



# **Leith Wheeler International Equity Plus Fund**

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

# LEITH WHEELER INTERNATIONAL EQUITY PLUS 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.

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### Investment Objective and Strategies

#### Fund Objective

To provide superior long-term investment returns by investing in equity securities trading on the major markets around the world. The Fund will focus on holdings in the EAFE (Europe, Australasia & Far East) markets but may also have some exposure to North American and Emerging Markets.

#### Investment Style

Our strategy employs a value approach to the management of equities. It emphasizes long-term investment and it focuses on the selection of individual securities using a bottom-up, research driven approach. Sector exposure is a residual of this stock selection process. Fund holdings must meet our standards of investment quality including a history of above average financial performance, a secure financial position, reputable management, and a growth opportunity in terms of sales, earnings, and share price.

#### Risk

The overall risks of investing in the Fund are as described in the Prospectus. There were no material changes to the Fund since inception on October 31, 2008 that affected the overall level of risk.

#### Results of Operations

In 2010, the Fund's net assets increased by 3.0% to \$12.1 million from \$11.8 million at the end of 2009. Of this change, \$1.0 million was attributed to investment gains and \$0.7 million to net outflows.

The Leith Wheeler International Equity Plus Fund outperformed its benchmark MSCI EAFE Index in 2010 with Series A units advancing 9.6% and Series B units advancing by 7.9% after fees and expenses. The MSCI EAFE Index returned 2.4% in 2010.

The year 2010 began as 2009 had left off – with strong equity markets globally. Signs of global economic stability and even growth in some cases were a tailwind for equity markets, but eventually concerns over sovereign debt defaults in Europe slowed the advancing equity markets. Even after the IMF agreement was signed, Greece's woes weighed on European stocks. In the first quarter, the International Equity Plus Fund's strong performance was largely due to its holdings in Japanese stocks. Holding more Information Technology stocks than the benchmark and strong security selection in this sector also helped performance. Our overweight position in Materials stocks detracted from the Fund's performance in the first three months of 2010.

By the second quarter, risk aversion had returned to the markets after a one year absence. Precious metals performed very strongly as investors fled to safety. Gold stocks, in particular, performed well. More conservative sectors such as Consumer Staples and Utilities performed well in the second quarter, while Materials and Energy stocks did not. Although the International Equity Plus Fund performed better than the Index, it declined in value in the second quarter. It was helped by its holdings in AngloGold Ashanti of South Africa and Barrick Gold of Canada. Consumer Discretionary stocks such as Sega Sammy (the Japanese game

console manufacturer) and Magna International (the Canadian auto parts manufacturer and auto assembler) helped performance. In the first half of the year, we executed a number of trades in BP PLC of the UK, including, among others, the elimination of the stock from the Fund as uncertainties about the leaking well at the Deepwater Horizon facility increased and the eventual re-initiation of a position in the stock as the company's valuations became more compelling.

The second half of the year saw strong equity markets once again. The third quarter provided one of the best quarterly returns the EAFE markets have experienced in the last decade. Energy, Telecom, Materials and Financial stocks performed well. Information Technology, Utilities and Healthcare stocks lagged. Consumer Discretionary and Industrial stocks performed well in the final quarter of 2010. Telecommunication stocks performed well also. We like telecom stocks that are oligopolistic, have strong franchises in markets that have little penetration. We believe these companies will benefit from growth in emerging markets as well.

By the end of the year, the advance of the equity markets has resulted in fewer obvious opportunities to find companies that are undervalued. We still feel there is value to be found in Japan as investors have priced equities in Japan at a discount to their intrinsic value. We are also finding value in Energy stocks – in particular in natural gas producing companies. We have trimmed our holdings in sectors that have performed well such as Gold, Consumer Discretionary and Industrials.

We continue to take a bottom-up approach to finding high quality companies that are undervalued by the market to hold in the Fund. We continue to maintain a disciplined, opportunistic investing methodology.

#### 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.

Leith Wheeler Balanced Fund owns 1,102,550 units of the Leith Wheeler International Equity Plus Fund Series A, a fund under common management. This holding represents approximately 84.0% of this Fund.

#### Recent Developments

Positive international equity markets continued in the first two months of 2011. A major earthquake struck the northeast region of Japan on March 11<sup>th</sup>, causing massive destruction and a tragic loss of lives in the surrounding region. This has introduced a great amount of volatility into the equity markets and to Japanese stocks in particular. We are monitoring the events in Japan closely and will adjust our holdings if appropriate as opportunities present themselves.

# LEITH WHEELER INTERNATIONAL EQUITY PLUS FUND

## Management Report of Fund Performance

For the Year Ended December 31, 2010



### 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 Oct 31, 2007)	2010	2009	2008	2007	2006
<b>Net assets, beginning of year<sup>(1)</sup></b>	\$8.59	\$8.32	\$9.70	\$10.00	N/A
<b>Increase (decrease) from operations:</b>					
Total revenue	0.21	0.22	0.24	0.02	N/A
Total expenses	-	-	(0.03)	(0.01)	N/A
Realized gains (losses) for the period	0.27	(0.29)	(0.25)	0.03	N/A
Unrealized gains (losses) for the period	0.38	0.45	(1.01)	(0.31)	N/A
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.86</b>	<b>0.38</b>	<b>(1.05)</b>	<b>(0.27)</b>	<b>N/A</b>
<b>Distributions:</b>					
From income (excluding dividends)	-	-	(0.01)	(0.02)	N/A
From dividends	(0.21)	(0.05)	(0.21)	-	N/A
From capital gains	-	-	-	(0.02)	N/A
Return of capital	-	-	-	-	N/A
<b>Total Annual Distributions<sup>(3)</sup></b>	<b>(0.21)</b>	<b>(0.05)</b>	<b>(0.22)</b>	<b>(0.04)</b>	<b>N/A</b>
<b>Net assets, end of year<sup>(1)</sup></b>	<b>\$9.21</b>	<b>\$8.59</b>	<b>\$8.32</b>	<b>\$9.70</b>	<b>N/A</b>

SERIES B (Inception Oct 31, 2007)	2010	2009	2008	2007	2006
<b>Net assets, beginning of year<sup>(1)</sup></b>	\$8.52	\$8.33	\$9.86	\$10.00	N/A
<b>Increase (decrease) from operations:</b>					
Total revenue	0.22	0.21	0.24	0.02	N/A
Total expenses	(0.14)	(0.13)	(0.03)	(0.01)	N/A
Realized gains (losses) for the period	0.27	(0.27)	(0.24)	0.03	N/A
Unrealized gains (losses) for the period	0.38	0.42	(0.99)	(0.31)	N/A
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.73</b>	<b>0.23</b>	<b>(1.02)</b>	<b>(0.27)</b>	<b>N/A</b>
<b>Distributions:</b>					
From income (excluding dividends)	-	-	-	-	N/A
From dividends	(0.08)	(0.01)	(0.18)	-	N/A
From capital gains	-	-	-	(0.02)	N/A
Return of capital	-	-	-	-	N/A
<b>Total Annual Distributions<sup>(3)</sup></b>	<b>(0.08)</b>	<b>(0.01)</b>	<b>(0.18)</b>	<b>(0.02)</b>	<b>N/A</b>
<b>Net assets, end of year<sup>(1)</sup></b>	<b>\$9.13</b>	<b>\$8.52</b>	<b>\$8.33</b>	<b>\$9.86</b>	<b>N/A</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	2010	2009	2008	2007	2006
Total net asset value \$(000's) <sup>(1)</sup>	10,485	9,630	10,880	11,952	N/A
Number of units outstanding (000's) <sup>(1)</sup>	1,136	1,116	1,307	1,230	N/A
Management expense ratio(%) <sup>(2)</sup>	-	-	-	-	N/A
Management expense ratio before					
Waivers or absorptions (%)	-	0.14	0.13	-	N/A
Trading expense ratio (%) <sup>(3)</sup>	0.07	0.10	0.14	0.10	N/A
Portfolio turnover rate (%) <sup>(4)</sup>	38.56	51.04	10.93	6.07	N/A

SERIES B	2010	2009	2008	2007	2006
Total net asset value \$(000's) <sup>(1)</sup>	1,662	2,169	1,377	273	N/A
Number of units outstanding (000's) <sup>(1)</sup>	182	253	165	28	N/A
Management expense ratio(%) <sup>(2)</sup>	1.63	1.58	1.58	1.59	N/A
Management expense ratio before					
Waivers or absorptions (%)	2.19	2.05	2.26	1.95	N/A
Trading expense ratio (%) <sup>(3)</sup>	0.07	0.10	0.14	0.10	N/A
Portfolio turnover rate (%) <sup>(4)</sup>	38.56	51.04	10.93	6.07	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 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 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 1.50%. Year to date, the Fund paid the Manager \$24,141 (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 units of the Fund. If a broker charges you a commission or fee, that is a matter between you and the dealer.

# LEITH WHEELER INTERNATIONAL EQUITY PLUS FUND

## Management Report of Fund Performance

For the Year Ended December 31, 2010



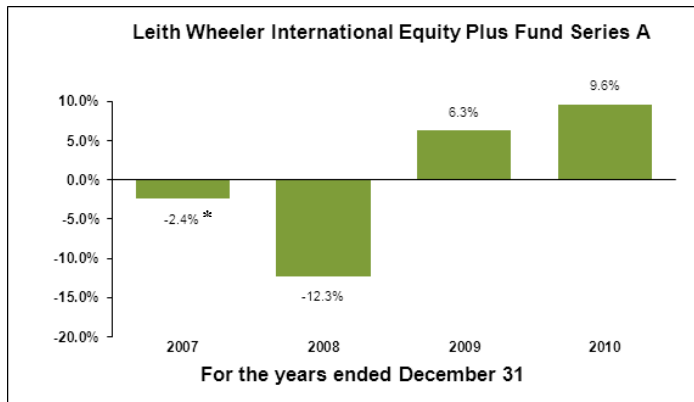
### Past Performance

#### General

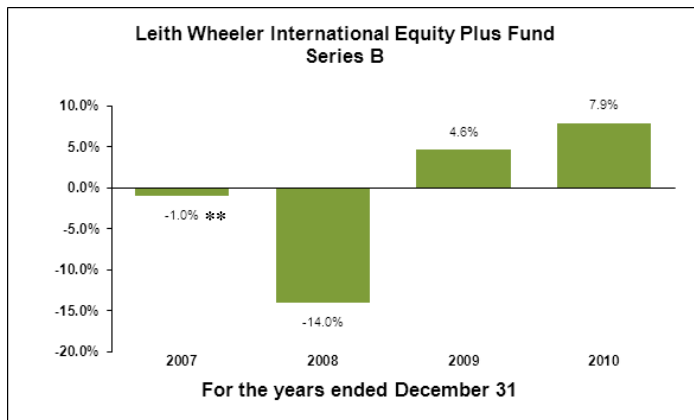
The Fund's performance assumes all distributions made by the Fund in the periods shown were reinvested in units of the Fund and is based on Net Asset Value. If you hold the Fund outside a Registered Plan, you will be taxed on these distributions. The performance information does not take into account 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 inception on October 31, 2007, not annualized



\*\*Since inception on November 13, 2007, not annualized

### Annual Compound Returns

#### Compound Annual Returns

Series A	1 Year	3 Years	5 Years	10 Years
<b>Fund</b>	9.6%	0.7%	N/A	N/A
<b>Benchmark</b>	2.4%	-6.8%	0.8%	-0.7%

Series B	1 Year	3 Years	5 Years	10 Years
<b>Fund</b>	7.9%	-1.0%	N/A	N/A
<b>Benchmark</b>	2.4%	-6.8%	N/A	N/A

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## Summary of Investment Portfolio\*

As at December 31, 2010

### Top 25 Holdings

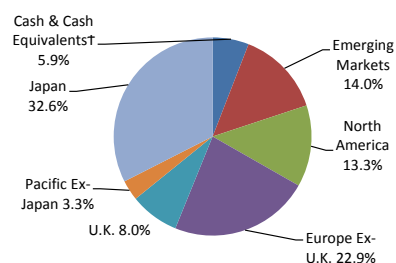
Issuer	% of Net Asset Value
Barrick Gold Corp	3.2%
Nippon Telegraph & Telephone ADR	2.9%
Suncor Energy Inc.	2.9%
SK Telecom Co Ltd.. ADR	2.7%
Coca Cola West Company Limited	2.7%
Nexen Inc.	2.7%
Royal Dutch Shell PLC	2.6%
Dai Nippon Printing Co Ltd.	2.6%
Gold Fields Ltd.	2.5%
Telecom Italia	2.4%
Anglogold Ashanti Sponsored ADR	2.3%
Kinross Gold Corp	2.3%
Siemens AG	2.3%
Sanofi-Aventis	2.2%
Carrefour SA	2.0%
Mabuchi Motor Co Ltd.	2.0%
Mitsui Sumitomo Insurance Group Holdings	2.0%
Newcrest Mining Ltd.	2.0%
GlaxoSmithKline Plc.	2.0%
Wacoal Holdings Corp	1.9%
Fuji Photo Film Co Ltd.	1.9%
Vodafone Group	1.8%
Seven and I Holdings Co Ltd.	1.8%
Thales SA	1.8%
Nokia Corp	1.8%

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

## Asset Mix

Sector	% of Net Asset Value
<b>International Equity</b>	<b>80.8%</b>
Materials	9.3
Telecom Services	11.4
Energy	5.0
Industrials	10.2
Information Technology	9.7
Consumer Discretionary	8.9
Consumer Staples	9.1
Financials	6.5
Health Care	6.3
Utilities	4.4
<b>North American Equity</b>	<b>13.3%</b>
Materials	5.6%
Energy	5.5%
Financials	1.7%
Consumer Discretionary	0.5%
<b>Cash</b>	<b>5.9%</b>

## Portfolio Composition



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