



# QUARTERLY NEWS

## Spotlight



*Douglas Bean, U.S. Equity Portfolio Manager  
Mr. Bean is based in New York and works closely with Beatrice Philippe. He has been with the firm since 1996 and is a member of the Global Investment Committee.*

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### **MEDIA: The Old Versus the New**

In many industries, new developments quickly displace the old, as often seen in high tech products and services. In media, there have been great changes over time, but the new has tended to slow or truncate the growth of the old rather than replace it. When TV appeared, radio was thought to be lost, but it continued to thrive for many years. Newspapers and network television, while growing slower than in the past, can still have interesting investment potential from time to time. As they generate cash and buy back shares, dominant local papers and a few nationals, such as USA Today, can be attractive at the right price of parent, **Gannett**. New segments of media, including satellite radio (**Sirius** and **XM Satellite**) and search engines (**Google** and **Yahoo**) have excellent top line growth; however, future profitability is unclear and they are priced at levels that leave no room for disappointment. In between, we have cable and satellite TV, which generate free cash (currently under-appreciated by the market), have intelligent managements and sell at a discount to business value. We are patient investors, but we expect to see visibility of growth and future cash flows to make reasonable judgments looking out several years.

Many media companies have developed important market niches that provide high barriers to entry. Through industry consolidation, other media companies offer diverse business segments in various markets, more stable cash flows and strong management. Such industry and company dynamics create attractive investment opportunities.

**Comcast** and **Direct TV** (DTV), in the cable and satellite television market, generate ample free cash, have good managements and sell at a discount to our assessment of business value. Comcast is having significant success by bundling services of voice, data and video. DTV's success partially relies on its ability to execute important deals with the regional and local baby bells, as these newer players in the market need a partner such as DTV to compete in the cable industry. Shareholder value could be enhanced by share buybacks and dividends down the road.

Another stock we find attractive is **Liberty Media**, a holding company with a valuable portfolio of both publicly traded and wholly owned companies. Liberty is led by John Malone, who has earned a reputation in the industry as a savvy deal maker. Nevertheless, the company sells at about a 25% discount to the value of its assets, which should become even more valuable as management restructures the company. The international business was spun off last year and the company has announced its intention to spin off Discovery Communications. Management also has been shrewd in protecting shareholder value by hedging overpriced positions, as they did with Sprint PCS and TWX at the time of the tech bubble, thereby protecting billions of dollars in asset value. Many analysts have concerns about the uncertain timing of transactions. We are less concerned with short-term timing and have confidence that management will take steps to increase shareholder value.

**Looking ahead:** There are challenges and risks associated with the media sector, as in any industry. Clearly, a slowdown in the economy or in consumer spending will curtail growth. Competition among different media businesses in pay television could increase. However, we think the leading players understand the risks and will work to avoid commoditization of this business. Despite potential negatives in the sector, we continue to find undervalued businesses in attractive markets. Media companies that are generating strong free cash flow will either grow the businesses or return cash to shareholders through dividends and share buybacks.

### 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

### First Quarter 2005

International equity markets were flat in the first quarter. Positive performance in local terms was wiped out by the strengthening of the dollar (4.6% vs. the euro, 4.8% vs. the Swiss Franc, 1.6% vs. the British pound and 4.4% vs. the yen). However, markets were stronger in Europe than in the US. Europe was up 0.5% (MSCI Europe) and the Pacific Basin declined 1.5% (MSCI Far East) as compared to a 2.1% decline in the S&P 500. The best performing sectors were energy, commercial services and supplies, materials and transportation. The worst performing sectors were software and services, technology and hardware, semiconductors and telecom services.

### Contributors

**Woodside Petroleum**, a high quality, high growth Australian oil and gas company, benefited from the 32% surge in oil prices during the quarter.

**Terumo Corp**, a Japanese pharmaceuticals company, upgraded its earnings forecast for the fiscal year ending March, 2005 amid strong sales of cardiovascular products around the world and lower production costs.

**Groupe Danone**, the French food manufacturer, reported impressive organic growth in 2004 and a slight improvement in operating margins, despite a tough trading environment and rising raw material costs.

### Detractors

**France Telecom** was negatively impacted by the heightened competitive and regulatory climate in the French DSL and cellular markets.

**STmicroelectronics**, a French semiconductor company, and **Infineon**, a German semiconductor company, suffered as investors continued to have a dim view of prospects in the industry.

**Roche Holdings**, a Swiss pharmaceuticals company, had solid top line and earnings growth, but suffered from investor apathy toward pharmaceutical companies.

### Outlook

- Economic indicators have confirmed a slowdown in growth, halting the rebound in cyclical stocks.
- Inflation is still subdued, although rising, which will put pressure on interest rates.
- The geopolitical situation remains uncertain, affecting markets worldwide.
- In our view, retaining a strong focus on quality growth remains key. We maintain a portfolio with a medium to long-term view, focused on leading companies with strong competitive positions in their respective fields.

### International Equity Management Team

	Years Experience
<b>Michel Raud</b> , Co-CIO, Lead Portfolio Manager	32
<b>Philippe Lesueur</b> , Portfolio Manager	18
<b>Béatrice Philippe</b> , Co-CIO, Portfolio Manager	35

### Top Ten Holdings as of 03/31/05

SANOFI-AVENTIS	2.63%
ROCHE HLDGS AG	2.59%
TOTAL	2.56%
BP	2.54%
SHELL TRNSPT&TRDG	2.49%
FRANCE TELECOM	2.37%
VODAFONE GROUP	2.20%
NESTLE SA	1.93%
RECKITT BENCKISER	1.69%
PHILIPS ELEC(KON)	1.69%

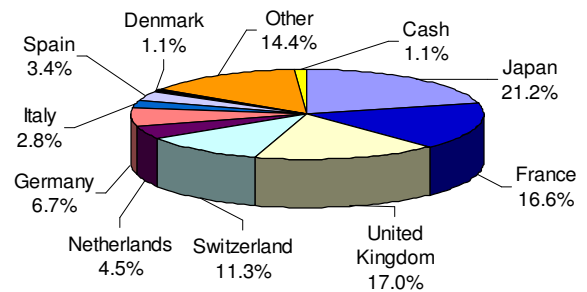
Source GPMS

### Characteristics as of 03/31/05

	Philippe	MSCI Eafe (Net)
Weighted Avg Market Cap	\$ 46,416 MM	\$ 49,198 MM
Median Market Cap	\$ 11,350 MM	\$ 4,523 MM
Dividend Yield	2.3	2.7
Est EPS Growth	14.7	
Price/Book	3.3	3.1
Holdings	119	1,070
Product Assets	\$ 104 MM	

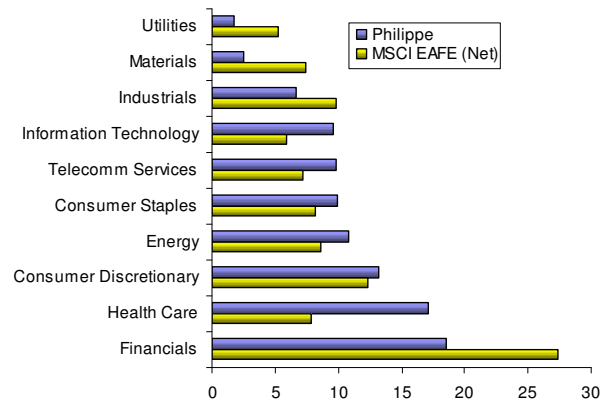
Source Datastream

### Geographical Breakdown as of 03/31/05



Source GPMS

### Sector Breakdown as of 03/31/05



Source GPMS

### Composite Performance\* as of 03/31/05

	Philippe Return (Gross)	MSCI EAFE (Net)	MSCI EAFE Growth (Net)
Quarter	(1.21)	(0.17)	(0.88)
YTD	(1.21)	(0.17)	(0.88)
1 year	10.16	15.06	10.71
3 years	7.00	11.64	8.63
5 years	(7.18)	(1.15)	(6.47)
10 years	6.27	5.41	2.84
Since Inception	6.43	4.53	2.08

Annualized. Inception date: January 1, 1989.

Source GPMS

\* Please see Performance Disclosure.

## PHILIPPE EUROPE SMALL & MID-CAP EQUITY

### First Quarter 2005

After a strong start to the year, markets had corrected by mid-March on quarter-end window dressing and investor concerns over weakening consumer demand, exacerbated by higher oil prices. Companies generally reported strong results in the first quarter; however, the currency markets were highly volatile with some evidence of panic. Currency traders closed their short dollar positions which, in turn, reinforced a sharp dollar rally. The dollar remains vulnerable to renewed weakness despite higher rates. Weakening estimates for European growth this year limit the likelihood of interest rate increases by the ECB in the near future, and high unemployment levels also are likely to restrain input costs. However, over the long term, inflation is a more probable scenario than deflation, which will lead to a more positive outlook for real assets.

### Contributors

Over the quarter, lead contributors included **Bull**, a French IT hardware company, which still is being re-discovered by investors. **CRC**, a British software and computer services company, and **McInerney**, an Irish household building company, both posted excellent results for 2004 and have good prospects for 2005.

### Detractors

Our chief detractors were **TTP**, a British IT hardware company, **First Properties**, a British real estate company, and **Assa Abloy**, a Swedish engineering company.

During the quarter, we sold some of our weaker positions (**Premier Farnell**, **Norwegian Air Shuttle**) and took some profits on some of our best performers (**Medidep**, **Orpea**). We initiated new positions in businesses with low sensitivity to economic activity, including **Brandon Hire**, **Bloomsbury**, **Conergy** and **AustriaMicrosystems**.

### Outlook

Over the next year or two, we expect to see a sharp distinction between those companies able to grow their revenues and those limited to cost cutting in order to remain profitable. A general "moving with the tide of economic improvement" is unlikely to be a sufficient strategy going forward. Companies in commodity, natural resource and heavy industries, such as chemicals, paper and automobiles, are among those most at risk, as are all over-indebted companies or those without real pricing power.

### Europe Small & Mid Cap Management Team

	Years Experience
<b>Consuelo Brooke</b> , <i>Lead Portfolio Manager</i>	35
<b>Johann Ropers</b> , <i>Associate Portfolio Manager &amp; Analyst</i>	4
<b>Gariesh Sharma</b> , <i>Associate Portfolio Manager &amp; Analyst</i>	8

### Top Ten Holdings as of 03/31/05

AALBERTS INDUSTRIE	2.17%
MCINERNEY HLDGS	2.13%
BULL	2.10%
CAPMAN OYJ	2.08%
CRC GROUP	1.80%
SERCO GROUP	1.54%
BALFOUR BEATTY	1.53%
VT GROUP	1.53%
WENDEL INVESTISSEM	1.52%
WORKSPACE GROUP	1.50%

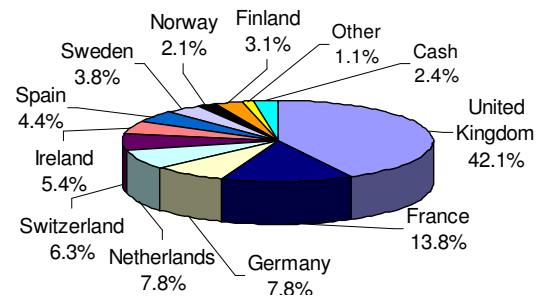
**Quarter**  
**YTD**  
**1 year**  
**Since Inception**

### Characteristics as of 03/31/05

	Philippe	DJ Stoxx Small 200 (Net)
Weighted Avg Market Cap	\$ 1,393 MM	\$ 3,180 MM
Median Market Cap	\$ 758 MM	\$ 2,354 MM
Dividend Yield	1.9	2.5
Est EPS Growth	20.5	18.0
Price/Book	3.9	3.3
Holdings	92	200
Product Assets	\$ 397 MM	

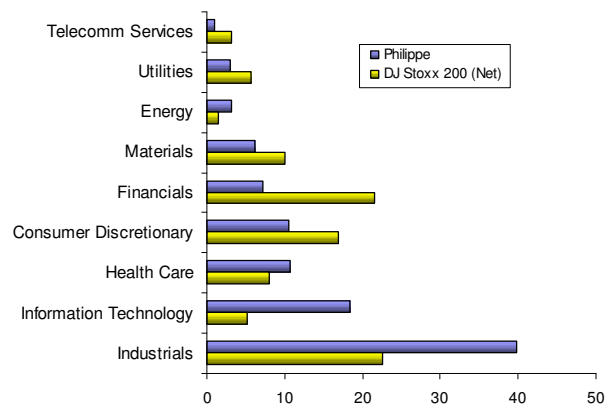
Source Datastream

### Geographical Breakdown as of 03/31/05



Source GPMS

### Sector Breakdown as of 03/31/05



Source GPMS

### Composite Performance\* as of 03/31/05

	Philippe Return (Gross)	DJ Stoxx Small 200 (Net)	S&P Citigroup Europe EMI (Net)	MSCI Europe (Net)
<b>Quarter</b>	3.90	1.91	3.28	0.46
<b>YTD</b>	3.90	1.91	3.28	0.46
<b>1 year</b>	33.53	25.08	25.70	20.37
<b>Since Inception</b>	37.66	40.15	37.37	28.33

\* Please see Performance Disclosure.

Source GPMS

Annualized. Inception date: October 1, 2002.

Source GPMS

## PHILIPPE EUROPE EQUITY

### First Quarter 2005

European markets continued to rebound during the first quarter, rising 5.1% in euro terms, but the strength of the dollar nearly cancelled out the gain. The dollar rose 4.6% vs. the euro, 4.8% vs. the Swiss franc and 1.6% vs. the British pound. The best performing sectors were commercial services and supplies, household and personal products and energy. The worst performing sectors were technology and hardware, semiconductors and telecom services.

### Contributors

**Sanofi-Aventis**, a French pharmaceuticals company, experienced a strong FY 2004. The company has a solid outlook for 2005, with the confirmation of targeted merger synergies and increasing pipeline recognition.

**Groupe Danone**, the French food manufacturer, reported impressive organic growth in 2004 and a slight improvement in operating margins, despite a tough trading environment and rising raw material costs.

**Reckitt Benckiser** has dominant market positions in niche categories of household products in the UK. High innovation rates and a focus on leading brands helped this high quality company overcome the current slowdown in consumer spending.

**SGS**, a Swiss business services company, enters 2005 with strong trading momentum produced by robust Asian economic growth, strong global trade levels and high global commodity prices.

### Detractors

**France Telecom** was negatively impacted by the heightened competitive and regulatory climate in the French DSL and cellular markets.

**STmicroelectronics**, a French semiconductor company, and **Infineon**, a German semiconductor company, suffered as investors continued to have a dim view of prospects in the industry.

### Outlook

- Economic indicators have confirmed a slowdown in growth, halting the rebound in cyclical stocks.
- Inflation is still subdued, although rising, which will put pressure on interest rates.
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### Europe Equity Management Team

	Years Experience
<b>Philippe Lesueur</b> , Lead Portfolio Manager	18
<b>Michel Raud</b> , Co-CIO, Portfolio Manager	32
<b>Béatrice Philippe</b> , Co-CIO, Portfolio Manager	35

### Top Ten Holdings as of 03/31/05

TOTAL	3.42%
SANOFI-AVENTIS	3.41%
ROCHE HLDGS AG	3.38%
BP	3.32%
SHELL TRNSPT&TRDG	3.31%
FRANCE TELECOM	3.17%
VODAFONE GROUP	2.86%
NESTLE SA	2.52%
PHILIPS ELEC(KON)	2.21%
RECKITT BENCKISER	2.20%

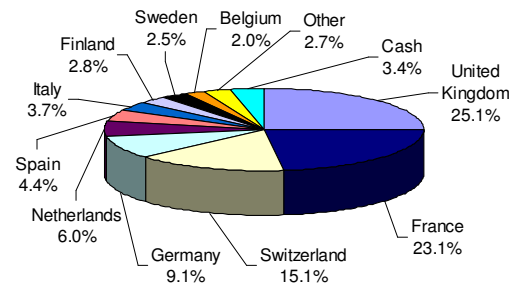
Source GPMS

### Characteristics as of 03/31/05

	Philippe	MSCI Europe (Net)
Weighted Avg Market Cap	\$ 56,195 MM	\$ 59,951 MM
Median Market Cap	\$ 17,022 MM	\$ 5,384 MM
Dividend Yield	2.6	3.0
Est EPS Growth	15.3	
Price/Book	3.6	3.4
Holdings	61	565
Product Assets	\$ 183 MM	

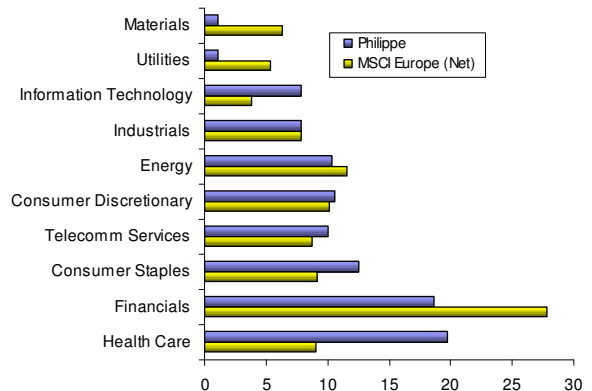
Source Datastream

### Geographical Breakdown as of 03/31/05



Source GPMS

### Sector Breakdown as of 03/31/05



Source GPMS

### Composite Performance\* as of 03/31/05

	Philippe Return (Gross)	MSCI Europe Net	MSCI Europe Growth
Quarter	(0.77)	0.46	(0.14)
YTD	(0.77)	0.46	(0.14)
1 year	14.31	20.37	15.55
3 years	6.84	11.19	7.95
5 years	(5.68)	0.14	(5.39)
10 years	8.57	9.93	7.41
Since Inception	8.40	10.02	8.04

\* Please see Performance Disclosure.

Annualized. Inception date: January 1, 1991.

Source GPMS

## PHILIPPE U.S. EQUITY

### First Quarter 2005

The decline in US stock indices in the first quarter was not surprising in the face of rising interest rates and the substantial market strength in the fourth quarter of 2004. The market's strongest sector continued to be energy, followed by utilities and materials. The weakest sectors were automobiles and components, software and services, and tech hardware and equipment.

### Contributors

**Office Depot** is one of the world's largest office supply retailers and is the leader in online sales globally. While continuing to generate strong free cash flow, the company had not fully taken advantage of its strengths. A new CEO, who had tremendous success at improving sales and operations as CEO of Autozone, was appointed in the quarter. In addition, same store sales trends saw a significant improvement in the crucial North American market.

**ConocoPhillips:** As did many companies in the sector, this integrated oil and petrochemicals company has had impressive earnings. However, at the time of purchase, the company had a lower price/book and price/cash flow ratio than many of the leaders in the group. In addition, a capable and aggressive management team and an important position in emerging markets will be advantageous.

### Detractors

**International Game Technology** is the leading manufacturer of slot machines and related software for the gaming industry. The company has strong management, a high return on equity, high margins, and generates significant free cash flow. The stock sold off when it became evident that 2005 earnings would not grow significantly. The importance of replacing older machines, the opening of new markets and strong demand in the Japanese market should lead to renewed earnings growth in 2006. We believe that the sell-off was overdone and the shares are attractive.

**Sun Microsystems:** Following a powerful move in the fourth quarter of 2004, Sun shares declined after the company posted weak revenue growth. Technology spending remains muted, which has been a challenge to their server and network products lines. This cash rich company has plans for new product offerings and an innovative management team that has engineered several business recoveries.

### Outlook

The economy may slow from the pace of 2004, in the face of higher energy prices and a slowdown in consumer spending.

• Job growth is likely to continue in 2005; however, some increase in inflation is expected which will be followed by a further increase in interest rates.

• The dramatic outperformance of cyclical companies over the past year is unlikely to continue given the slowdown of economic growth and the large increase in valuations.

### Characteristics as of 03/31/05

	<u>Philippe</u>	<u>S&amp;P 500</u> <u>(Gross)</u>
Weighted Avg Market Cap	\$ 73,503 MM	\$ 91,079 MM
Median Market Cap	\$ 28,950 MM	\$ 10,503 MM
Dividend Yield	1.4	1.8
Est EPS Growth	11.5	12.5
Price/Book	3.6	4.1
Holdings	47	500
Product Assets	\$ 192 MM	

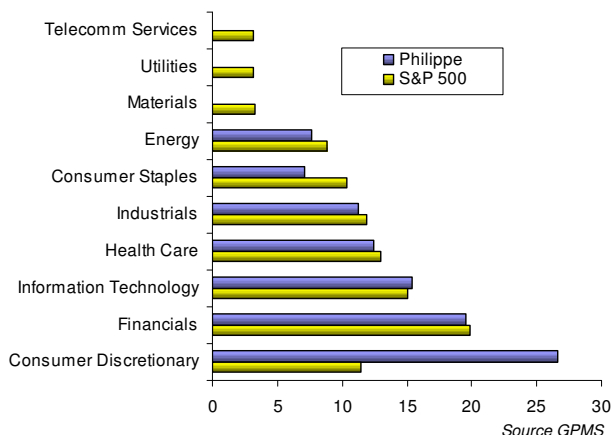
Source Datastream

### Top Ten Holdings as of 03/31/05

LIBERTY MEDIA CORP	3.86%
BERKSHIRE HATHAWAY	3.67%
GENERAL ELECTRIC CO	3.59%
BLOCK H & R INC	3.37%
EXXON MOBIL CORP	3.27%
CITIGROUP INC	3.10%
PFIZER INC	2.92%
PROCTER & GAMBLE CO	2.90%
COMCAST CORP	2.88%
JOHNSON & JOHNSON	2.47%
TOTAL	32.01%

Source GPMS

### Sector Breakdown as of 03/31/05



### Composite Performance\* as of 03/31/05

	<u>Philippe Return</u> <u>(Gross)</u>	<u>S&amp;P 500</u> <u>(Gross)</u>	<u>Russell 1000</u>
Quarter	(1.72)	(2.15)	(1.91)
YTD	(1.72)	(2.15)	(1.91)
1 year	5.38	6.69	7.24
3 years	2.92	2.75	3.35
5 years	0.54	(3.16)	(2.97)
Since Inception	2.08	0.20	0.77

### U.S. Equity Management Team

	Years Experience
Douglas Bean, Lead Portfolio Manager	16
Béatrice Philippe, Co-CIO, Portfolio Manager	35

\* Please see Performance Disclosure.

Annualized. Inception date: February 1, 1999.

Source GPMS

## BUSINESS

- Assets Under Management reached \$ 887.1 million at March 31, 2005.

## PEOPLE



### □ Lauren Craft

North American Marketing Associate:  
Lauren joined Philippe Investment Management in March 2005 to reinforce the Marketing team in New York. She works closely with Lenore Thornton and Patricia Reischour. Lauren is an Economics major from the University of Virginia.

## CURRENT PUBLICATIONS

Please visit our website at [www.Philippe-Group.com](http://www.Philippe-Group.com) for complete listings, or please contact us.

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- **Analyst Spotlights**

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by Eric Fourrier January 2005

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by Anne-Florence Evroux March 2005

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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 the 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. The composite is asset weighted, computed monthly, based on time-weighted returns, gross of fees, including income. 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. Fees are collected quarterly, which produces a compounding effect on the total rate of return net of management fees. As an example, the effect of management fees on the total value of a client's portfolio assuming (a) \$1,000,000 investment, (b) portfolio return of 8% a year, and (c) 1.00% annual investment advisory fee would be \$10, 416 in the first year, and cumulative effects of \$59,816 over five years and \$143,430 over ten years. Actual investment advisory fees incurred by clients may vary. Accounts are included from the first full month under management. All returns are translated into US dollars. No balanced portfolio segments are included, nor is this composite a sub-sector of a larger portfolio. From the first quarter of 1997 through the July 31, 2004 the composite held a 1%-3% position in Canadian securities. Canada is a non-MSCI EAFE country. We no longer hold any Canadian securities in the composite. 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. From inception (January 1, 1989) through December 31, 1995 there was one portfolio in the composite. From January 1, 1996 through March 31, 1999 there were two portfolios in the composite. From April 1, 1999 through March 31, 2001 there was one portfolio in the composite. From April 1, 2001 to July 31, 2004 there were two portfolios in the composite. From August 1, 2004 there has been one portfolio in the composite. Composite assets at year-end 2004 were \$91.2 million. Prior year's-end composite assets were: 1989, \$204 million; 1990, \$159 million; 1991, \$170 million; 1992, \$162 million; 1993, \$212 million; 1994, \$216 million; 1995, \$238 million; 1996, \$338 million; 1997, \$365 million; 1998, \$413 million; 1999, \$85 million; 2000, \$81 million; 2001, \$196 million; 2002, \$161.5 million; 2003, \$220.7 million.

The **Philippe European Small and Mid Cap Equity composite** includes all fully discretionary institutional European small and mid cap equity accounts with minimum assets of \$2 million. The benchmark is the DJ STOXX Small 200. 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. 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. All returns are translated into US dollars. Fees are collected quarterly, which produces a compounding effect on the total rate of return net of management fees. As an example, the effect of management fees on the total value of a client's portfolio assuming (a) \$1,000,000 investment, (b) portfolio return of 8% a year, and (c) 1.00% annual investment advisory fee would be \$10, 416 in the first year, and cumulative effects of \$59,816 over five years and \$143,430 over ten years. Actual investment advisory fees incurred by clients may vary. No balanced portfolio segments are included, nor is this composite a sub-sector of a larger portfolio. 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. From inception (10/2002) through January 31, 2003 there were two portfolios in the composite. Since February 1, 2003 there have been three portfolios in the composite. Composite assets at year-end 2004 were \$316 million. Composite assets at year-end 2003 were \$201.4 million. Composite assets at year-end 2002 were \$4.7 million. This composite was created in January 2002.

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. 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.

## PERFORMANCE DISCLOSURE

### Philippe European Equity composite (continued)

Accounts are included from the first full month under management. All returns are translated into US dollars. Fees are collected quarterly, which produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the total value of a client's portfolio assuming (a) \$1,000,000 investment, (b) portfolio return of 8% a year, and (c) 1.00% annual investment advisory fee would be \$10,416 in the first year, and cumulative effects of \$59,816 over five years and \$143,430 over ten years. Actual investment advisory fees incurred by clients may vary. No balanced portfolio segments are included, nor is this composite a sub-sector of a larger portfolio. 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. From inception (1/1/1991) through the first quarter of 1991 there was one portfolio in the composite. From the second quarter of 1991 through June 1996 there were two portfolios in the composite. From July 1996 to January 1999 there was one portfolio in the composite. From February 1999 through May 2000 there were two accounts in the composite. Since June 2000 there has been one portfolio in the composite. Composite assets at year-end 2004 were \$11.2 million. Prior years-end composite assets were: 1991, \$78 million; 1992, \$118 million; 1993, \$166 million; 1994, \$186 million; 1995, \$214 million; 1996, \$228 million; 1997, \$271 million; 1998, \$358 million; 1999, \$330 million; 2000, \$14 million; 2001, \$10 million; 2002, \$8.1 million; 2003, \$14.2 million.. This composite was created in January 2002.

The **Philippe US Equity composite** includes three fully discretionary US equity accounts with assets over \$100 million. This includes a US tax-exempt public pension fund with assets over \$75 million, a euro-denominated European FCP (mutual fund primarily for institutions) with assets over \$30 million and a euro-denominated European institutional account with assets over \$10 million. The benchmark is the Standard & Poor's 500 Index. 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. All returns are translated into US dollars. Fees are collected quarterly, which produces a compounding effect on the total rate of return net of management fees. As an example, the effect of management fees on the total value of a client's portfolio assuming (a) \$1,000,000 investment, (b) portfolio return of 8% a year, and (c) 1.00% annual investment advisory fee would be \$10,416 in the first year, and cumulative effects of \$59,816 over five years and \$143,430 over ten years. Actual investment advisory fees incurred by clients may vary. No balanced portfolio segments are included, nor is this composite a sub-sector of a larger portfolio. 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. From inception (February 1, 1999) to September 30, 2003 there was one portfolio in the composite. From October 1, 2003 to August 31, 2004 there were two portfolios in the composite. Since September 1, 2004 there have been three portfolios in the composite. Composite assets at year-end 2004 were \$120.6 million. Prior years-end composite assets were: 1999, \$5.7 million; 2000, \$6.6 million; 2001, \$13.0 million; 2002, \$14.5 million; 2003, \$47 million. This composite was created in January 2002.