Leith Wheeler INVESTMENT FUNDS LTD. Well Into the Future

Leith Wheeler Investment Funds
Quarterly Review – March 31, 2011

	MER* %	3 Mo. %	1 Yr %	3 Yrs %	5 Yrs %	10 Yrs %
LW Canadian Equity Fund	1.52	8.0	20.6	3.3	5.0	10.3
LW U.S. Equity Fund (C$)	1.35	0.6	3.8	-0.2	-3.2	-1.4
LW International Equity Plus Fund (C$)	1.63	-0.6	5.9	-0.9	n/a	n/a
LW Income Advantage Fund**	0.90	n/a	n/a	n/a	n/a	n/a
LW Balanced Fund	1.19	2.5	10.1	3.3	2.9	6.0
LW Unrestricted Diversified Fund***	1.19	2.3	10.1	2.8	2.8	n/a
LW Fixed Income Fund	0.81	-0.1	5.4	3.9	3.9	5.0
LW Money Market Fund	0.37	0.1	0.4	0.8	2.0	2.1
Peer Comparison****	Median MER	3 Mo. %	1 Yr %	3 Yrs %	5 Yrs %	10 Yrs %
Median Canadian Equity Fund	2.50	4.8	16.6	2.6	3.6	6.5
Median US Equity Fund (C$)	2.62	3.2	8.6	-1.7	-2.8	-2.4
Median International Equity Fund (C$)	2.78	0.5	5.2	-5.5	-3.8	-0.8
Median Global Equity Balanced Fund	2.80	2.1	9.3	1.3	0.6	2.7
Median Fixed Income Fund	1.97	-0.4	3.5	3.7	3.6	4.3
Median Money Market Fund	1.09	0.1	0.2	0.6	1.6	1.8

Note: Returns reflect changes in unit value and distributions reinvested. Fund performance numbers are after Management Expense Ratios (MERs). They do not take into account, however, charges or commissions that an external broker may charge for purchasing/redeeming the mutual funds which would have reduced returns. Past returns do not necessarily indicate future performance.
** 2010 Audited MER for Leith Wheeler funds*
*** LW Income Advantage Fund performance not available until fund has been under a prospectus for 1 year.*
**** The Unrestricted Diversified Fund is available to discretionary clients in non-registered accounts. MER is unaudited as it is a non-prospectused fund*
***** Source: Globefund.com*

The first few months of 2011 have provided some dramatic events on the world stage. From ongoing political unrest in the Middle East, to the tragic events in Japan and recurring concerns over debt levels in some European countries, financial markets have had a great deal of news to digest. What is apparent, so far, is that Canada continues to offer a relatively attractive safe haven for investors. This is evidenced by the strong performance of the Canadian equity market in the first quarter, shrugging off the bad news which affected other major equity markets.

Domestically, we began to see the North American economic recovery gain traction in the quarter. Manufacturing and transportation continue to lead the economy, with some measures of purchasing managers' intentions turning the most positive since the early 1980's. On the consumer front, U.S. retail sales grew by 9% over the past year, the strongest level of growth in the past decade. We also began to see the early signs of a recovery in employment markets, with the U.S. unemployment rate falling a full percentage point over the past four months. The overall strength came as somewhat of a surprise to all, with the first quarter seeing the highest level of economic releases beating consensus over the past eight years.

The Canadian Equity Fund outperformed a strong market due to encouraging outperformance from many of our companies, as well as our lack of exposure to Golds and the Materials sectors, which struggled. The U.S. Equity and International Equity Plus Funds lagged their respective benchmarks for the quarter. The International Equity Plus Fund gave back a little of the strong relative outperformance in 2010.

Interest rates rose over the course of the first quarter. As a result, government bond prices declined. The Fixed Income Fund's performance was better than the benchmark index primarily due to strong security selection and interest rate management.

The quarter also saw significant volatility in oil prices given security concerns in the Middle East. Revolutions, civil war and protests marked developments in the region. Demonstrations in Saudi Arabia were of particular concern to oil markets given the size of the country's production and its role as a swing producer. It is too early to tell the final outcome of these events, but some estimates point to a price premium for oil of close to $10 given this uncertainty. On the bright side, rising oil prices had a positive impact on the stock prices of the energy companies in the Canadian Equity Fund. As a result, some of our energy names were the best performers in the first quarter. Rising oil prices do present some concerns. If the price premium for oil is sustained, it could be expected to depress economic growth by about 0.25% over the next year.

Similar to previous catastrophes, the initial reaction to the events in Japan was a steep decline in the Japanese stock market. Unfortunately, the full impact of the earthquake and tsunami are not yet known as Japan struggles to cope with the containment of their nuclear reactors. With heightened uncertainty, we are monitoring the situation carefully, considering whether there are buying opportunities. While the news from Japan is still emerging and the impact not fully known, the worst of the tsunami impact was away from the majority of Japan's industrial heartland, but Japanese producers are still affected to some extent, not the least of which is the loss of nuclear power.

We continue to expect that stocks will beat bonds over the next few years, although the margin of expected outperformance has narrowed over the past quarter. We expect upward pressure on short term bond yields as the market begins to discount a normalization of monetary conditions from the Bank of Canada. We also expect a rise in long bond yields, however this will be contained by continued demand from pension plans looking to better match their assets and liabilities. In our view, the yield curve will start to flatten, hence longer term maturities will outperform.

Our equity portfolios are constructed on a stock by stock basis with companies offering reasonable prospects for growth and strong balance sheets that are trading at compelling valuation levels.

Canadian Equity Fund

After a very strong finish to 2010, the Canadian equity market continued to move higher in the first three months of 2011. The Canadian Equity Fund strongly outperformed the benchmark in the first quarter of 2011, advancing by 8.0% after fees and expenses. The TSX Composite Index rose by 5.6% during this same time period.

The first quarter of 2011 was characterized by several significant global events. In February, the governments of Tunisia and Egypt were overthrown. By late February, the unrest had spread to large oil producing countries such as Libya, Algeria, and Syria. Then in March, Japan experienced the fifth largest earthquake on record, which created a deadly tsunami. Despite the temporary uncertainty caused by these external events, the Canadian stock market ended the quarter in positive territory led by the Healthcare, Financials, Energy, and Industrials sectors.

The Canadian equity market has performed exceptionally well since bottoming in March 2009. We continue to find attractive opportunities to purchase strong businesses at reasonable valuations. Given our expectations of a recovering economy, continued growth in corporate earnings and moderate bond yields, we maintain a bias towards equities over fixed income alternatives.

U.S. Equity Fund

U.S. equity returns remained remarkably strong during the first quarter of 2011 in domestic currency terms, with the S&P 500 Index continuing the ascent it began in March 2009. In fact, the first quarter S&P 500 return of 5.9%, in U.S. dollars, was the strongest first quarter return in over a decade. Clearly, confidence continues to build with each passing quarter, driven largely by healthy corporate profits and early signs that the U.S. economy is on the mend. Federal Reserve easing has also played an important role. The U.S. Equity Fund advanced by 0.6% after fees and expenses in the first quarter, lagging its benchmark which increased by 3.5% in Canadian dollar terms.

Despite showing modest signs of improvement, the health of the U.S. economy remains tenuous. Historically high unemployment, a weak housing market, and strained government finances, along with rapidly rising energy and commodity prices all represent headwinds challenging both the economic recovery and corporate profitability. Risks still remain, but the market continues on its upward trajectory and companies with strong near-term business outlooks have been rewarded. To illustrate, the best performing sector in the S&P 500 Index during the quarter was Energy (rising energy prices). Not surprisingly, the list of best performing companies in the Index for the quarter came from this sector.

Conversely, companies where the near-term outlook is either tepid or more uncertain underperformed during the quarter. This group included very high quality companies like Carnival, Johnson & Johnson, Merck and Procter & Gamble. We used their relative underperformance to add to our positions in these companies.

Over the quarter and year, the Canadian dollar appreciated 2.1% versus the U.S. dollar, negatively impacting returns for Canadian-based investors.

Collectively, we sold a group of quality companies at a normalized price-to-earnings of 17.1 times and redeployed funds into quality companies trading at a normalized price-to-earnings of 11.9 times. Overall, we believe the Fund possesses superior quality to the S&P 500 Index, characterized by a higher projected return on equity, lower financial leverage, and trading at approximately a 30% discount on a normalized price-to-earnings basis. In our opinion, the Fund offers superior return potential over the long-term.

International Equity Plus Fund

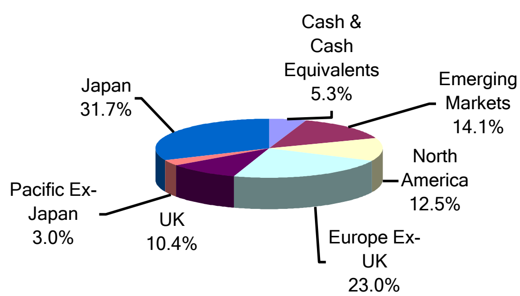
Global markets exhibited notable volatility during the first quarter of the year, with large-scale political uprisings, increasing food and commodity prices and sovereign debt concerns all contributing to market instability. The International Equity Plus Fund gave back some of the outperformance it earned in 2010 and declined by 0.6% after fees and expenses in the first quarter. The benchmark MSCI EAFE Index returned 1.0% in Canadian dollars in the first three months of 2011.

Volatility intensified in March as a result of the tragic earthquake and tsunami in Japan. While many investors shun such volatility at any price, we are using current conditions to gain relatively low-cost exposure to great companies which we believe stand to benefit from the eventual recognition of our estimate of their intrinsic value as producers of real wealth.

The energy sector has recently exemplified this recognition process. Rising oil prices have caused a re-evaluation of the enormous worth inherent in companies which drill, produce, refine and distribute this important commodity. Accordingly, we have reduced or our holdings of oil companies on significant price appreciation. Natural gas companies have also performed quite well, despite a relatively flat gas price. Sentiment toward the role of abundantly available natural gas in the global energy matrix has turned more favorable in light of increased instability in oil producing countries. Further, the speed with which both oil and natural gas facilities can come online to serve demand compares favorably to the increasingly long lead-time for nuclear power, a difference which is growing more impactful in fulfilling energy needs.

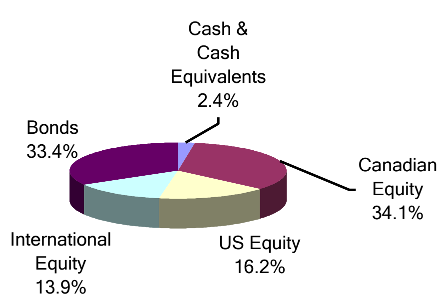
Attitudes toward companies domiciled in Japan have also been quite negative, reflecting the challenges that country faces in rebuilding earthquake and tsunami-damaged infrastructure. In our view, this pessimism has generated unusually favorable prospects for investing in companies with tremendous business advantages, even outright monopolies, sometimes priced below book value. Such uniquely low entry points allows for conviction in the face of the future uncertainty for Japanese businesses. We're closely following developments in the country, determining the impact on our holdings and opportunistically building positions.

The country weightings of the International Equity Plus Fund at March 31, 2011 were as follows:



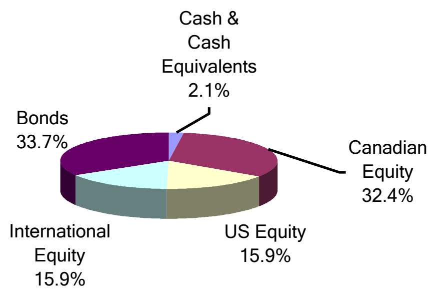
Balanced Fund

The Balanced Fund advanced by 2.5% after fees and expenses in the first quarter of 2011. The asset mix for the Fund at March 31, 2011 was as follows:



Unrestricted Diversified Fund

The Unrestricted Diversified Fund advanced by 2.6% after fees and expenses in the first quarter of 2011. The asset mix for the Fund at March 31, 2011 was as follows:



Fixed Income Fund

Interest rates increased over the quarter as economic indicators continued to point to stronger economic growth. Fixed income investors revised their expectations upwards for the path of short term interest rates, causing bond yields across maturities to increase. The general upward trend in longer term interest rates was interrupted with several downward moves as the bond market reacted to news from the Middle East and Japan.

Long term Canadian bond yields rose from 3.5% at the end of 2010 to 3.8% at the end of the quarter. The overall strength from the economy and signs of significant household leverage both indicate that the Bank of Canada will most likely resume short term interest rate increases over the next couple of quarters.

The Fixed Income Fund was flat after fees and expenses during the quarter, but outperformed the benchmark DEX Universe Bond Index which declined by 0.3% in the first three months of 2011.

Both corporate and provincial bonds continued to outperform federal government bonds this quarter. As a result, the corporate bonds held in the Fixed Income Fund added significantly to performance.

Corporate spreads were modestly tighter over the quarter and significantly tighter in the commercial mortgage-backed securities (CMBS) and asset-backed securities (ABS) sectors, where we continue to have our largest overweight positions. As we did last quarter, we continue to take advantage of the outperformance in these sectors to both reduce our overall position and to improve the credit quality of our remaining holdings. We also benefitted from our overweight in bank bonds, which outperformed. Our performance was finally helped by the fact that we were significantly underweight both the telecom and cable sectors, which widened because of a large amount of issuance.

We continue to maintain an overweight in corporate and provincial bonds, as we expect the outperformance of non-federal government bonds to continue. We also expect to continue to reduce our current CMBS and ABS positions, as well as our provincial overweight, as market opportunities to do so present themselves.

Income Advantage Fund

We launched our Income Advantage Fund in late 2010 – a fund designed for investors wanting to earn income and to have less volatility than a traditional balanced portfolio. The Income Advantage Fund consists of 50% in shorter term corporate bonds, 20% preferred shares and the remaining 30% in Canadian dividend paying common stocks.

Questions about your portfolio?

If you have questions about your Leith Wheeler portfolio, Funds or services, please contact your Portfolio Manager or Karey Irwin at 604-683-3391 or 1-888-292-1122.