

LEITH WHEELER INVESTMENT OUTLOOK



Second Quarter 2008

The Benefits of Ownership

Just as there have been dramatic changes in the markets this year, there continues to be big changes in the investment management industry. Listening to the news we hear how the investment industry continues its obsession with asset-gathering and a 'bigger is better' mentality. The employees at Leith Wheeler agree that bigger is certainly better for the large investment firms as they are able to reduce their costs and improve their profits by leveraging their scale.

But bigger is not necessarily better for the clients. For one thing, it often does not translate into lower fees. Also, for a sizeable firm, the number of eligible investments becomes limited to the largest, most liquid stocks. Portfolios start looking increasingly like the market, which makes it difficult to produce superior returns. A smaller firm like Leith Wheeler has the flexibility to take meaningful positions in small and medium-sized companies, in addition to large companies. Over the years, we have found that some of our best returns have come from these investments.

We have certainly enjoyed our share of growth, but rather than concentrating on becoming a huge firm, we prefer to focus on our core values of delivering the best possible returns and service for our clients. We are passionate about the lifeblood that makes our firm's culture the best it can be when it comes to putting our clients first and generating the long term investment results they have come to expect from us - and that is **employee ownership!** For 25 years Leith Wheeler's employee-ownership has been the foundation to developing an independent, client-driven culture that uses entrepreneurial research teams and client service people to meet the unique needs of our clients. We would like to take this opportunity to talk about how employee-ownership is not only the reason we have developed such a culture, but why it is also the key to sustaining it.

We spend a lot of time in our annual planning process ensuring that our firm is doing what is best, in the long term, for our clients and our shareholders. The only way this works is if the interests of the firm and the clients are aligned, and we can see no way of doing this without having "skin" in the game and the ability to control the direction of our company. If clients don't do well, we won't do well.

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To accomplish this, our strategy focuses on the following principles:

MAINTAIN	AVOID
Personal, Professional Service	Call Centre Mentality
Right-Sized Firm	Behemoth Sized Firm
Independence	Outside Control
Investment Opportunity Focus	Asset Growth Focus
Concentrated “Best Ideas” Portfolio	Overly Diversified Portfolio
Entrepreneurial Culture	Bureaucracy
Employee Ownership	No Employee Ownership
Fair, Below Average Fees	High Fund Fees

Being employee-owned and independent provides a number of benefits to our clients.

First and foremost it gives us the power to control the growth in our assets. This may seem crazy as most firms covet growth; however, our ownership structure allows us to take a longer term view. As we outlined in our Third Quarter 2007 Outlook, “Applying the Brakes”, we decided (not for the first time!) to limit our institutional Canadian equity and balanced business by not accepting assets from new pension clients for the foreseeable future (we remain open to individual investors and new pension fixed income business). The reason behind this decision was to ensure that our ability to find attractive investments in the small Canadian market is not compromised. Because we have controlled our size, we manage a focused portfolio of our “best ideas”. Larger managers are, by default, forced to own a greater number of stocks in their portfolios. So their best ideas are diluted and have less of an impact.

Second, it means we can offer equity to our employees to ensure we are able to attract and retain the best people to our entrepreneurial culture. Our shareholder agreement ensures there is a steady supply of stock available for all employees to be allocated using a merit-based system. This has also allowed us to deal effectively with succession planning. Our people do not want to work in a large, bureaucratic, bank-like organization and the ability to buy equity in our firm is very attractive – a large percentage of our people are owners.

Third, for a number of years our Board of Directors has included two independent, outside directors. This provides even more assurance that we remain good stewards of our clients’ capital.

Last, but definitely not least, by staying independent, we can sustain the great culture that we have built. In Jim Collins’ book “Good to Great” he points out that in order to be a great company, not only is it important to have core values, but also “that you know what they are, that you build them explicitly into the organization, and that you preserve them over time”. We can think of no better way of sustaining our culture than by having an independent, employee-owned firm!

Leith Wheeler Investment Counsel Ltd. (“Leith Wheeler”) is an employee owned firm providing portfolio management services for individuals, pensions and foundations.

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