

MESSAGE TO INVESTORS

Year 2003 in Review

The year 2003 proved to be an exciting year for investors with equity markets rallying after declining for two consecutive years. Total returns on the S&P 500 and S&P/TSX Composite Indices amounted to 28.7% and 26.7%, respectively. As was the case in 2002, North American consumer spending continued at a robust pace, driven primarily by a low interest rate environment. In Canada, the Bank of Canada's overnight rate remained in a fairly tight band, rising to as high as 3.25%, only to end the year where it started at 2.75%. In the United States, the federal funds rate was reduced from 1.25% at the beginning of the year to 1.0% by year end in an attempt to provide further economic stimulation.

The energy market was a very strong performer in 2003 with a variety of global events supporting the price of oil and natural gas. The benchmark West Texas Intermediate price closed the year out at US\$32.52 per barrel with an average price for the year of US\$31.06 per barrel. Oil prices were supported throughout the year by political turmoil in the Middle East, which reduced production and exports from that region. Meanwhile, natural gas prices rose over the year due to declines in production and increasing North American demand.

As a result of its significant exposure to the natural resource sector, Middlefield Growth Class recorded a total return of 22.9% in 2003. Our other mutual funds that were overweight income trusts also generated strong total returns, including Income Plus Class and Enhanced Yield Fund, which recorded total returns of 22.7% and 22.5%, respectively. As a result of this performance, these funds earned GlobeFund's 5 Star Rating for a second consecutive year (January 31, 2004). Other fund classes focusing on traditional equities rose alongside the broader market, recording strong returns for the year ended 2003.

Middlefield continued to create new diversification opportunities for investors in 2003 by adding the Index Income Class to our family of funds.

This fund was created to offer investors the ability to participate in the attractive income trust sector on a lower cost basis while still benefiting from Middlefield's expertise in this sector.

The addition of this new class brings to eight the number of classes across which investors can switch on a tax-free basis, providing enhanced flexibility to make tax-efficient asset allocation decisions.

We expect the current low inflation, low interest rate environment to continue throughout 2004, providing support for continued economic growth and positive equity market returns. Meanwhile, bondholders should expect mediocre returns for the foreseeable future. We continue to be very positive on the energy sector and consider Canada to be well positioned in both the oil and natural gas markets as global supply declines. In particular, we remain bullish on long-term natural gas commodity prices. The income trust sector will continue to benefit from an environment of low interest rates as investors seek opportunities for higher yield from mature businesses with stable cash flows. We expect the economically sensitive oil and gas royalty trust and business trust sectors to outperform the more interest rate sensitive power and pipeline trust sector. As a result, our funds will continue to emphasize the economically sensitive sectors of the income trust universe. Middlefield will continue to capitalize on the favourable outlook for income trusts and natural resources, areas in which we have significant experience and a strong track record. Our family of mutual funds offers investors the opportunity to participate in these sectors on a professionally managed basis. We continue to be committed to top quartile performance in our various funds. Our focus is to provide superior risk-adjusted returns through investment in well-managed companies, on a broadly diversified basis.

To our clients and the investment community, we thank you for your ongoing support this past year.

Murray J. Brasseur
Managing Director