LEITH WHEELER INVESTMENT OUTLOOK

Leith Wheeler INVESTMENT COUNSEL LTD.

Second Quarter 2009

Why International Equities Now?

In our history of managing International portfolios, we have lived through Japan's booming market of the late 1980s, the following bust and prolonged period of economic stagnation, the 1987 global market crash, the Asian financial crisis of 1997 and of course, the dot com bubble and bust of the late 90's. All of these substantial corrections ultimately created fantastic investment opportunities similar to those we are seeing today

Our strategy as investment managers is to discover excellent businesses selling at attractive prices through internal research. One of the characteristics of an "excellent" company is superior operating performance or profitability. Companies like these get through challenging times and generally outperform over the long term.

Below are our International Fund holdings in the building materials sector, which has been one of the worst performing sectors in the market over the last two years:

		Operating Performance ROE %				Share Price % Change	
Holdings	**Country**	**10 Yr.**	**Projected**	**2007**	**2008**	**2007**	**2008**
CRH	Ireland	18	17	19	16	(24)	(25)
Kingspan	Ireland	30	19	31	21	(48)	(64)
Grafton	Ireland	21	15	19	6	(56)	(55)
Travis	U.K.	21	15	18	14	(39)	(72)
Wolseley	U.K.	19	13	11	7	(40)	(48)
Average		22	16	20	13	(41)	(53)

The share price performance of these companies has been depressed over the last two years due to the distressed condition of the global housing and construction markets. However, looking at the operating performance of these companies (best measured by return on shareholder equity or ROE) you can see their profitability has been very respectable during this difficult time period, with average ROE of 20% and 13% in 2007 and 2008 respectively. While the 2009 and 2010 outlook is very uncertain, we expect that these companies will continue to earn above average returns over the long term. The above average profitability of these and all of our holdings during the very difficult conditions of 2007 and 2008 has produced positive and above average growth in the value of shareholder equity. We are confident that this sustained growth in shareholder equity will eventually be reflected in share price performance.

Looking at the top ten holdings of the International Fund on the next page, we see a similar trend — shareholder value has been increasing at a steady rate while market values have been declining. This divergence has been creating consistently better value for long term investors!

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Top Ten Holdings	Country	Operating Performance ROE % 10 Yr. Avg.	Projected	2007	2008	Share Price Performance % Change 2007	2008
Nestle	Switzerland	19	20	20	17	20	(20)
Novartis	Switzerland	18	18	17	16	(12)	(15)
CRH	Ireland	18	17	19	16	(24)	(25)
CLP Holdings	Hong Kong	19	15	16	15	(7)	(1)
Total	France	25	22	31	23	4	(32)
Honda Motor*	Japan	15	14	14	13	(20)	(49)
Singapore Telecom	Singapore	18	15	17	19	22	(36)
Carnival	U.K.	15	13	13	12	(14)	(32)
Royal Dutch Shell	U.K.	22	20	27	21	18	(17)
Samsung Elec.**	Korea	22	20	14	n/a	(11)	(40)
Average		***19***	***17***	***19***	***17***	***(2)***	***(26)***

* March year end

** Consolidated statements not yet available for latest fiscal year

We are often asked how we decide which countries and sectors to invest in. A characteristic of our investment style is that country and sector exposures of the International Fund are determined by where we find the best individual company values rather than choosing countries and sectors. As a result, we have always been underinvested in Japan relative to the MSCI EAFE Index simply because the high quality Japanese companies that we follow were always too expensive for us to own. In 2007 less than 10% of the Fund was invested in Japan despite an index weighting of 20% or more. During 2008, however, the Fund weight in Japan doubled to more than 20%. While some of the increased weighting resulted from a stronger currency, additions to existing holdings and a large number of new holdings contributed to the majority of the increase. Over the last year and a half we have added ten new Japanese companies to the Fund. Japan has experienced a very tough economic situation for the better part of two decades and these companies have nevertheless prevailed.

Keyence is a good example of a recent addition in Japan. It is also exactly the type of company we love to own. It is a dominant player in its field - a specialist manufacturer of sensors for the factory automation industry. Over the last 20 years operating and pre-tax profit margins have been consistently high, averaging over 40% with the last five years above 50%. It operates in a cyclical industry that is dependent on capital spending yet margins have never dropped below 34% in its 20 year history as a public company. This is the kind of margin of safety we seek. Another margin of safety exists in the company's financial position. It has never taken on debt and cash and investments have always been a large portion of its assets. While some would argue that this large cash holding is inefficient, it has not lowered their very attractive return on equity.

We have been following Keyence for years and have always regarded it as an excellent business. Up until recently it had always been an expensive stock as the market fully recognized its quality. However, the share price is now reflecting economic uncertainty and the potential downturn in capital spending on factory automation equipment. This is the cloud that has provided an opportunity to buy a superb business at a cheap price.

While the degree of volatility and magnitude of decline from the recent market turmoil has exceeded our expectations, our investment strategy has not changed. We continue to carry out our own research to identify high quality companies trading at attractive valuations to invest in. In our view, the International Fund is currently valued at the cheapest levels we have seen in our history of managing money and presents a wonderful investment opportunity for investors with a long term view.

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