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Remick Capital, LLC

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Quarterly Newsletter

1st Quarter - 2008

Remick Capital Updates:

I wanted to provide a few business updates with respect to Remick Capital that I think clients will be interested to know:

1) To simplify the fees for clients I have decided to have Remick Capital rebate all brokerage commission charges to clients (these charges are levied by our broker/custodian BrokersXpress). From now on whenever any security is bought or sold for your account you will still be charged the transaction fee by BrokersXpress, but there will be a reduction in your quarterly fee to Remick Capital at the end of each quarter to offset this commission. I believe this fee reduction makes the overall fee structure for your account much more straightforward (and lower), and aligns my interest to reducing the commissions charged to clients (because I now pay them).

2) With more than 12 months of managing portfolios for multiple outside clients, there is now account performance data listed on our website . As is often repeated in the financial industry, I would like to remind clients that ***past performance is no guarantee of future results***. I don't repeat this only to appease the lawyers in the audience; I truly believe that past performance is only a small aspect of predicting future performance. Other things such as fees, alignment of interests and a sound investment philosophy are, in my opinion, much more important. Also it is important to note that the performance numbers listed on the website are a compilation of ***all*** discretionary accounts managed by Remick Capital; meaning any individual account, especially over shorter periods of time, may differ meaningfully from the compiled average.

3) As of March 31, 2008, Remick Capital managed accounts for 11 clients in 5 states. Total assets managed by Mr. Hacker on a fully discretionary basis (including his own personal assets) as of this date were over $500k.

Market Overview:

The beginning of 2008 started out with boom; and not a good one. The US and world markets took a nose dive going essentially straight down for 10 days in a row. Stocks were beaten up badly while bonds and credit investments with any kind of riskiness associated with them suffered extreme volatility. The US Federal Reserve responded by slashing the benchmark interest rate by 1.25% in less than 7 days; the most extreme monetary loosening in modern history. The market rallied briefly and then plummeted again. The Fed then slashed rates one more time. It is unclear how this will all unravel, but irrespective of the financial stimulus being provided by the various governments around the world; this quarter was a bad one for most investors. I'm pleased to say that while our investments have failed to reach our absolute return goal of beating inflation by 10%, they have on aggregate avoided much of the turmoil of the general market.

Returns* ended 3/31/2008:	1 Qtr Return	1 Year Return	3 Year Return (annualized)
Wilshire 5000 Index (Ticker: VTI)	-9.75%	-6.15%	6.19%
MSCI World Index (Ticker: EFA)	-8.41%	-3.29%	13.15%
Lehman Aggregate Bond Index (Ticker: AGG)	2.28%	7.58%	5.34%
Remick Capital Account Composite	**0.22%**	**1.51%**	**N/A**

* The **Wilshire 5000 Index** is a collection of stocks that is designed to approximate the returns of the entire US Stock Market.
The **MSCI World Index** is a collection of stocks that is designed to approximate the returns of the global stock market with US stocks removed.
The **Lehman Aggregate Bond Index** is a collection of bonds that is designed to approximate the returns of the entire US Bond market.
All above returns are based on Exchange Traded Fund (ETF) market returns to make the numbers representative of actual investor returns.
For Remick Capital performance data; please see our performance disclosure document for the basis of results.

Investment Updates:

This was the kind of quarter where taking the path less travelled with respect to our investments was rewarded. For the quarter, many of our investments generally bucked the overall downward trend of the world markets. I have stated in the past that portfolio construction for Remick Capital clients will generally involve owning unpopular and unknown companies; that has proven beneficial recently.

Below is a summary of some of our investments and how they have fared this quarter. Note that while some investments are held in all Remick Capital client accounts, oftentimes due to either the timing of investment cash flows, account size, or risk tolerance; some investments discussed below may not be in your account:

Accredited Mortgage Loan REIT Trust, 9.75% Cumulative Preferred, Class A (OTC: AHHAP) – If I would have shown anyone a list of our holdings at the end of the last quarter, I believe they would have pointed out the Accredited Preferred as the investment that would have performed the worst in the 1st quarter. A lender with subprime focus would certainly have been expected to get kicked around in a quarter like this, right? However, our investment in Accredited proves well the advantage of owning investments that are priced as if the apocalypse is around the corner; if the apocalypse doesn't come, these investments tend to do very well.

Accredited announced that the CEO stepped down after many years at the helm (remember that the company was purchased right after our investment) and also announced a payment of their regular quarterly dividend. Other than that, there was no news this quarter, and the shares were up nicely including the dividend; right in the middle of a financially led stock market selloff. This is what I like to call 'diversification through cheapness'; when an investment is very cheap, that is sometimes much more important than what is happening in the overall economy or the sector that the business operates in.

Nicholas Financial (NASDAQ: NICK) – There was no material news for Nicholas this quarter. The quarterly earnings announcement was within the range of what I expected and the stock finished the quarter down about as much as the market. I continue to believe that our investment in Nicholas will prove to be very profitable. However, it will require some patience. Nicholas has been a conservative steward of shareholder capital over the years. Over time, this will be rewarded by high profits and a higher valuation in the marketplace but I can't say when.

Compton Petroleum (NYSE: CMZ, TORONTO: CMT) – Energy and commodity related shares performed very well in the first quarter and Compton was no exception. In addition, there have been ongoing developments regarding possible strategic alternatives (***read:*** Compton management may put the company up for sale) at the company which has added a nice little boost to the share price. In the end, our ownership in Compton is due to several factors that make me believe that its assets are worth much more than the current price suggests. Whether or not Compton chooses to sell itself (or not) is not directly relevant to my investment thesis, but it is certainly something that I will be keeping an eye on for further developments. Compton's year end results were fair and I look forward to seeing the developments at the company over the coming years.

Fairfax Financial (NYSE/TORONTO: FFH) – Fairfax continued its streak of very strong business results. The full year results announced this quarter were strong and in line with my expectations. Fairfax increased book value (equity) per share by 49% over the past 12 months which is a simply stunning result for any company; especially a large insurance company. I continue to view Fairfax as a hedge against potential continuing turmoil in the financial markets. The fact that this hedge comes along with savvy management and solid insurance operations is what makes me satisfied to continue holding the shares even as the price has gone up quite a bit.

NOTE: *Some clients may own shares of a Fairfax Financial subsidiary Odyssey Re Holdings (NYSE: ORH), or Northbridge Financial (TORONTO: NB/OTC: NBFCF) in place of Fairfax shares. These companies are not identical, but are very similar in many important ways. At different times, either one may present a more compelling buying opportunity than the other.*

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What is 'Risk'?

The concept of risk taking is central to the idea of investing. Most of us understand that, generally speaking, we need to take some kind of additional 'risk' to make extra return. However, if you ask any number of people what *risk* is with respect to investing, you would probably get several very different answers.

A common measurement tool for risk in the academic financial world is something known as ***beta*** (β), which is really just another name for price volatility. For beta believers, the theory is basically that the more volatile the price of a stock is the higher the beta, and the higher the risk. Generally, there is a reference asset (i.e., the S&P500 for example) that is defined as $\beta=1$. You can then measure the riskiness of any portfolio or stock by its β measurement in a relative way; the higher the volatility (beta), the higher the risk, and vice versa.

For investors with a very short time frame or investors who may need to withdrawal their funds soon, this volatility risk (if it can be estimated properly) is indeed of utmost importance. However, for investors with a long term horizons, price volatility in the short term is not a particularly useful metric to define risk. As long as your money has a good chance of growing over time (this is important!!), the short term price wiggles are not really relevant to you.

So what is the real risk for long term investors? ***How do we measure it?***

For me risk is a pretty straight forward concept; it is the chance that any given ***portfolio*** of investments will deliver a return below that of cash or T-Bills over a time frame of 3-5 years. Basically 'risk' is the chance that you will not outperform your risk-free alternative for you money (your opportunity cost).

When looking at investments and risk, I try to view all my decisions from the perspective of the entire portfolio because some investments will thrive in certain economic environments and others will not; but the key is that the overall portfolio, not just a single stock or bond, meets the appropriate investment goals. When selecting investments, I prefer to first ask "What is the downside?", and then move on to potential returns after that. I believe that if you watch the downside of each investment, your gains will take care of themselves.

The problem still remains of how to measure and accurately calculate this risk? A key aspect to risk is also the price you pay. Is buying General Electric at $35 'risky'? What if you could buy GE stock for $5? If so, how risky is it? Is it safer than buying Google at $700? How about if you could buy Google for $70? It can get very complicated to analyze these kinds of situations. At $35 I'm not interested in GE, but at $5, I would tell my retired Mother to mortgage her house to buy it!

I wish I could just present the formula that solves the eternal risk management question. Unfortunately, there is no single equation or specific special sauce that answers this question for all cases. Certain qualitative comparisons are easy, and certainly some investments are so risky that you can just walk away at first glance. But the analysis gets tricky at times. Most people shy away from risk once it is already in the headlines, but intelligent investors shy away from risk ***before*** it reaches the headlines. Sometimes it takes years for certain kinds of risks to rear their head; and sometimes that day never comes. For investors in these situations, they may have accurately handicapped the odds, and made their money wisely. However, others may have simply been oblivious to the risks and had luck on their side. It is acceptable to take risks provided you are aware of the fact you are taking them. However, many people step into these kinds of investments, where hidden risks abound, and do so without full comprehension of the downside.

To find an interesting example of this, we can look at one of the biggest American banks, Citigroup. In the first half of 2007, Citigroup was trading for between $50-55/share for several months. Based on that share price, the valuation of Citigroup on trailing results placed the company at a statistically very inexpensive 12x earnings and 4% dividend yield. As fate would have it, the future unfolded poorly for Citigroup shareholders. Over the ensuing six to nine months they announced massive write downs on all sorts of investments and loans and a rather expensive recapitalization plan. The shares now trade at $20 and the dividend has been cut drastically. Citigroup shareholders have been struck by an

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unpredictable (but not necessarily ***unexpected***) risk. We can't know whether $50 was a fair price (at the time) that just ended poorly due to circumstances, or if $20 was a fair price last year and $50 was just too high given the situation.

The key thing to note here is that risk management is about preparing for the ***unknown*** and understanding that often times you may avoid buying a company for good reason, but the stock can continue to go up when the risk you were concerned about doesn't materialize. This is the plight of the conservative investor; we continually are forced to watch investments run higher as we look for a sufficient bargain. This is OK. Unlike baseball, in investing, you don't get called out for not swinging. Continuing with the Citigroup analogy, the goal of investing is to avoid buying Citi at $50 and accept that the stock ***may*** go to $60 if nothing bad happens. The real safety, opportunity and protection of capital is had by buying Citi at $20 when everyone thinks that things are going to continue very poorly for the company but you know that you are being fairly compensated for the risks.

The difficult part of risk is that not only is it hard to quantify ***before the fact***, but even after you have disposed of a successful investment you can never know if you took an appropriate risk, or if you took too large of a risk and just got lucky. Likewise, if an investment is unsuccessful for whatever reason the feeling of failure will permeate the analysis after the fact, but in reality the risk/reward tradeoff may well have been an intelligent one at the time.

As a long term investor I am perfectly willing to accept the 'risk' of price volatility; I have no issues with this, and in fact I will embrace it when the time is right. What I don't want to accept is the reasonable chance of a group of investments ending in a permanent loss of opportunity by underperforming what I could get by putting my money in cash. Certainly this will happen from time to time, but it should always be a primary focus of an investment decision to avoid these kinds of permanent losses. This is what I strive to do for myself and Remick Capital clients.

One of my absolute favorite quotes on investing is from Warren Buffett, and it really captures my sentiment on the topic of risk: "The 1st rule of investing is; ***'never lose money'***. The second rule of investing is; ***'never forget rule #1'***."

Easier said then done, but Mr. Buffett's track record proves out the value of this sound advice in great detail.

As always, my money will be invested right alongside yours so you can be sure that I will work diligently to make sure our investments will be profitable ones; regardless of the market conditions. I appreciate the trust you have placed in Remick Capital as your Investment Advisor; I will work hard to make our relationship as profitable as possible.

If you ever have any questions about this report, your investments, or anything financially related in general; please do not hesitate to call me.

Sincerely,

Benjamin Hacker

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