

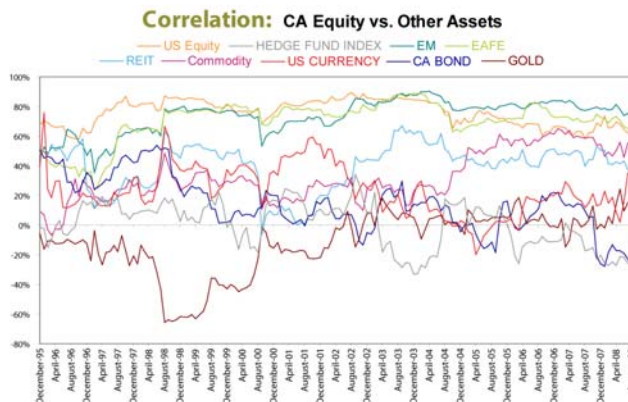
Fall - 2008



Dear Clients:

There is no doubt. We are in the worst financial crisis seen in decades. Fears that the collapse in global credit and money markets will drag the whole world into another Great Depression have triggered panic selling and likely brought an end to the global economic boom of the last 5 years. Globalization and easy credit have facilitated the creation of massive imbalances that now need to be unwound to preserve the integrity of our financial system - and although it will take time, order (and value) will be restored.

At Barlow we have always focused on capital preservation through investment strategy based on investment in non correlated assets; meaning we invest in different classes of investments that typically do not move in the same direction at the same time. Over the past few weeks



many of our asset classes have declined in value. Across the financial landscape globally there has been a near universal failure of diversification strategies. Equity market risk is generally the prime diversification target, but in this instance the equity market collapse was an effect (not a cause) with the driving force at work being credit market risk. As we are finding out, all asset classes – with the exception of the US dollar - are exhibiting extremely high levels of correlation to credit liquidity measures which has had a compression effect on global asset prices.

Simply put: the liquidity crisis has universally collapsed the price of almost every asset: good or bad.

We first began airing concerns about the potential risk to equities in Q1 and underwent a measured reduction in equity exposure through August. This included liquidating our entire long-only US and International equity portfolios. We then began to tackle our exposure in Canada. On July 17th we published our monthly **Balanced View, Infectious Optimism** which highlighted our deep concerns about the Canadian market.

Many of our Canadian investments are in well run, value based, high yielding trusts. The good news is many of these trusts are well run, attractively priced investments; the bad news is they are smaller in nature and are difficult to sell quickly. We began in earnest to sell many of our positions in this asset class prior to the collapse of the Canadian market but in the end ran out of time.

With the proceeds we diversified our asset mix, building up positions in real estate and battered down commodity ETFs. However, as the crisis deepened in the closing weeks of the quarter, there were extremely few diversification tactics globally that delivered any positive benefits in terms of risk reduction. As a result, our positions in Canadian equity, global equity and real assets all suffered losses, with the absolute return strategies employed by external managers being among the most sorely tested.

If the markets were to end the year at current levels, the US equity market would suffer its worst annual return since 1900 - even worse than in 1929. Trusts and equities on both sides of the border are priced at levels that assume a high probability of another Great Depression. In our opinion this simply will not happen - global central banks and governments will continue to formulate and execute coordinated policies to address the roots of the crisis and return credit to the market.

Unfortunately the credit seizure has left its mark and there is little doubt that the global economy will suffer a substantial slow down. But our belief is that the bad news has been more than discounted in the present values of equities, commodities and currencies. We will stick to our endowment approach and maintain a relatively high participation level in the global capital markets.

In closing, we believe in our fundamental investment philosophy: long term success requires managing risk through appropriate diversification and adding value in each asset class through process-driven active management. Even through a challenging environment such as this, we remain confident that once the dust settles and the highly leveraged players are done selling, everything will move back to normal, where “normal” means that prices are determined by value not credit and liquidity.

Sincerely,

EDWARD LIU AND BRAD SIMPSON

September 30, 2008