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## COMPANY REPORT

### Real Estate Investment Trusts:

**Capstead Mortgage Corporation (NYSE – CMO - \$17.97)** is one of the few firms likely to benefit from a significant increase in interest rates. Therefore, the stock is considered a particularly attractive investment for most portfolios. During the next two to three years, we expect that the firm will be able to raise rates on the adjustable rate mortgage instruments it owns (on a monthly basis) probably starting in late 2004. In addition, the company could increase the current position of more than \$2 billion in mortgage securities. Moreover, acquisitions which will add to the relatively small real estate holdings of about \$130 million are also possible. On balance, the annual dividend probably will exceed 2.00 per share in 2004, rising to at least \$3.00 in 2005, and perhaps as high as the \$6.00 level in 2006. We continue to recommend purchase of Capstead Mortgage stock.

**Analyst's Certification:** I Alan M. Silverman certify that the views expressed in this research report accurately reflect my personal views about the subject companies and their securities. I also certify that I have not been and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendations in this report. I have a long position in the shares of Capstead Mortgage.

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