DEANS KNIGHT
CAPITAL MANAGEMENT LTD

DK EQUITY GROWTH FUND
Quarterly Review
June 30, 2003

Rates of Return

	3 Mths	YTD	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	10 Yrs
DK Equity Growth Fund	**10.0%**	**13.1%**	**14.5%**	**23.8%**	**25.3%**	**17.1%**	**12.5%**	**14.9%**
Nesbitt Burns Small Cap Index (Unweighted)	12.8%	5.4%	-2.2%	-1.5%	-2.8%	2.6%	-0.5%	3.1%
S&P/TSX Composite Index	10.6%	6.7%	-0.3%	-3.2%	-10.4%	1.5%	0.5%	7.8%
DJIA	13.1%	9.0%	-0.5%	-5.5%	-3.1%	-3.1%	1.9%	12.1%
S&P 500	15.4%	11.8%	0.3%	-9.3%	-11.2%	-6.9%	-1.6%	10.0%

The broad North American stock market indices (S&P/TSX, S&P 500, DOW, and NASDAQ) just had their best quarterly returns since the late 1990's. Looking at the broad North American stock market indices over the past three years, it invokes the old maxim "the more things change, the more they remain the same". The path that was traced by the indices in the past three years has been much the same as many of the market corrections and recoveries of the past 100 years. The big correction in the indices that began in the year 2000, bottomed out in October of 2002, and has rebounded since then. As with all bull markets and bear markets, analysts always say the same thing . . . 'this time is different". And guess what? It never is. For example, let us compare the most recent bear market to that of 1973/74.

2000/2002 Bear Market

	S&P/TSX		S&P500		DJIA		NASDAQ	
Peak	11,389	Sept 01/00	1,527	Mar 24/00	11,723	Jan 14//00	5,049	Mar 10/00
Trough	5,695	Oct 09/02	777	Oct 09/02	7,286	Oct 09/02	1,114	Oct 09/02
Decline	**-50%**		**-49%**		**-38%**		**-78%**	
Bear Market Duration (months)	**25**		**30**		**33**		**31**	
Recovery from Trough (9 months)	**23%**		**25%**		**23%**		**46%**	

1973/1974 Bear Market

	S&P/TSX		S&P500		DJIA		NASDAQ	
Peak	1,329	Oct 05/73	120	Jan 05/73	1,047	Jan 05/73	136	Jan 12/73
Trough	833	Sep 03/74	62	Oct 04/74	578	Dec 06/74	55	Oct 04/74
Decline	**-37%**		**-48%**		**-45%**		**-60%**	
Bear Market Duration (months)	**11**		**21**		**23**		**21**	
Recovery from Trough (9 months)	**27%**		**52%**		**45%**		**60%**	

The 2000/2002 bear market was a little longer and a little deeper than 1973/1974, but keep in mind that the "bubble" preceding it was much larger. The recovery from the 1974 lows was more robust than the current recovery, most likely because the valuations were much more favourable then, than they were at the bottom in 2002. Don't forget that at the bottom of the market in 1974 the S&P 500 traded at a price earnings multiple of about 7 times. At the bottom in 2002 the ratio was close to 20 times.

As regular readers of our letters are aware, we have a habit of reviewing the past. Remember, "those who choose to ignore history are doomed to relive it". Reviewing history does not enable us to predict what will happen tomorrow, but it does help us keep events in perspective. For example, at the height of the technology/telecom mania in the late 1990's, analysts, brokers, and the press were encouraging investors to keep on buying because "this time is different". History taught us to be wary. Conversely, last year, after prices had declined for two years, these same groups were influencing investors to avoid stocks. In July of 2002, we were so disturbed by the distortions in the press that we sent out an addendum to our June 30, 2002 report. We have reprinted it below.

June 30, 2002 Quarterly Report Addendum

Since our June 30 report, markets have fallen further.

Decline From 2000 Peak

	TSE300	*S&P500*	*DJIA*	*NASDAQ*
Decline	***-43%***	***-45%***	***-32%***	***-74%***

Both the Canadian national newspapers this weekend had alarmist headlines about the stock market.
*"**Canadians Shaken as Markets Plummet**" – Globe & Mail, 7/20/02*
*"**Markets Being Slaughtered**" – National Post, 7/20/02*
The headlines are so negative right now we felt compelled to put this reporting into a more balanced perspective.

Newspapers are the worst source of investment advice. Two years ago, at the height of the bull market, newspaper headlines and articles were encouraging people to buy stocks. Amid all the hype, investors should have been concerned and wary about valuations. The reverse is now happening. With market

benchmarks down 30 – 75%, newspapers are creating an atmosphere of fear that causes investors to sell. Buying high and selling low is not what you want to do.

We don't know if the stock market indices are going higher or lower – no one does. However, as professional investors we are more interested in looking at businesses at current values than values two years ago. You don't see that investment advice in newspapers. We are not saying that bargains abound in the market. However, it is better to be invested now than two years ago.

July 22, 2002

What does history tell us about where we are now? After the 9 month rebound following the lows in 1974 the price earnings ratio of the S&P 500 rose from 7 to roughly 10 times. Subsequently, the S&P 500 was flat for the balance of the decade. After the 9 month rebound since last October, the price earnings ratio of the S&P 500 stands at 22 times. Yikes!!! To justify even the current index value, we need a continuation of low interest rates and a massive boost in earnings. Just as the press is touting stocks again now that they are up in price, we think that investors should now be leery of those stocks that drive the broad market indices. They are expensive.

There was news related to a couple of our investments this quarter. In May, **Glendale International** announced a succession plan whereby Morgan Firestone, who built the Company over the past 30 years, would sell his 5,000,000 shares (40%) to a management group led by Chairman and CEO, Ed Hannah at $5.38 per share. The Company also proposes to pay a special dividend of $1 per share, subject to shareholder approval at an August 11th meeting. Glendale also announced the intention to merge its electronics operations, Firan Technology Group, with publicly traded Circuit World Corporation. Glendale will own 49% of Circuit World and nominate 4 of the 7 directors. Glendale also announced that the claim made by Litton Industries against Glendale, relating to the sale to Litton of Denro Inc. in 1999 had been settled. Under the terms of the settlement, neither party can discuss the details. Glendale had reserved $3 million US for the matter. The Company announced that the settlement was favourable, leading us to believe that it was less than that amount. These developments are all favourable for Glendale. The very capable management team is now financially committed to the business. Glendale's legal landscape is cleared. The Company now is comprised of: the R.V. (recreational vehicle) division ($150 million revenue); 49% of a publicly traded technology company; and Ferneau Avionics, a profitable U.K. based supplier of air navigational systems.

Peyto Exploration & Development announced in April, the intention to reorganize the Company into an energy trust. The plan is unique in that the Trust will not spin out the exploration assets as other such reorganizations have. Rather, Peyto intends to pay out 50% of cash flow and reinvest the balance in development activities. We have been owners of Peyto for the past 2 years and have been impressed with the manner in which the business has been operated. Management has created and maintained a low operating cost structure, low finding and development costs, and a consistently high recycle ratio. We intend to continue to hold Peyto after the reorganization occurs in July.

The industry breakdown and the largest individual holdings are listed below. We continue to have our largest commitments to oil and gas, basic industrial companies, and metals and minerals.

As of June 30th the portfolio breakdown by industry group stood as follows:

Industry	%
Energy	29.4%
Industrials	19.2%
Base Metals & Minerals	16.4%
Consumer Discretionary	12.8%
Cash & Miscellaneous	8.3%
Information Technology	6.7%
Other Materials	4.3%
Financials	1.4%
Healthcare	0.9%
Utilities	0.6%
	100%