We did it!

This newsletter marks our three-year anniversary and we want to thank all of you, our clients, for helping us to reach this important milestone in PCM's history. At the risk of being immodest, we want to highlight some of our important accomplishments during the past three years.

First and foremost, we have managed to preserve your capital and outperform the major indices since our inception in March of 2000. Your role in this process should not be underestimated; your support, encouragement and understanding of our investment philosophy allows us to focus on managing your money as opposed to "managing our clients."

We have also achieved an important business milestone. As of this writing PCM has approximately one hundred and forty million dollars of assets under management. In the investment management industry, crossing the one hundred million dollar threshold is significant because it is an indication of the sustainability of the business going forward.

Our client base is expanding and we have entered some exciting and important relationships. We are also quite flattered to count among our clients, sources of referral and friends some of the financial industry's leading professionals. Our growth is satisfying, particularly during a time when most investment managers are experiencing little growth due to difficult business and market conditions.

We are pleased to report that we have been able to preserve and grow your capital. While our focus is on absolute value, we do compare our returns to equity indices and are also pleased with our results relative to these benchmarks. As always, we caution that these

returns are only for three years and that outperforming equity indices by such wide amounts is not sustainable over a long period of time.

PCM Performance[1]

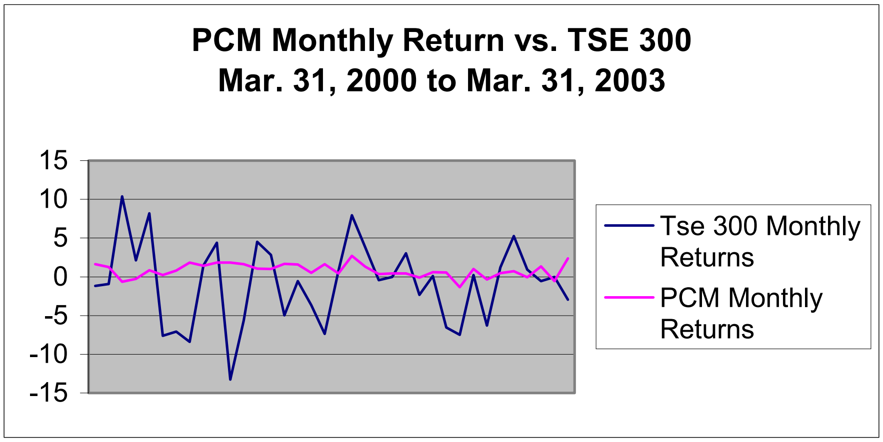
for the years ending March 31

	One Year	Two Year	Three Year
PCM Non-Taxable	**4.74%**	**9.30%**	**10.56%**
PCM Taxable	**3.63%**	**5.22%**	**5.65%**
TSX 300	**-17.60%**	**-7.04%**	**-11.07%**
S & P 500 in $C	**-30.63%**	**-16.18%**	**-15.79%**

We are proud of our performance. It is a direct result of our investment philosophy and uncompromising commitment to investing in high quality businesses whose shares are trading at prices that provide our *required absolute rate of return*. Furthermore, due to our in-depth analytical process we have been able to avoid the high profile corporate collapses that have occurred over the past three years. Our detailed work, which focuses on financial statements, has been a strong foundation during a period of time when the quality and integrity of the information provided by public companies has been called into question.

Our results also reinforce many of the benefits of a long-term approach focused on absolute value. Our emphasis on quality and the "margin of safety" ensures that the risk of permanent loss of capital is low. The variability of our absolute returns is also quite low, as the following chart illustrates.

[1] Unaudited and Gross of Management Fees
Based on Representative Accounts



While we won't match high-flying equity markets our portfolios are unlikely to experience breathtaking plunges. We want you to sleep at night!

Our long-term focus leads to low transaction costs and is tax efficient. These benefits are very tangible and go directly to your portfolio's bottom line return. (For a detailed discussion of the impact of trading costs on portfolio returns, please refer to our June 30, 2001 newsletter www.patientcapital.com.)

A very low turnover strategy such as ours is beneficial in many other ways. We do not spend much time on the phone executing transactions. This allows us to focus on analyzing companies and searching for value instead of monitoring the minute-by-minute movement of stock prices. Our investment philosophy allows us to run Patient Capital very efficiently. We don't need a large number of people administering numerous transactions and our monthly reconciliations are very straightforward. All of this allows my partners and I to focus on investing your capital and providing the high level of service that you expect.

We are very independent in our approach and thinking; our conclusions and investment actions are often very different from the crowd. We usually buy when others are selling and sell when others are buying. In essence, we capitalize on others' short-term concerns,

performance considerations and fears. This approach allows us to accumulate our positions at prices that we believe will provide superior long-term returns and minimize transaction costs.

Finally PCM's portfolios are entirely the result of our bottom-up process. Every investment decision that we make, *including the decision not to buy*, is based on our thorough assessment of a company's underlying fundamentals and valuation. This process ensures that we make sound purchases independent of prevailing market and macro-economic conditions. Historically, we have made our best purchases during periods of uncertainty and fear.

Recently released economic data indicates that the U.S. economy is quite weak. Unemployment claims are hovering above the 400,000 mark – a level that many economists consider a sign of a contracting job market. The four-week moving average, a better indicator of the trend, continues to rise and is now at a twelve-month high. In addition, the number of U.S. residents collecting unemployment benefits hit a seven-month high of 3.7 million, reflecting heavy layoffs and feeble hiring. Given the fragile employment market it is no wonder that consumer confidence and retail sales are still at uninspiring levels. Capacity utilization and business confidence is also waning. Indeed, minutes from the Federal Reserves meeting of March 18, 2003 reveal concern about the ongoing economic malaise. Many were also surprised to learn that Allan Greenspan and his colleagues are starting to worry that the current economic environment may lead to the threat of deflation.

We see the very real weakness firsthand through the companies we research. An analysis of several quarterly and annual reports across different industries revealed quarter-over-quarter sales declines. In many cases, revenue and profit growth were only achieved through acquisitions and cost-cutting. Discussions with corporate executives also indicate that the U.S. economy is in trouble. To quote the C.E.O. of a major U.S. manufacturer:

> *"We are in a recession in the United States. We are in a deflationary environment. Jobs are hard to come by."*

In addition, the American government is expected to incur very large budget deficits for several years and state budgets are under severe pressure as tax revenues decline sharply. The U.S. trade deficit is at all-time highs and the U.S dollar continues to weaken. Historically, rising deficits and a faltering currency have not augured well for future market returns.

In the context of a weak economy, fiscal concerns and a faltering currency we are surprised at the recent strength of equity markets. In the past such an environment has led to "distress sales." Something was wrong and as a result public equity securities sold at a substantial discount to their intrinsic value. Not so today. We are still having a great deal of difficulty finding attractively priced investment opportunities. As Warren Buffet suggested in his most recent report to shareholders, U.S. equities are still expensive.

We are quite excited about the future. The past three years have demonstrated the power of our investment philosophy when applied in the context of PCM's structure and entrenched culture. PCM's operating principles were deliberately designed so that our fiduciary responsibilities and the intellectual integrity of the investment process would never be compromised. We have embedded these principles in two ways: First, Gary and I have all of our liquid net worth invested in exactly the same manner as our clients. Secondly, and just as importantly, we manage our business to ensure that PCM's costs do not tempt us to compromise our investment principles; we do not need to grow our business to cover ever rising costs.

We are also excited by your positive feedback and encouragement over the past three years. This has resulted in an increasing number of referrals and interest from new clients. In addition, we believe that we are in the process of creating a truly unique culture. Over the longer term we believe that we can attract some of the industry's best professionals by

creating and vigorously maintaining a culture that focuses on the fiduciary and intellectual integrity of the investment process.

Patient Capital Management is a product of the knowledge that we have accumulated over the past fifteen years through the association with some of Canada's leading investment professionals. I have learned a great deal from Bob Krembil, the entire team at Hamblin Watsa, Jane Halliday, Doug Greaves, Keith Graham, Geoff McDonald, John Di Tomasso, Richard Whiting, Richard Hamm and Henry Rachfalowski. They are not only outstanding professionals, but also have provided a standard of character and conduct that we at PCM aspire to.

We could not have arrived at this point without the support and encouragement of our families; we are grateful to them for allowing us to indulge our passion. Most important, we want to thank you, our clients, for entrusting us with your capital. We hope that the next three years are as enjoyable as the first three have been.

Vito Maida
May 2003