Philippe INVESTMENT MANAGEMENT

QUARTERLY NEWS

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Spotlight

The Unsung Heroes in Drug Development

By Goldie Brandl
Ms. Brandl is based in our New York office and is a generalist U.S. equity analyst with a focus on healthcare and related industries, including biotechnology and pharmaceuticals. She has been with the firm since 1975.

In the *Wisconsin State Journal* on November 13, 2005, Covance Inc. placed an ad soliciting healthy, non-smoking men and women between the ages of 18 and 55 to spend a stipulated amount of time in its local facility as part of a research study. Some studies involve one overnight, some last a few weeks. All studies are performed under guidelines set by the U.S. Food and Drug Administration. Covance has been running these types of programs for over thirty years. The company is one of several publicly-owned Contract Research Organizations (CROs) — companies that discover, develop and launch successful drugs in the U.S. and overseas.

In its 2004 Annual Review, Pfizer's Chairman & CEO Hank McKinnell said: "There can be no doubt that Pfizer, along with other research-based pharmaceutical companies, is facing the headwinds of an operating environment quite unlike any we have ever seen. We face severe pricing pressures, a contentious political atmosphere and a maze of new regulatory demands…." With comments like these, it is no surprise that over the last two years there has been significant outsourcing to CROs, a market estimated at $13.7 billion. The field is fragmented with companies of various sizes, both public and private, specializing in different phases of drug development. At the larger end of the scale is Covance, Charles River Laboratories and Pharmaceutical Product Development Inc. At the smaller end, Kendle International and Parexel International Corp. There are also a number of companies in Europe. The common thread is specialization and a strong understanding of the rules of the game.

Pharmaceutical Product Development Inc. (PPDI) is a $3.7 billion company that provides preclinical programs, as well as phase I to phase IV clinical development services. The company is currently developing a treatment for Type 2 diabetes for Takeda Pharmaceutical. PPDI will earn royalties in the mid- to high-single digits from the sales of this drug, if it successfully passes through the regulatory channels. PPDI then will help launch the product and monitor patient compliance.

Charles River Laboratories (CRL) is similar in size to PPDI. CRL's outsourced development services, both preclinical and clinical, are expected to grow at a double-digit rate this year. CRL recently announced a partnership with DataLabs to add sophisticated interactive voice response and web applications to their business model. In the last fourteen months, Kendle International (KNDL), a $350 million company, has come roaring back from $5 to $25 a share. The stock had peaked around $20 in January 2002. Today, the company's new business is growing at a 20% annual rate.

Covance (CVD) is one of the largest and fastest growing companies in the field. The company was spun-out of Corning Glass on December 31, 1996. Today, Covance accounts for about 8.5% of the contract research market. In the third quarter of 2005, this company's backlog grew 19%, year-over-year, to $1.57 billion. The company is active in the non-clinical, clinical and commercialization stages of drug discovery and development. CVD also has an international presence, with 36% of revenues coming from outside the U.S. In 2005, Covance operated in 18 countries.

A potential risk associated with investing in this industry is the relatively high cancellation experience. However; the outlook for CROs remains attractive, as outsourcing from the large pharma companies continues to grow.

CONTACT INFORMATION

If you would like further information about Philippe Group, our products or people, or would like to comment on the Spotlight, please let us know.

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PHILIPPE INTERNATIONAL EQUITY

Second quarter 2006
After a strong start in April, markets turned down in May but bounced back in mid June and ended the quarter with a modest gain. The MSCI EAFE rose 0.70% over the quarter, with Europe up 1.87% and the Pacific Basin down 1.16%. Investors' psychology changed during the quarter, as demonstrated by rising volatility in all markets and heavy losses in commodities and emerging markets. Less liquidity and higher interest rates reduced investors' appetite for risk and, in particular, for momentum strategies which had inflated valuations, particularly in Japan. Defensive sectors posted positive performance (utilities, pharmaceuticals, beverages, food) while consumer and industrial cyclicals posted negative performance (electronics & electric equipment, technology, automobiles, construction & materials).

Contributors:
Roche held a meeting in June discussing new oncology treatments which underpinned the breadth and strength of this Swiss company's oncology franchise and pipeline. Several major product launches are planned for 2007.
Essilor: this French group, the world leader in corrective lenses, reported far higher than expected first quarter sales growth, driven both by double-digit volume and a favorable upgrade in their product-mix.
Sawai Pharmaceuticals, a generic drug producer, received increased investor attention as more world leaders in this sector are establishing subsidiaries in Japan to address the nascent generic market.
Detractors:
Groupe Stéria: due to a changing market perception that the IT industry is less geared toward cyclical growth and becoming a more mature and stable business, this French company was revalued downward.
Technip, the French oil and gas service company, announced expected cost overruns and delays in executing some contracts, the result of serious pressures on both the supply chain and outsourcing, caused by higher commodity prices and a shortage of qualified personnel. However, Technip is a well-positioned company around key premium growth markets.

Outlook:
•The FED appears determined to eradicate inflation and will keep rising rates until it succeeds. The question is how much economic slowdown is needed. If the US economy maintains a 2.5%-3.5% growth rate, recovery in Europe and Japan will not derail, and today's earnings estimates will remain valid. But with an already slowing housing market and very high oil prices, the US consumer could retrench, thus slowing the economy further, fostering earnings downgrades everywhere in the world. This risk still exists and explains why markets do not look expensive, particularly in Europe.
•Our portfolio is focused on companies with specific long-term growth drivers. In the current environment, we favor stocks that are less sensitive to the economic cycle and we avoid the traditional defensive stocks which have become, in our view, overvalued.

International Equity Management Team

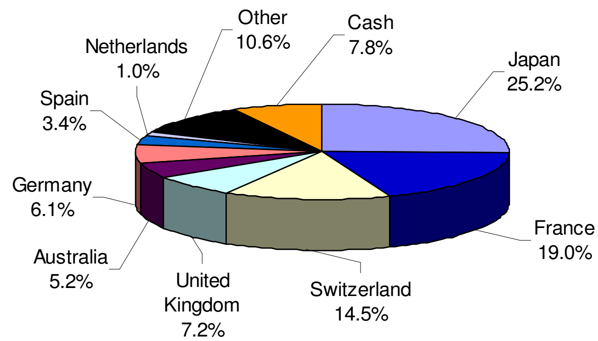
	Years Experience
Michel Raud, *Co-CIO, Lead Portfolio Manager*	34
Béatrice Philippe, *Co-CIO, Portfolio Manager*	37
Véronique Cabioc'h, Associate Portfolio Manager & Analyst	20

Characteristics as of 06/30/06

Weighted Avg Market Cap	**$ 43,650 MM**
Median Market Cap	**$ 12,477 MM**
Dividend Yield	**1.8**
Est EPS Growth	**16.5**
Price/Book	**3.7**
Holdings	**90**
Product Assets	**$ 132 MM**

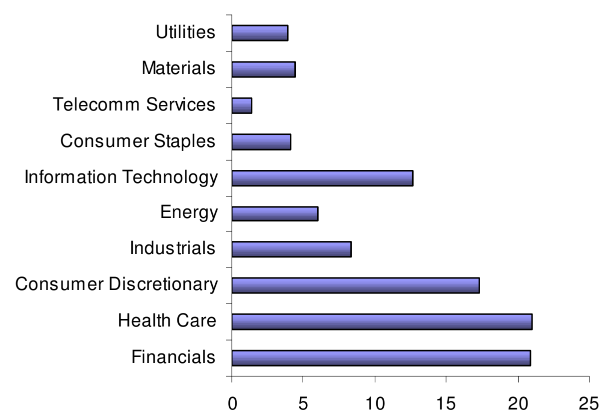
Source Datastream

Geographical Breakdown as of 06/30/06



Source GPMS

Sector Breakdown as of 06/30/06



Source GPMS

Top Ten Holdings as of 06/30/06

ROCHE HLDGS AG	3.07%
SGS SA	2.43%
TOTAL EUR2.5	2.41%
BP	2.33%
ESSILOR INTL	1.86%
BHP BILLITON LTD	1.78%
ALLIANZ AG	1.71%
UNICREDITO ITALIAN	1.69%
UBS AG	1.69%
CAPITA GROUP ORD GBP(	1.58%

** Please see Performance Disclosure.* *Source GPMS*

Composite Performance* as of 06/30/06

	Philippe Return	MSCI EAFE	MSCI EAFE Growth
Quarter	**0.65**	**0.70**	**0.26**
YTD	**8.30**	**10.16**	**9.29**
1 year	**22.76**	**26.56**	**25.98**
3 years	**18.77**	**23.94**	**21.05**
5 years	**5.88**	**10.02**	**8.11**
10 years	**6.50**	**6.39**	**3.89**
Since Inception	**7.17**	**5.55**	**3.24**

Annualized. Inception date: January 1, 1989, before fees. *Source GPMS*

PHILIPPE EUROPE SMALL & MID-CAP EQUITY

Second Quarter 2006

After over six months of uninterrupted upward price moves, the last two months came as a shock to most investors. The seeds of this fall were apparent for several months; however, investors had chosen to ignore them as their appetite for risk rose. We witnessed the switch from “fear” to “greed” becoming apparent in the M&A market as investors refused to accept good bid prices. However, investors seem to have held their nerve with limited fund redemptions during the two month price fall.

Contributors:

SSAB, **Homeserve**, **Fugro** and **VT Group** were strong contributors to performance. The common theme among them was announcements of good results and/or positive earnings guidance. SSAB also announced a share buy-back program.

Brandon Hire was taken over at a premium to what we believe is fair value.

Schwarz Pharma, once again, surprised us on the positive side. The company announced a partnership with Pfizer for fesoterodine, a drug for treatment of overactive bladder, and one of the most promising drugs in the company’s pipeline. Pfizer chose to partner, rather than compete, with SP.

Detractors:

Bull was the primary disappointment of the quarter amidst a general decline in the IT sector. The company warned of weakness in its Italian subsidiary and lowered earnings expectations. We underestimated the damage that a small subsidiary could do in a short space of time. We expect the management team will exit the Italian business and focus on the core French business where we see considerable upside potential.

CS, the French supplier of defense IT systems, and **Capman**, the Finnish private equity firm, declined with the general market on no negative news.

Outlook

•Economic indicators show good signs of continued corporate investment despite market worries over interest rates and future economic growth.

•Despite the dollar weakness, forex markets have been calm and commodity markets less volatile.

•We continue to favor Business to Business models and services over consumer-related companies.

•We cannot state too strongly, however, our belief that the break in risk sentiment and the transition point looming on the global economy, requires even greater vigilance in terms of stock selection. Our historic preference for reliable, sustainable earnings from niche players with good cash flow and pricing power is underscored.

Europe Small & Mid Cap Management Team

	Years Experience
Consuelo Brooke, *Lead Portfolio Manager*	37
Gariesh Sharma, Co-Portfolio Manager & Analyst	10
Johann Ropers, *Associate Portfolio Manager & Analyst*	6

Top Ten Holdings as of 06/30/06

FUGRO NV	2.80%
SCHWARZ PHARMA AG	2.27%
SSAB(SVENSKT STAL)	2.08%
ARCADIS NV	2.02%
HOMESERVE	2.01%
LAING(JOHN)	1.95%
MAY GURNEY INTEGRATE	1.94%
VEGA GROUP	1.91%
CARE UK	1.81%
AARHUSKARLSHAMN	1.79%

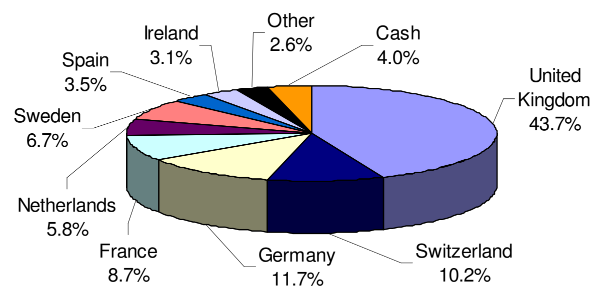
** Please see Performance Disclosure.* *Source GPMS*

Characteristics as of 06/30/06

	Philippe	S&P Citigroup Europe EMI
Weighted Avg Market Cap	**$ 1,751 MM**	$ 2,205 MM
Median Market Cap	**$ 701 MM**	$ 849 MM
Dividend Yield	**1.4**	2.1
Est EPS Growth	**19.9**	20.6
Price/Book	**4.2**	3.1
Holdings	**82**	1,725
Product Assets	**$ 265 MM**	NA

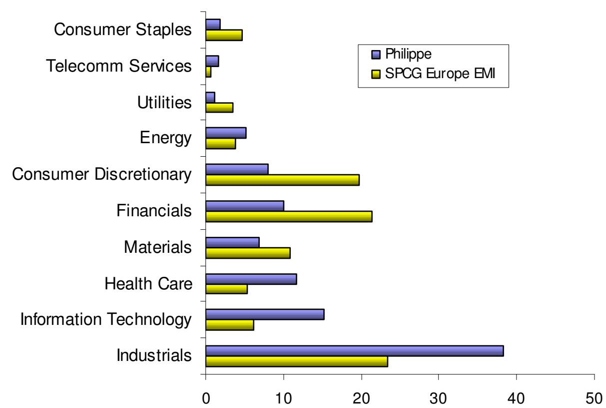
Source Datastream

Geographical Breakdown as of 06/30/06



Source GPMS

Sector Breakdown as of 06/30/06



Source GPMS

Composite Performance* as of 06/30/06

	Philippe Return (Gross)	S&P Citigroup Europe EMI	DJ Stoxx Small 200	MSCI Europe
Quarter	**0.91**	**1.81**	**1.38**	**2.54**
YTD	**14.38**	**19.44**	**18.35**	**13.58**
1 year	**23.22**	**34.43**	**31.08**	**24.75**
3 years	**28.81**	**32.84**	**31.76**	**23.40**
Since Inception	**29.97**	**33.38**	**34.45**	**24.98**

Annualized. Inception date: October 1, 2002, before fees. *Source GPMS*

PHILIPPE EUROPE EQUITY

Second Quarter 2006
Following very strong returns in the first four months of the year, European markets corrected in May and had a mixed performance in June, within a context of increasing nervousness about inflation and fears that interest rates will rise further. Overall, the European markets' setback was led by several cyclical sectors (aerospace & defense, forestry & paper, information technology hardware, automobiles) which all came down more than 5%. The best performing sectors (steel & other metals, food & drug retailers, transport and general retailers) were up between 7% and 10% over the quarter.

Contributors:
Roche held a meeting in June discussing new oncology treatments which underpinned the breadth and strength of the Swiss company's oncology franchise and pipeline. Several major product launches are planned for 2007.
Essilor: this French Group, world leader in corrective lenses, reported far higher than expected first quarter sales growth, driven by double-digit volume growth and a favorable upgrade in their product mix.
Unicredito Italiano, the largest bank in Italy, should be able to deliver sustainable growth over the coming years, superior to the average for European banks. Significant restructuring and synergy potential is linked to the merger with the German bank HVB.
Swiss Life: this Swiss insurance company benefited from positive leverage to rising interest rates, which combined with an ongoing restructuring plan and an attractive valuation, led to increased investor interest.
Detractors:
Groupe Stéria and **Atos:** due to a changing market perception that the IT services industry is less geared towards cyclical growth and becoming a more mature business, we reduced our exposure to this industry and we sold our position in the French company, Atos.
Technip: this French oil and gas service company announced expected cost overruns and delays in executing some contracts, the result of higher commodity prices and a shortage of qualified personnel. Technip is, however, a well-positioned company around key premium-growth markets.
Outlook:
•The current global macroeconomic slowdown remains moderate and while indicators suggest the US economy is actually slowing, the recovery has finally begun in the eurozone. The German economic recovery is strengthening and euroland is on track for at least 2% growth in 2006.
•There is clear evidence of inflationary pressures building up in the input and output price measures. CPI in the eurozone remained at a high 2.5% level in June, leading to expectations of further interest rate increases from the European Central Bank by the end of the year.
•However; satisfactory corporate earnings growth estimates in Europe, combined with reasonable equity valuations, lead us to remain cautiously optimistic. Our strategy is unchanged and focused on companies with innovative and solid business models likely to achieve solid earnings growth, even in a global economic slowdown.

Europe Equity Management Team

	Years Experience
Michel Raud, *Co-CIO, Portfolio Manager*	34
Béatrice Philippe, *Co-CIO, Portfolio Manager*	37
Véronique Cabioc'h, Associate Portfolio Manager & Analyst	20

Top Ten Holdings as of 06/30/06

SGS SA	4.10%
TOTAL EUR2.5	3.93%
BP	3.91%
ROCHE HLDGS AG	3.82%
UNICREDITO ITALIAN	2.74%
CAPITA GROUP ORD GBP(	2.69%
RECKITT BENCKISER	2.69%
KBC GROUP NV NPV	2.67%
SAP AG ORD NPV	2.57%
UBS AG	2.55%

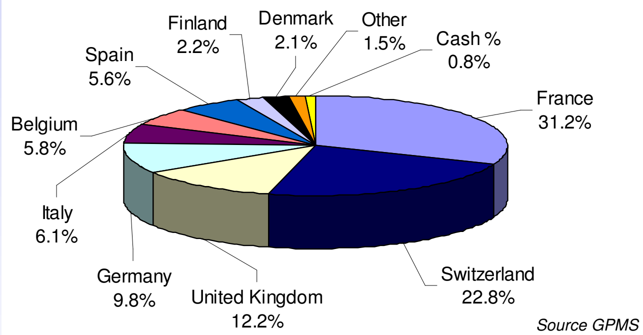
** Please see Performance Disclosure.* *Source GPMS*

Characteristics as of 06/30/06

Weighted Avg Market Cap	**$ 51,268 MM**
Median Market Cap	**$ 21,075 MM**
Dividend Yield	**2.1**
Est EPS Growth	**14.9**
Price/Book	**3.9**
Holdings	**47**
Product Assets	**$ 241 MM**

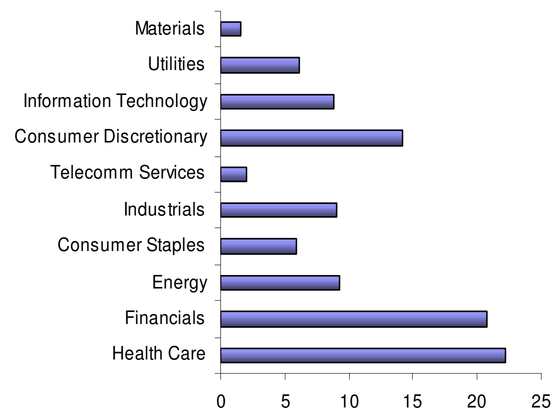
Source Datastream

Geographical Breakdown as of 06/30/06



Source GPMS

Sector Breakdown as of 06/30/06



Source GPMS

Composite Performance* as of 06/30/06

	Philippe Return	MSCI Europe	MSCI Europe Growth
Quarter	**1.75**	**2.54**	**2.71**
YTD	**12.30**	**13.58**	**13.15**
1 year	**21.70**	**24.75**	**22.51**
3 years	**19.27**	**23.40**	**20.11**
5 years	**5.79**	**10.45**	**8.14**
10 years	**7.44**	**10.09**	**7.17**
Since Inception	**8.85**	**10.69**	**8.75**

Annualized. Inception date: January 1, 1991, before fees. *Source GPMS*

Philippe

PHILIPPE U.S. EQUITY

Second Quarter 2006
Markets started the second quarter strongly, but the final seven weeks were turbulent. After ignoring the problems and risks in the previous two quarters, investors' attention focused on inflation and deterioration in the housing sector. In spite of early signs of economic weakness, the Fed made more aggressive comments about fighting inflation. Aggressive investors, led by hedge funds, began to pull back from the stocks that had benefited from strong global growth. Selling was particularly heavy in technology, industrials, commodity producers and stocks in emerging markets as well as small cap stocks. Our overweighted positions in healthcare and pharmaceuticals contributed very positively this quarter and our underweight in technology was also positive. The Capital Goods sector, on the other hand, was a significant detractor.

Contributors:
Quest Diagnostics continues to benefit from its leading position in providing clinical laboratory services in the U.S.
Fidelity National Financial unveiled a proposal for a corporate restructuring that simplifies its assets which helped to reduce the discount that was weighing on the stock.
Kinder Morgan gained after a buyout proposal by management to take the company private at $100 per share in cash, an 18.5% premium over the closing price of the stock before the announcement.

Detractors:
Claire's Stores was weak following an unimpressive earnings report along with the market's concern about weakness in consumer spending.
Sapient lagged as a result of a negative earnings report, the resignation of its CFO and an overall weak tech market.
Pentair was hit hard by a weak first quarter earnings report and signs of a slowdown in residential building. We continue to be positive on company's prospects going forward as the best pure play in the water sector.

Outlook:
•The first quarter growth rate of over 5% in the US clearly is unsustainable. With unemployment near 4.6%, the US is on the cusp of serious wage inflation. The US economy has to slow below its potential to alleviate some strain on the system. The Fed is determined to eradicate inflation and will keep raising rates until it succeeds. We are on a see-saw between inflation threats and a natural slowing, which might translate into a recession if the Fed becomes too aggressive in raising rates.
•In addition to macro-economic worries (inflation, house prices, debt payments, consumer spending), the market also is concerned about changes in the legislative agenda if control of the House and/or Senate passes to the Democrats.
•Elections in Latin America, and the deteriorating situation in the Middle East and North Korea are contributing to the malaise of the markets despite fairly good news from corporations.
•When the Fed stops raising rates, the dollar is likely to show further weakness.
•In the second quarter, once again international developed markets fared better than US markets. The outlook in Asia (particularly in China and Japan) continues to look bright, and Europe (particularly Germany) also is improving.
•We continue to favor high quality companies, especially those that have a significant proportion of their revenues from foreign economies.

U.S. Equity Management Team

	Years Experience
Béatrice Philippe, *Co-CIO, Portfolio Manager*	37
Howard Chin, Associate Portfolio Manager & Analyst	9

Characteristics as of 06/30/06

	Philippe	S&P 500 (Gross)
Weighted Avg Market Cap	**$ 45,876 MM**	**$ 88,264 MM**
Median Market Cap	**$ 9,058 MM**	**$ 11,971 MM**
Dividend Yield	**1.9**	**1.9**
Est EPS Growth	**17.9**	**13.9**
Price/Book	**3.1**	**3.5**
Holdings	**55**	**500**
Product Assets	**$ 95 MM**	NA

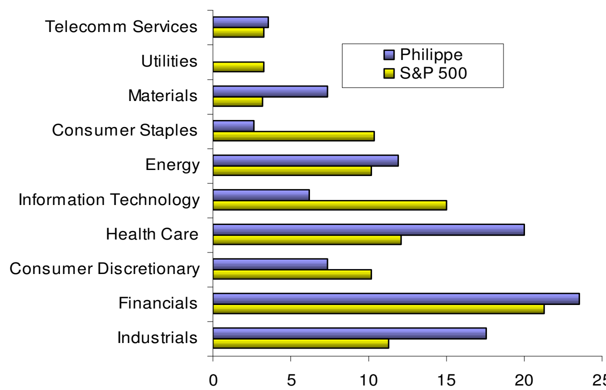
Source Datastream

Top Ten Holdings as of 06/30/06

CONOCOPHILLIPS	2.77%
COVANCE INC	2.57%
KEPPEL CORP	2.52%
QUEST DIAGNOSTICS COI	2.45%
FISHER SCIENTIFIC COM	2.31%
AMER TOWER CORP CL A	2.19%
BANK OF AMERICA CORP	2.16%
PRAXAIR INC COM USD0.0	2.15%
ISTAR FINANCIAL	2.13%
GLOBALSANTAFE CORP	2.13%

Source GPMS

Sector Breakdown as of 06/30/06



Source GPMS

Composite Performance* as of 06/30/06

	Philippe Return	S&P500	Russell 1000
Quarter	**(2.48)**	**(1.44)**	**(1.66)**
YTD	**0.75**	**2.71**	**2.76**
1 year	**3.16**	**8.63**	**9.08**
3 years	**7.21**	**11.22**	**12.04**
5 years	**2.15**	**2.49**	**3.12**
Since Inception	**2.26**	**1.47**	**2.10**

** Please see Performance Disclosure.*

Annualized. Inception date: February 1, 1999, before fees. *Source GPMS*

CURRENT PUBLICATIONS

- **Economic Grids – June 30, 2006**
- **Analyst Spotlights:**

Komatsu et Hitachi Construction, two Japanese storming the emerging markets.
By Eric Fourrier April 2006

Tod's: An unusual luxury play.
By Anne-Florence Evroux May 2006

A Safe Way to Play Energy
By Goldie Brandl June 2006

Please visit our website at www.Philippe-Group.com for complete listings or please contact us.

RECENT EVENTS

NEW OFFICE: We have moved into our beautiful new office at 2 Penn Plaza in the McGraw Hill building near Penn Station, on 7th Avenue and 32nd Street.

PEOPLE

- We welcome three new interns in our New York office this summer.

- Steven Murray will be a senior at Cornell majoring in economics. He is assisting our US analysts.
- Chad Brodsky will be a sophomore at University of Vermont. Chad is assisting our administrative group.
- Meredith Gerrick will be a junior at Ohio Wesleyan majoring in Sociology and World History and minoring in Economics. Meredith is assisting our marketing and client service group.

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PERFORMANCE DISCLOSURE

AIMR Compliance

We are in compliance with the composite construction requirements of the Performance Presentation Standards of the Association for Investment Management and Research (AIMR-PPS®) and the U.S. and Canadian version of the Global Investment Performance Standards (GIPS®). Our policies and procedures are designed to calculate and present performance results in compliance with AIMR-PPS® and the U.S. and Canadian version of GIPS®. Our compliance was audited on a *firmwide* basis from January 1, 1989 through December 31, 2001.

Our International Equity composite return calculations are in compliance with AIMR-PPS® and the U.S. and Canadian version of the Global investment Performance Standards (GIPS®). Ashland Accounting performed an independent, third party, verification and a performance examination (Level II) as set forth by the AIMR-PPS® and the U.S. and Canadian version of the Global Investment Performance Standard (GIPS®) on our International Equity composite from January 1, 1989 through December 31, 2001.

Our European Equity composite return calculations are in compliance with AIMR-PPS® and the U.S. and Canadian versions of the Global Investment Performance Standards (GIPS®). Ashland Accounting performed an independent, third party, verification and a performance examination (Level II) as set forth by the AIMR-PPS® and the U.S. and Canadian versions of the Global Investment Performance Standards (GIPS®) on our European Equity composite from January 1, 1991 through December 31, 2001.

Composite Descriptions

The **Philippe International Equity composite** includes all fully discretionary institutional international equity accounts with minimum assets of $10 million. The benchmark is the MSCI EAFE (net). Returns include the effect of foreign currency exchange rates. The exchange rate source of the benchmark and composite is Reuters. All returns are translated into US dollars. The composite is asset weighted, computed monthly, based on time-weighted returns, gross of fees, including income and cash equivalents. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. A fee schedule is available upon request and is described in Part II of the firm's ADV. Accounts are included from the first full month under management. Leverage is not used in this composite. Non-fee-paying accounts are not included in the composite. Composite performance is presented net of foreign withholding taxes. Past performance is not indicative of future results. There is one portfolio in the composite. Composite assets at year-end 2005 were $102 million.

The **Philippe European Small and Mid Cap Equity composite** includes all fully discretionary institutional European small & Mid Cap equity accounts with minimum assets of $2 million. The benchmark is the S&P Citigroup Europe EMI. Returns include the effect of foreign currency exchange rates. The exchange rate source of the benchmark and composite is Reuters. All returns are translated into US dollars. The composite is asset weighted, computed monthly, based on time-weighted returns, gross of fees, including income and cash equivalents. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. A fee schedule is available upon request and is described in Part II of the firm's ADV. Accounts are included from the first full month under management. Leverage is not used in this composite. Non-fee-paying accounts are not included in the composite. Composite performance is presented net of foreign withholding taxes. Past performance is not indicative of future results. There are four portfolios in the composite. Composite assets at year-end 2005 were $345 million.

The **Philippe European Equity composite** includes all fully discretionary institutional European equity accounts with minimum assets of $5 million. This composite includes a euro-denominated European FCP (mutual fund primarily for institutions), a European equity account with assets over $5 million. (Although that product is not available to US investors, the track record, translated into USD, is representative of our results for an institutional investor.) The benchmark is the MSCI Europe (net). Returns include the effect of foreign currency exchange rates. The exchange rate source of the benchmark and composite is Reuters. The composite is asset weighted, computed monthly, based on time-weighted returns gross of fees, including income and cash equivalents. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. A fee schedule is available upon request and is described in Part II of the firm's ADV. Leverage is not used in the composite. Accounts are included from the first full month under management. Non-fee-paying accounts are not included in the composite. Composite performance is presented net of foreign withholding taxes. Past performance is not indicative of future results. There is one portfolio in the composite. Composite assets at year-end 2005 were $9.2 million.

The **Philippe US Equity composite** includes two fully discretionary US equity accounts with assets over $25 million. This includes a euro-denominated European FCP (mutual fund primarily for institutions) with assets over $15 million and a euro-denominated European institutional account with assets over $5 million. The benchmark is the Standard & Poor's 500 Index. All returns are translated into US dollars. The composite is asset-weighted, computed monthly, based on time-weighted returns, gross of fees, including income and all cash equivalents. (Although the FCP product is not available to US investors, the track record, translated into USD, is representative of our results for an institutional investor.) Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. A fee schedule is available upon request and is described in Part II of the firm's ADV. Accounts are included from the first full month under management. Leverage is not used in this composite. Non-fee-paying accounts are not included in the composite. Past performance is not indicative of future results. There are two portfolios in the composite. Composite assets at year-end 2005 were $109 million.

Philippe Investment Management, Inc. claims compliance with the Global Investment Performance Standards (GIPS®)

A complete list and description of Philippe Investment Management, Inc.'s composites are available on our web site:

www.Philippe-Group.com