



Brownstone Equity Holdings Outperform

We welcome our clients and friends to the Brownstone Capital Report. The report is produced quarterly to provide our clients with a review of significant issues that impact the financial markets and more specifically our invested portfolios.

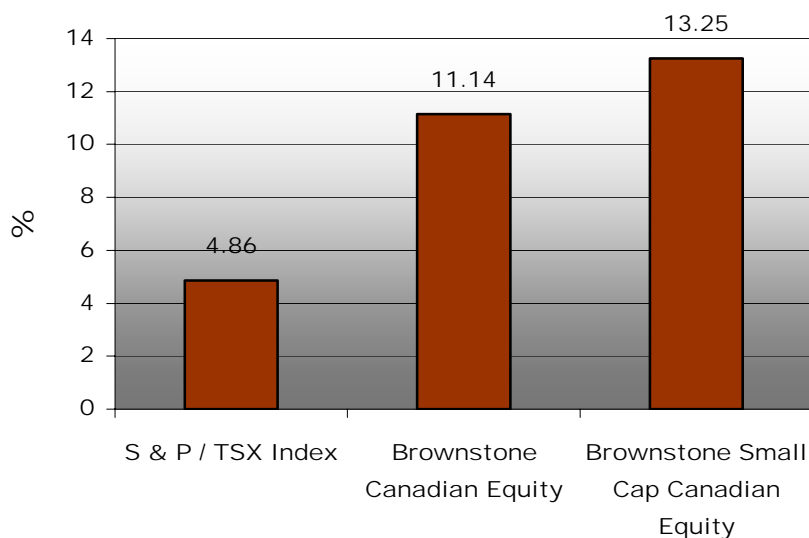
Canadian equity markets had a total return of 4.86% for the quarter, as measured by the TSX total return index which includes price movements and dividends. Interestingly, almost all that performance emerged in January and early February, as equity markets weakened considerably as the quarter unfolded retracting -2% in March.

At Brownstone, our equity returns significantly outperformed the index with a return of 11.14% in our model Canadian equity portfolio and 13.25% in our model small cap Canadian equity portfolio. These results were achieved through prudent stock selection, and opportunistic trading activities that took advantage of pricing inefficiencies in the market.

Financial services in our Brownstone portfolios performed particularly well, with notable contributions from holdings such as Manulife Financial combined with a few of our more interesting mid cap selections.

We also benefited from strong performance in a number of oil and gas holdings. Large cap names that performed particularly well in the quarter included Talisman and Canadian Natural Resources. A number of our mid cap oil and gas service stocks also performed well, including Badger Daylighting, Phoenix Technology Services and Peak Energy Services.

March 2004 Quarterly Performance

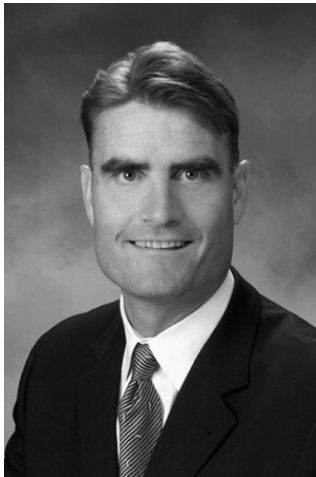


Bond Market Keeps on Giving – But For How Long?

Although the bond market performed well over the quarter with an SMC index return of approximately 3.5%, it is difficult to contemplate 2004 as a year where bond investments offer any meaningful financial return to investors. With rates at forty-year lows, combined with a growing economy, it can be “assumed” that rates really have nowhere to go but up. The strong Canadian dollar has moderated Canadian economic growth relative to the U.S., and nudged the Bank of Canada into three rate cuts this year. Today long maturity bonds have imbedded capital volatility risk commensurate with many equity investments. The bond bears are everywhere.

At Brownstone, we are maintaining a short average term to maturity for our fixed income portfolios, a defensive measure against rising interest rates. Although the resultant cash yield is reduced beyond the existing anemic rates of the day, we have structured our fixed income portfolios to preserve capital should the worst of the potential outcomes surface in the bond market. Recall in 1994 when the bond market dropped over 20% in six months as the U.S. Federal Reserve continually raised rates in an effort to control inflation. Despite gloomy bond prospects, this asset class still represents an optimal means of capital preservation and income generation.

We continue to manage portfolios with a view towards ensuring capital preservation while seeking growth of invested capital. We are confident that the economic expansion will continue and will deliver positive equity market returns in 2004. The Brownstone equity portfolios are fully invested in a set of companies that have solid balance sheets, good revenue growth prospects, moderate valuation levels, and competent management teams.



Bob Thompson
President and CEO



Mario Vachon
Chief Investment Officer