



March 28, 2008

Dear Investor,

As you know, the capital markets have been extremely volatile since the beginning of 2008, mostly as a result of the Sub Prime Mortgage crisis in the United States which is causing concern among the financial services industry worldwide.

Although the markets are volatile and we expect them to remain so for a while, we feel we are well positioned to weather the storm given our long term investment strategy.

The attached charts should help illustrate our sense that the worst maybe over but we are not headed towards a bull market anytime soon.

**Chart 1** shows that many a financial crisis have come and gone since 1975. The current financial situation is depicted by Bear Stearns which is down 97% since the beginning of the year. We have purposely avoided bank stocks, especially US bank stocks. Remember that you have little to no exposure to this sector.

**Chart 2** outlines the cycle of emotions that humans may experience investing in the capital markets. Much of this is self evident.

**Chart 3** states how history can tend to repeat itself with the top line showing the US market from 1972-1981 compared to 2000-2008 (bottom line). This group is forecasting that the US market is due to recover after a rough ride for the past eight years. For the most part we have avoided this market during this timeframe.

**Chart 4** makes us realize that we must have patience to cope with the markets. Since 1900 the DJIA has been "range bound" more than it has been in a "bull market". We are in a range bound market now and will be for some time. Sector selection and stock picking are crucial in this type of market. Your portfolio is not indexed to the market.

We wanted to assure you that as part of our custodial services with NBCN, any cash balance in your account up to \$100,000 is guaranteed by CDIC (*Canada Deposit Insurance Corporation*). We have ensured that we do not hold more than \$100,000 in cash in any account. In addition, all security positions in your accounts are held in safe-keeping at National Bank in trust for our clients in segregated custody. This means your securities are in your name not NBCN or MacNicol & Associates Asset Management Inc. Further, CIPF (*Canadian Investor Protection Fund*) insures each family account for a value up to \$1,000,000.

If you have any questions, please do not hesitate to contact our office.

Sincerely,

**MACNICOL & ASSOCIATES ASSET MANAGEMENT INC.**

David A. MacNicol B.Eng.Sci., CIM, FCSI  
President  
Portfolio Manager

Encl.

Chart 1

# Lessons from past financial crisis

Financial Failures Often Come At The Bear Market Bottom

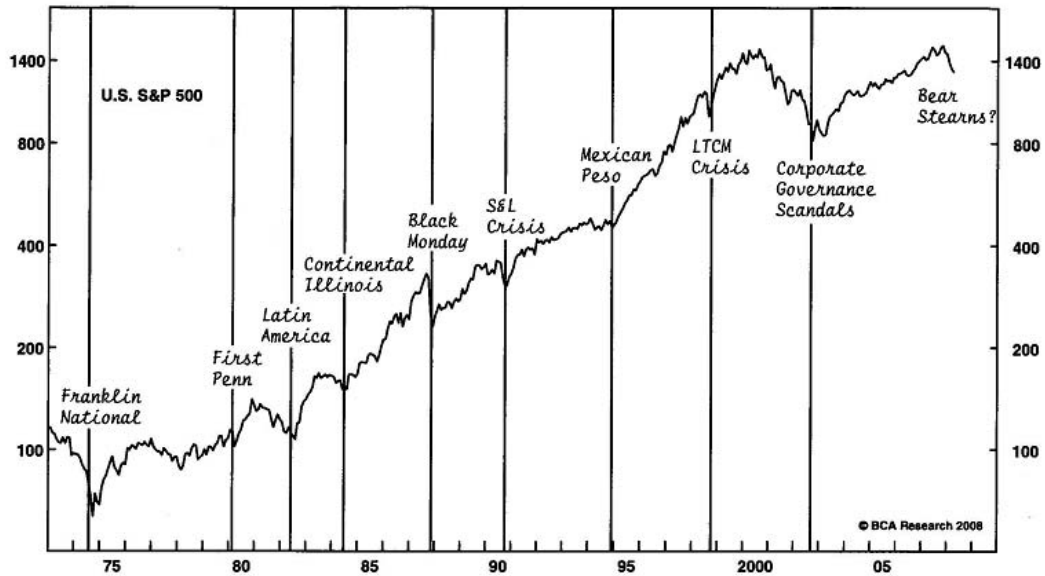


Chart 2

# The Cycle of Market Emotions

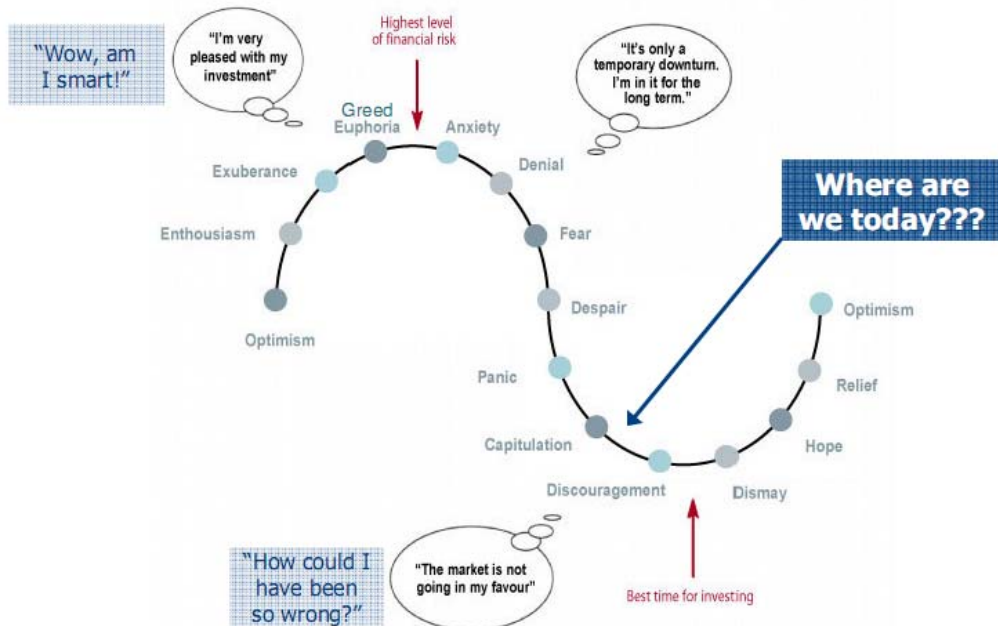


Chart 3

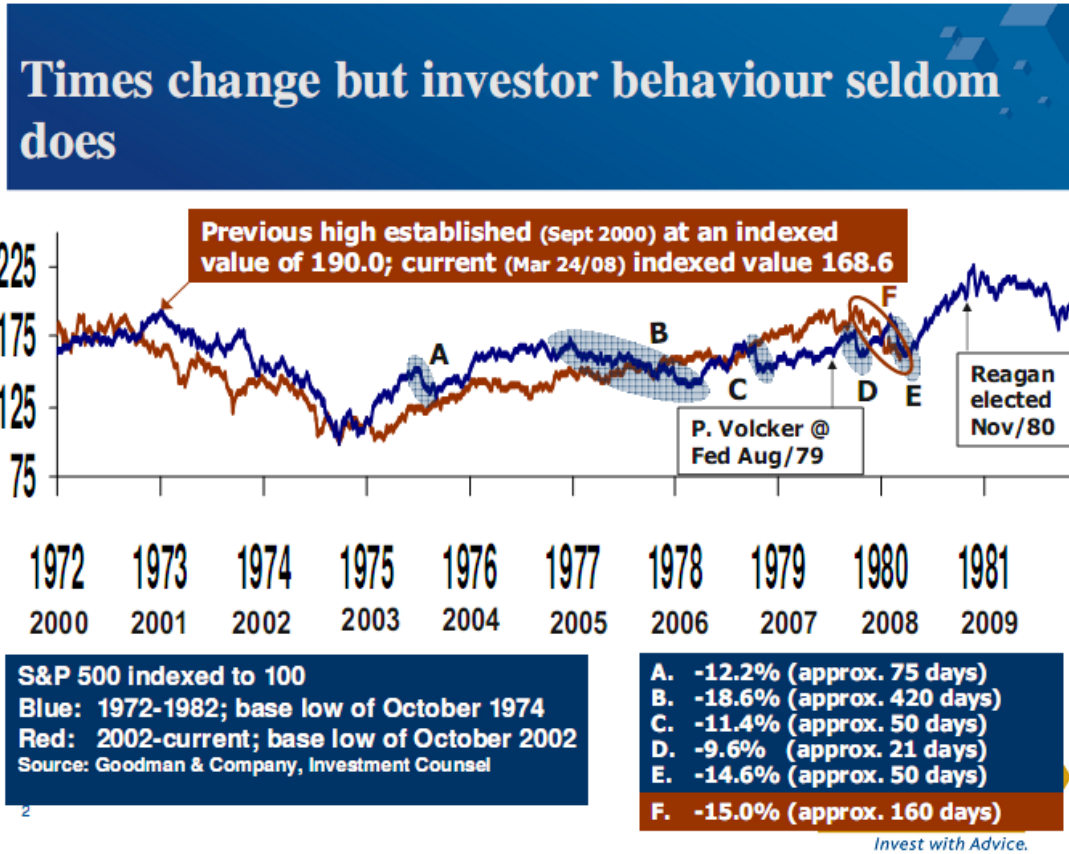
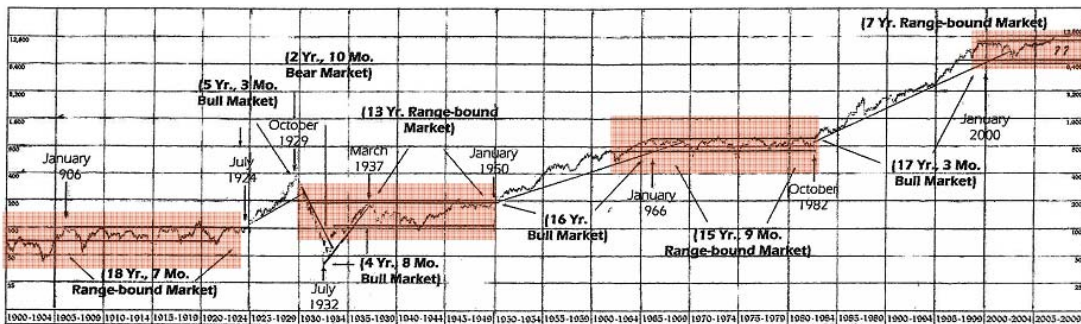


Chart 4

## DJIA 1900-2007



Copyright 2007, Kevin A Tuttle, Tuttle Asset Management LLC  
 Source: Active Value Investing by V. M. Katsenelson