund Performance

For the Year Ended December 31, 2010



detected a change in management's strategic direction. The company outlined an aggressive plan to reduce its exposure to a number of business lines with high equity and interest rate sensitivity and reinvest in business lines with lower equity and interest rate sensitivities, and higher levels of growth and profitability. We continue to feel that the majority of Manulife's franchises are strong and competitive and management's new direction will lead to a less volatile stream of earnings and a higher valuation for the company going forward.

Although Fund performance lagged the Index in 2010, it is not unusual for our portfolios to look quite different from the markets, as is currently the case. We continue to feel that Fund's holdings represent excellent value and will provide its investors with attractive long-term 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

Markets continue to be volatile in the early part of 2011. We continue to focus our analysis on the balance sheets of companies and look to add selectively to high quality companies with strong balance sheets.

### 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 five years. "Net Assets" are calculated in accordance with Canadian generally accepted accounting principles, which are used to prepare the financial statements (see table below). "Net Asset Value" is derived from the valuation method disclosed in the Annual Information Form and is used for transactional purposes (see Ratios and Supplemental Data). All other calculations for the purpose of this MRFP are made using Net Asset Value.

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

SERIES A (Inception Sept 20, 2004)	2010	2009	2008	2007	2006
<b>Net assets, beginning of year <sup>(1)</sup></b>	\$29.04	\$23.15	\$34.06	\$34.07	\$29.65
<b>Increase (decrease) from operations <sup>(1)</sup>:</b>					
Total revenue	0.81	0.83	0.91	0.83	0.63
Total expenses	-	-	(0.11)	(0.15)	(0.25)
Realized gains (losses) for the period	0.74	(1.59)	0.12	2.90	1.59
Unrealized gains (losses) for the period	3.61	7.75	(12.06)	(1.50)	3.43
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	<b>5.16</b>	<b>6.99</b>	<b>(11.14)</b>	<b>2.08</b>	<b>5.40</b>
<b>Distributions <sup>(2)</sup>:</b>					
From income (excluding dividends)	(0.13)	(0.11)	(0.01)	(0.02)	(0.03)
From dividends	(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>(2)</sup></b>	<b>(0.79)</b>	<b>(0.79)</b>	<b>(0.96)</b>	<b>(2.48)</b>	<b>(1.23)</b>
<b>Net assets, end of year <sup>(1)</sup></b>	<b>\$33.21</b>	<b>\$29.04</b>	<b>\$23.15</b>	<b>\$34.06</b>	<b>\$34.07</b>

SERIES B (Inception Sept 20, 2004)	2010	2009	2008	2007	2006
<b>Net assets, beginning of year <sup>(1)</sup></b>	\$30.04	\$23.90	\$35.01	\$34.44	\$29.65
<b>Increase (decrease) from operations <sup>(1)</sup>:</b>					
Total revenue	0.83	0.83	0.94	0.84	0.48
Total expenses	(0.48)	(0.38)	(0.12)	(0.15)	(0.19)
Realized gains (losses) for the period	0.75	(1.59)	0.12	2.92	1.19
Unrealized gains (losses) for the period	3.66	7.75	(12.45)	(1.51)	2.57
<b>Total increase (decrease) from operations <sup>(1)</sup></b>	<b>4.76</b>	<b>6.61</b>	<b>(11.51)</b>	<b>2.10</b>	<b>4.05</b>
<b>Distributions <sup>(2)</sup>:</b>					
From income (excluding dividends)	-	-	-	-	-
From dividends	(0.22)	(0.39)	(0.41)	(0.77)	(0.41)
From capital gains	-	-	-	(0.58)	-
Return of capital	-	-	-	-	-
<b>Total Annual Distributions <sup>(2)</sup></b>	<b>(0.22)</b>	<b>(0.39)</b>	<b>(0.41)</b>	<b>(1.35)</b>	<b>(0.41)</b>
<b>Net assets, end of year <sup>(1)</sup></b>	<b>\$34.46</b>	<b>\$30.04</b>	<b>\$23.90</b>	<b>\$35.01</b>	<b>\$34.44</b>

(1) 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. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

(2) Distributions were paid in cash/reinvested in additional units of the Fund, or both

### Ratios and Supplemental Data

SERIES A (Inception Sept 20, 2004)	2010	2009	2008	2007	2006
Total net asset value \$(000's) <sup>(1)</sup>	901,029	668,733	514,153	571,671	453,961
Number of units outstanding (000's) <sup>(1)</sup>	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>	0.11	0.09	0.06	0.06	0.08
Portfolio turnover rate (%) <sup>(4)</sup>	48.00	41.20	10.22	20.95	18.84

SERIES B (Inception Sept 20, 2004)	2010	2009	2008	2007	2006
Total net asset value \$(000's) <sup>(1)</sup>	204,579	165,035	118,180	160,348	140,543
Number of units outstanding (000's) <sup>(1)</sup>	5,926	5,479	4,926	4,428	4,081
Management expense ratio(%) <sup>(2)</sup>	1.52	1.47	1.47	1.48	1.49
Management expense ratio before					
Waivers or absorptions (%)	1.52	1.47	1.47	1.48	1.49
Trading expense ratio (%) <sup>(3)</sup>	0.11	0.09	0.06	0.06	0.08
Portfolio turnover rate (%) <sup>(4)</sup>	48.00	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 assets 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 assets 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

# LEITH WHEELER CANADIAN EQUITY FUND

## Management Report of Fund Performance

For the Year Ended December 31, 2010



*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 \$2,491,585 (exclusive of taxes) of its net assets as management fees. 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 series B units of the Fund. 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.

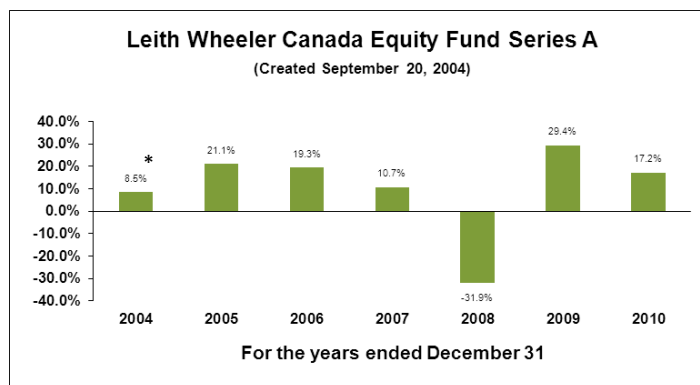
### Past Performance

#### General

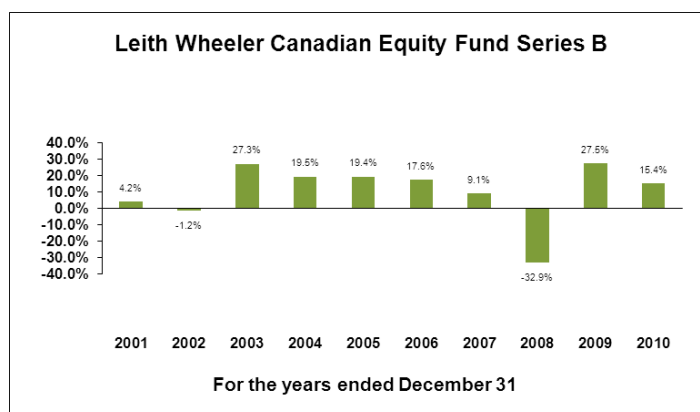
The Fund's performance assumes all distributions made by the Fund in the periods shown were reinvested in units of the Fund and is based on Trading NAV. If you hold the Fund outside a Registered Plan, you will be taxed on these distributions. The performance information does not take into account sales 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 annual historical return, which changes each year. Annual return is the percentage change in the value of an investment from January 1 to 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 financial year.



\* Since September 2004, not annualized



### Annual Compound Returns

The following table compares the historical annual compound return of the Fund (pre-fee for Series A and post-fee for Series B) with the S&P/TSX Composite Index for the period ended December 31, 2010. The S&P/TSX Composite Index is a market capitalization weighted index that comprises approximately 71% of market capitalization for Canadian-based, Toronto Stock Exchange listed companies. A discussion of the performance of the Fund as compared to the benchmark is found in the Results of Operations section of this document.

#### Compound Annual Returns

Series A	1 Year	3 Years	5 Years	10 Years
Fund	17.2%	1.1%	6.4%	N/A
Benchmark	17.6%	2.1%	6.5%	6.6%

Series B	1 Year	3 Years	5 Years	10 Years
Fund	15.4%	-0.4%	4.9%	9.0%
Benchmark	17.6%	2.1%	6.5%	6.6%

# LEITH WHEELER CANADIAN EQUITY FUND

Management Report of Fund Performance

For the Year Ended December 31, 2010



## Summary of Investment Portfolio\*

As at December 31, 2010

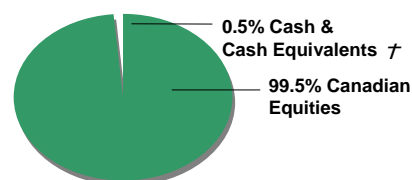
### Top 25 Holdings

Issuer	% of Net Asset Value
Toronto Dominion Bank	6.6%
Saputo Inc.	6.5%
Bank of Nova Scotia	6.0%
Talisman Energy Inc.	5.8%
Canadian Natural Resources Ltd.	5.0%
Toromont Industries Ltd.	5.0%
Royal Bank of Canada	4.5%
Encana Corporation	4.4%
CAE Inc.	4.1%
Canadian National Railway Co.	3.7%
Finning International Inc.	3.2%
Canadian Imperial Bank of Commerce	3.2%
Shaw Communications B	3.2%
Rogers Communications Class B	2.9%
Canadian Western Bank	2.8%
Great-West Lifeco Inc.	2.6%
Alimentation Couche-Tard Sub Voting	2.4%
Manulife Financial Corp.	2.2%
Baytex Energy Trust	2.2%
Industrial Alliance Insurance	2.0%
Progress Energy Resources Corp.	1.9%
Pengrowth Energy Trust	1.9%
Genworth MI Canada Inc.	1.8%
Cogeco Cable Inc.	1.7%
Astral Media Inc.	1.7%

## Asset Mix

Sector Mix	% of Net Asset Value
Financials	34.0%
Energy	24.5%
Industrials	17.7%
Consumer Discretionary	10.3%
Consumer Staples	8.9%
Telecom Services	2.8%
Information Technologies	1.3%
Cash & Equivalents	0.5%

## Portfolio Composition



† Cash and cash equivalents includes other assets and liabilities.

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