SHAUNESSY INVESTMENT COUNSEL INC.

2008: Remedial Markets.

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Asset Allocation	Q 1 2008	Q 2 2008
Can. Equity	15%	15%
Income Trusts*	15%	15%
US Equity	10%	20%
Int'l Equity	10%	10%
Fixed Income	50%	40%

CANADIAN EQUITY:
Benchmark: S&P TSX Comp.
C$ total returns to March 31st, 2008: -2.8%

INCOME TRUSTS:
Benchmark: S&P TSX Income Trust TRI
C$ total returns to March 31st, 2008: 5.90%

US EQUITY:
Benchmark: S&P 500
US$ total returns to March 31st, 2008: -9.44%

INTERNATIONAL EQUITY:
Benchmark: EAFE (Net)
US$ total return to March 31st, 200: -8.91%

FIXED INCOME:
Broad Composite Index
C$ total returns to March 31st, 2008: 2.9%

Getting Religion: The first quarter marked the beginning of what we termed "remedial markets" in our previous newsletter. We expect that this trend will continue over the next 3-6 months in North America and begin in earnest during the spring for the rest of the world.

Remedial markets are characterized by correcting the mistakes of cycles past, most notably writing down loan and investment portfolios, shoring up capital accounts and upgrading senior corporate management. It also entails scaling back investor expectations and achieving a new balance between risk and reward- - in a nutshell "*getting religion*".

We note that many of the woes that have affected the US economy in 2007 such as excessive consumption and an over-reliance on residential house price appreciation are now showing up in Europe and Asia. It follows that economic activity will slow noticeably in these regions and that policy makers will put into place corrective measures, such as lowering interest rates and supporting key financial institutions. Under these circumstances, we expect that the US equity and corporate fixed income markets will outperform their international peers because the US has such a big head start on write-downs and bad news. If we are correct in this assessment, it further suggests that the US dollar will strengthen and the "currency/commodity" theme will end --- perhaps abruptly.

Investment strategy: Based on the foregoing, we have eliminated all direct Euro currency exposure and continue to sell down remaining holdings in gold bullion ETF tracking stocks. We have switched the emphasis from international equity markets to mega cap US equities as defined by the S&P 100.

Within the Canadian equity allocation, financial institutions are extremely attractive on a yield and value basis. We have been buyers of both Canadian financial sector tracking stocks as well as fixed rate perpetual preferred shares that offer excellent nominal or after tax yields when compared to 10 year government bonds.

Many US financial institutions also look attractive and we have begun to pick away at this sector through regional bank ETFs. NYSE listed US $ fixed rate preferred shares are perhaps our best single idea. Currently, these securities have a running cash yield of 7.0-7.5% which is historically attractive when compared to yields for US 10 year treasury bonds currently offering approximately 3.75%. Fat quarterly dividends combined with narrowing credit risk spreads and some decline in the C$ could make US preferred share returns outstanding.