Summer - 2008

BARLOW
BARLOW CAPITAL PARTNERS INC.

Dear Unitholders,

The Canadian market steamed ahead in the second quarter of the year driven by the usual suspects, energy and materials. The large cap agriculture sector (think Potash) exploded as the so-called soft commodity prices (corn, wheat, etc.) moved to record high levels. Further stimulating demand for the required agriculture inputs was the ramp up of biofuel production.

The TSX (Canadian Large Cap Index) was the best performing stock index of the 20 largest markets in the world for the second quarter. But, dig a little deeper and the news is not nearly as good. Most small cap stocks continue to struggle as liquidity has all but disappeared. Companies are being forced to go to “mezzanine” lenders to borrow at rates of 12 to 15% or more. The carnage in the financial sector continues unabated with the Canadian banks being taken down along with their US brethren.

Income trusts, particularly those in the energy services sector, have performed well. Natural Gas prices have risen strongly which is stimulating demand for drillers. REIT’s have, on the other hand, had a difficult time as the consensus is that commercial real estate values may decline in sympathy with the US market woes.

The US and Europe (without Canada’s energy and materials cushion) maybe in a “bear” market led by financials and consumer discretionary stocks. And market sentiment is truly bleak.

Can it get worse and can Canada continue to sidestep the Global market malaise? If the US and Europe do indeed enter a prolonged slump its doubtful commodity prices can stay as high as they are. A global contraction will reduce the demand for oil and Canada’s beloved resource stocks will take it on the chin.

We're not clairvoyant and I don't know anybody who is. So we will stay the course, be widely diversified and most importantly, maintain our above average liquidity position.

The income and growth portfolio enjoyed a very good second quarter gaining approximately 3.5%. Substantial gains were accrued in Agrium and Oilexco in the Canadian large cap arena, Budweiser and Schlumberger in the US, and Armtec Infrastructure and Badger Income Fund in our income trust portfolio. Still hurting our performance is our small cap exposure. But eventually the credit crisis will abate and liquidity will return to the Canadian venture exchange.

Sincerely,

STEPHEN D. BARLOW

June 30, 2008