Philippe INVESTMENT MANAGEMENT

QUARTERLY NEWS

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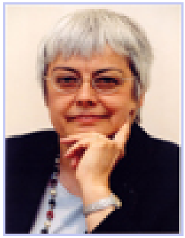
Spotlight

Europe Small Cap Opportunities



Consuelo Brooke

Mrs. Brooke is based in London and responsible for the management of the firm's specialist portfolios investing in smaller European companies. Consuelo began her career in the UK fund management industry in 1969 at SG Warburg & Co, and continued with successor companies, Mercury Asset Management Holdings and Merrill Lynch Investment Management until January, 2002.

For the last three years, small cap stocks in Europe outperformed their larger counterparts bringing the out performance to 8.4%, annualized, during this period. Is this trend sustainable? We asked Consuelo to comment on some of the issues that are on investors' minds.

After the run-up we have seen in small caps, is now the time to be buying?
CB: While we cannot predict the market, we are confident of continued, visible earnings growth from a number of small companies for the next 12 to 18 months. We also know that the lower end of the market by cap size includes many companies with specific advantages.

What about valuations?
CB: There is no visible euphoria in the small cap sector today. While there may be fewer outright distressed bargains, small caps, and Europe in general, are still much cheaper than in the U.S. Further, if you select above average growth companies, the valuations are yet more attractive. We also are seeing confirmation of the economic upsurge that we anticipated last year. There is still time to enjoy the upward trend in this market.

Is the political situation in Europe cause for concern?
CB: There is certainly much to be concerned about globally; Iraq and the Middle East are most prominent, but also North Korea—which does not help the comfort level of investors. However, we see no cause for concern in the recent elections in Europe. Historically, left wing governments have been more successful at managing union unrest and generally are more stimulative.

Europe has lagged the world economy and small caps appear to be more domestic in nature, is this cause for concern?
CB: Small cap does *not* mean domestic. Probably 60% of the stocks in our portfolios earn more than half their revenues from overseas. Consider **Beru**, **Synthes-Stratec**, **Kidde**, **Cobham** – all are global companies. Because a company has a small capitalization does not mean it is either small or *domestic*!

What about inflation? The strong euro?
CB: For the moment inflation remains benign but one must expect some revival of pressure. For this reason, we prefer equities to bonds and Europe to the U.S. in light of the relative valuations that show that the U.S. is seriously overvalued. The weakness of the U.S. dollar is a major negative factor for investors. Nominal commodity prices have benefited as a result, as they have from strong Chinese demand. More important is the outcome of the U.S. elections in November; a topic we firmly avoid commenting on at this time!

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 2004

- Markets in the quarter were led by the Pacific Basin, 12.7%, with continued strength in Japan, 15.4%. Europe was only slightly positive, 0.8%. These results are closer to what we saw in 3Q2003 and illustrates how fast markets are looking for new directions in an overall recovery mode.
- Markets in Europe were strongly affected by the tragic events in Madrid and registered negative performance in March. In Japan both the market and the yen advanced.
- The best performing sectors in the quarter were tech hardware and equipment, real estate, retailing and healthcare equipment. The worst performing sectors were semiconductors and semi-equipment, pharmaceuticals and biotech, telecom services and energy.

Contributors

- **Euronext**: The European consortium of stock markets had good 2003 results and was clearly undervalued.
- **Orix**: A Japanese financial services company had strong results and is well positioned in profitable niches where large banks are not competing.
- **Smith & Nephew**: This British medical equipment company reported very good 2003 results and forecasted good prospects for 2004.

Detractors

- **France Telecom**: 2003 results were good, but the stock was depressed by the announcement of the buy out of minority holders in Wanadoo, its internet service provider.
- **SGS**: Stock was depressed by potential overhang of shares to be sold by a large shareholder, Groupe Worms.

Outlook

- The US recovery looks to be firming up, the Japanese economy is strengthening, China is still growing very fast – all of which are pulling Europe. We continue to progressively tilt the portfolio towards growth.

International Equity Management Team

	Years Experience
Michel Raud, *Co-CIO, Lead Portfolio Manager*	31
Philippe Lesueur, *Portfolio Manager*	17
Béatrice Philippe, *Co-CIO, Portfolio Manager*	34

Top Ten Holdings as of 03/31/04

FRANCE TELECOM	3.5%
ROCHE HLDGS AG	2.4%
TOTAL	2.2%
BP	2.1%
VODAFONE GROUP	2.0%
EQUANT NV	1.9%
NESTLE SA	1.9%
PHILIPS ELEC(KON)	1.8%
NOKIA OYJ	1.8%
SGS SA	1.8%
TOTAL	21.6%

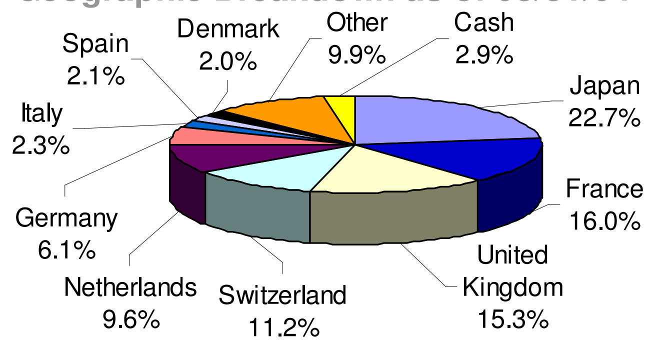
** Please see Performance Disclosure.* Source FMC

Characteristics as of 03/31/04

	Philippe	MSCI Eafe
Weighted Avg Market Cap	$ 42,738 MM	$ 44,741 MM
Median Market Cap	$ 11,927 MM	$ 4,127 MM
Dividend Yield	1.9	2.5
Price/Book	3.3	2.9
Holdings	120	1,005
Product Assets	$ 245 MM	

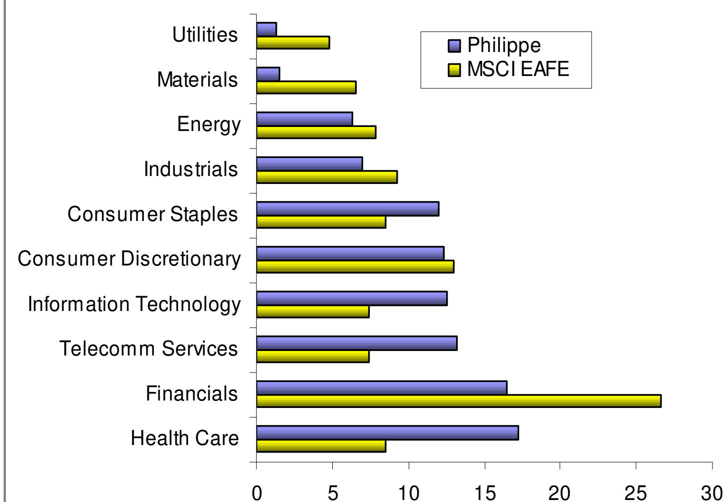
Source Datastream and Wilshire

Geographic Breakdown as of 03/31/04



Source Wilshire Atlas

Sector Breakdown as of 03/31/04



Source Wilshire Atlas

Composite Performance*
(Periods ending 03/31/04)

	Philippe Return (Gross)	MSCI EAFE	MSCI EAFE Growth
Quarter	2.05	4.34	3.97
YTD	2.05	4.34	3.97
1 year	44.65	57.54	49.12
3 years	(1.36)	3.43	1.39
5 years	0.06	0.52	(2.94)
10 years	5.43	4.67	2.32
Since Inception	6.19	4.05	1.54

Annualized. Inception date: January 1, 1989. Source FMC

PHILIPPE EUROPE SMALL & MID-CAP EQUITY

First Quarter 2004

- Again we saw significant out performance by small caps relative to large in Europe--in excess of 600 basis points.
- March was the first negative month for the small cap index since February, 2003.

Contributors

- **SDL, Serco, J. Laing, Persimmon, Forth Ports, Cobham**

All have a common theme—visible positive earnings, beneficiaries of government outsourcing and long-term contracts, and a sound financial and asset base. SDL is exceptional in this regard, a software company involved in translation products for internet and documents.

Detractors

- **Stada, Surfcontrol, Icon, RPS, Rhon Klinikum**

With the exception of Rhon Klinikum, which was adversely affected by a poorly executed fund liquidation, the detractors in the first quarter suffered from the previous quarter's earnings results which disappointed expectations, despite being positive. All have since recovered and, in the last month, have been strong performers. RPS, by contrast, has remained under pressure as a result of forecasts of a relatively flat 2004 due to one-off expenses for staff options and changes in corporate structure.

Outlook

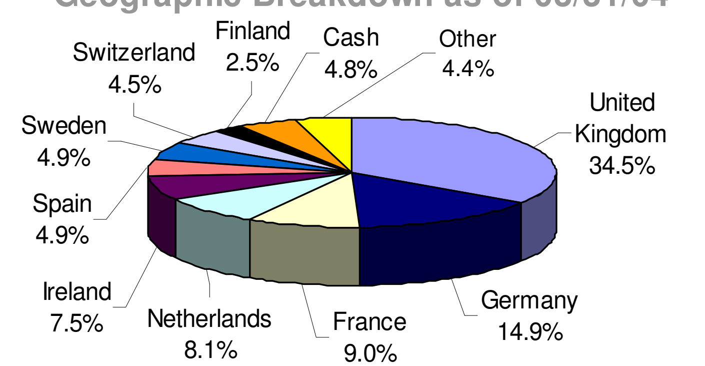
- Expectations for the balance of 2004 are mixed; positive for specific corporate results and general economic activity, but concerned that a "shock" could be destabilizing. We remain focused on earnings trends, dividend paying companies and industrials.

Characteristics as of 03/31/04

	Philippe	DJ Stoxx Small 200
Weighted Avg Market Cap	$ 1,466 MM	$ 2,968 MM
Median Market Cap	$ 717 MM	$ 1,832 MM
Dividend Yield	2.4	2.2
Price/Book	3.7	2.9
Holdings	85	200
Product Assets	$ 230 MM	

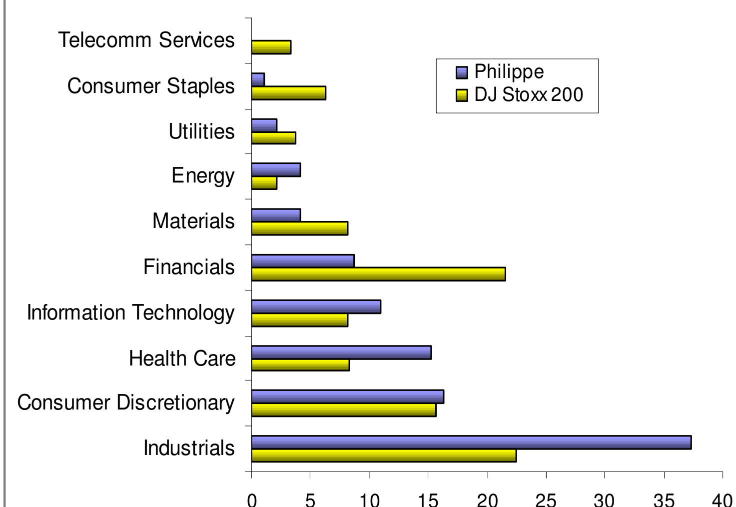
Source Datastream

Geographic Breakdown as of 03/31/04



Source Wilshire Atlas

Sector Breakdown as of 03/31/04



Source Wilshire Atlas

Europe Small & Mid Cap Equity Management Team

	Years Experience
Consuelo Brooke, *Portfolio Manager*	34
Béatrice Philippe, *Co-CIO*	34
Michel Raud, *Co-CIO*	31

Top Ten Holdings as of 03/31/04

FIRST PROPERTY	2.14%
WENDEL INVESTISSEM	2.08%
ANGLO IRISH BNK.CP	2.07%
STRAUMANN HLDG	1.84%
SYNTHES-STRATEC	1.81%
HEXAGON AB	1.73%
BIJOU BRIGITTE	1.72%
STADA ARZNEIMITTEL	1.70%
ULTRA ELECTRONIC	1.70%
COBHAM	1.61%
TOTAL	18.38%

Source FMC

Composite Performance*

(Periods ending 03/31/04)

	Philippe Return (Gross)	DJ Stoxx Small 200	S&P Citigroup Europe EMI	MSCI Europe
Quarter	5.32	7.39	6.98	0.89
YTD	5.32	7.39	6.98	0.89
1 year	67.92	79.20	76.54	53.96
Since Inception	40.48	51.18	45.75	33.92

Annualized. Inception date: October 1, 2002. Sources FMC & Zephyr Style Advisor

* *Please see Performance Disclosure.*

Philippe

PHILIPPE EUROPE EQUITY

First Quarter 2004

- Markets in Europe were strongly affected by the tragic events in Madrid and registered negative performance in March. For the quarter, Europe was only slightly positive, 0.9%. The dollar gained 2.6% versus the euro and lost 2.6% versus the pound.
- The best performing sectors were tech hardware and equipment, real estate, healthcare equipment and retailing. The worst performing sectors were autos, semiconductors, food and staples retailing and pharmaceuticals.

Contributors

- **Euronext**: The European consortium of stock markets had good 2003 results and was clearly undervalued.
- **Smith & Nephew**: This British medical equipment company showed very good 2003 results and forecasted good prospects for 2004.
- **Nobel Biocare**: Dental implants continue to show strong growth. This company is a leader in this niche.

Detractors

- **France Telecom**: 2003 results were good, but the stock was depressed by the announcement of the buy out of minority holders in Wanadoo, its internet service provider.
- **SGS**: Stock depressed by potential overhang of shares to be sold by a large shareholder, Group Worms.
- **ST Microelectronics**: Correction in line with the semiconductor sector.

Outlook

- We have taken a more pro-growth stance. With a supportive US led macro-economic environment, over the last two quarters earnings have been revised upward for most companies in our investment universe. We find real growth is not hindered by wide geopolitical issues and there are many attractive valuations.

Europe Equity Management Team

	Years Experience
Philippe Lesueur, *Lead Portfolio Manager*	17
Michel Raud, *Co-CIO, Portfolio Manager*	31
Béatrice Philippe, *Co-CIO, Portfolio Manager*	34

Top Ten Holdings as of 03/31/04

FRANCE TELECOM	4.68%
ROCHE HLDGS AG	3.42%
TOTAL	3.41%
BP	3.00%
SGS SA	2.73%
NESTLE SA	2.62%
PHILIPS ELEC(KON)	2.58%
NOKIA OYJ	2.58%
VODAFONE GROUP	2.44%
UNILEVER	2.40%
TOTAL	29.86%

Source FMC

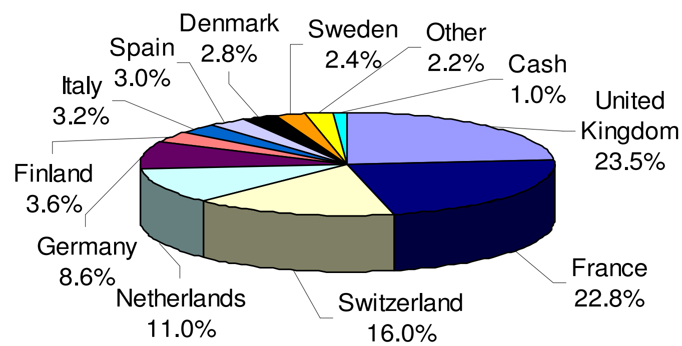
* Please see Performance Disclosure.

Characteristics as of 03/31/04

	Philippe	MSCI Europe
Weighted Avg Market Cap	$ 48,495 MM	$ 53,824 MM
Median Market Cap	$ 13,497 MM	$ 4,827 MM
Dividend Yield	2.3	3.0
Price/Book	3.6	3.1
Holdings	63	539
Product Assets	$ 151 MM	

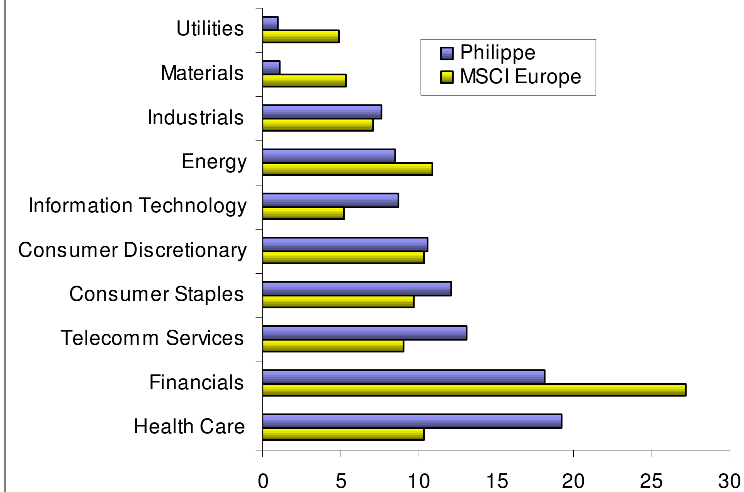
Source Datastream and Wilshire

Geographic Breakdown as of 03/31/04



Source Wilshire Atlas

Sector Breakdown as of 03/31/04



Source Wilshire Atlas

Composite Performance*

(Periods ending 03/31/04)

	Philippe Return (Gross)	MSCI Europe
Quarter	(0.13)	**0.89**
YTD	(0.13)	**0.89**
1 year	45.69	**53.96**
3 years	(2.52)	**2.66**
5 years	(2.38)	**(0.18)**
10 years	7.64	**8.97**
Since Inception	7.97	**9.28**

Annualized. Inception date: January 1, 1991. Source FMC

First Quarter 2004

▪ The large cap indices were up in the quarter, however, after the terrorist bombing in Madrid and the escalating violence in Iraq, March had negative results.

▪ The strongest sectors were hotels, restaurants and leisure, consumer durables and appliances. The weak sectors were semiconductors, media and automobiles.

Contributors

▪ **Berkshire Hathaway**: Continuing strength in insurance pricing and favorable results from other wholly-owned businesses contributed to performance.

▪ **American Express**: Benefited from renewed strength in credit card spending and from a cyclical recovery in the financial advisors unit.

▪ **Harley Davidson**: Better than expected sales and share repurchases powered the stock. The growth rate is likely to slow from the 1990's but will remain double digit.

Detractors

▪ **HR Block**: After a strong 2003, growth in the core tax business seems to be slowing due to greater competition. The business model is attractive with strong free cash.

▪ **Liberty Media**: There was no apparent reason for the decline in the stock. The shares are significantly mispriced based on the value of their holdings and an outstanding management team.

Outlook

▪ Increases in commodity prices and a stimulative monetary and fiscal policy support the view of a continuing economic recovery.

▪ An increase of inflationary pressures along with reports that several major companies are passing through price increases, is putting upward pressure on interest rates. Rate increases could restrain stock prices, however stocks appear more attractive than bonds.

▪ Stocks with strong franchises, pricing power and good management should provide the best combination to maintain capital appreciation in the years to come.

U.S. Equity Management Team

	Years Experience
Douglas Bean, *Lead Portfolio Manager*	15
Béatrice Philippe, *Co-CIO, Portfolio Manager*	34

Characteristics as of 03/31/04

	Philippe	S&P 500
Weighted Avg Market Cap	$ 86,812 MM	$ 88,452 MM
Median Market Cap	$ 41,345 MM	$ 9,166 MM
Dividend Yield	1.2	1.7
Price/Book	4.4	4.2
Holdings	50	500
Product Assets	$ 121 MM	

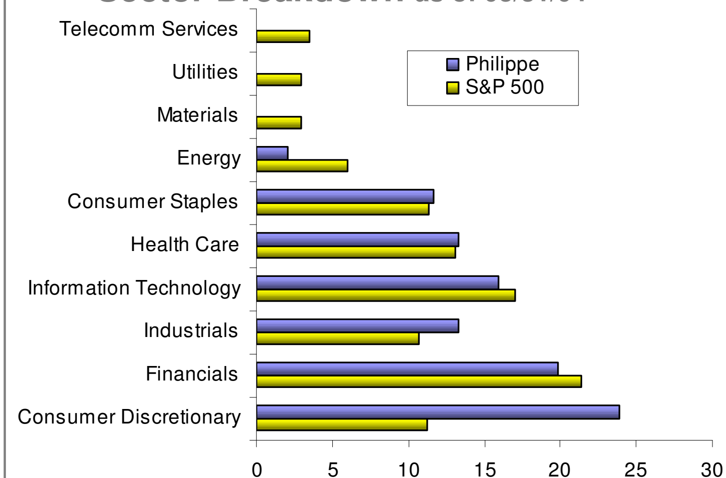
Source Datastream

Top Ten Holdings as of 03/31/04

BERKSHIRE HATHAWAY	4.20%
AMERICAN EXPRESS CO	3.97%
LIBERTY MEDIA CORP	3.69%
BLOCK H & R INC	3.44%
PFIZER INC	3.44%
FIRST DATA CORP	3.23%
WASHINGTON MUT INC	3.14%
GENERAL ELECTRIC CO	2.81%
MICROSOFT CORP	2.67%
WELLS FARGO & CO	2.61%
TOTAL	33.20%

Source FMC

Sector Breakdown as of 03/31/04



Source Wilshire Atlas

Composite Performance*
(Periods ending 03/31/04)

	Philippe Return (Gross)	S&P 500	Russell1000
Quarter	0.87	1.69	1.90
YTD	0.87	1.69	1.90
1 year	28.12	35.12	36.37
3 years	2.74	0.63	1.26
5 years	1.27	(1.20)	(0.57)
Since Inception	1.46	(1.01)	(0.44)

Annualized. Inception date: February 1, 1999. Source FMC

** Please see Performance Disclosure.*

BUSINESS

- Assets under management reached $751.2 million as of March 31, 2004

CURRENT PUBLICATIONS

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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. 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. Since April 1, 2001 there have been two portfolios in the composite. Composite assets at year-end 2003 were $220. 7 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.

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 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.

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 2003 were $14.2 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. This composite was created in January 2002.

The **Philippe US Equity composite** includes two fully discretionary US equity accounts with assets over $40 million. This includes a euro-denominated European FCP (mutual fund primarily for institutions), a US equity account with assets over $30 million, and a euro-denominated European institutional account with assets over $10 million. The benchmark is the S&P 500. 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. Since October 1, 2003 there have been two portfolios in the composite. Composite assets at year-end 2003 were $47 million. Prior years-end composite assets were: 1999, $5.7 million; 2000, $6.6 million; 2001, $13.0 million; 2002, $14.5 million. This composite was created in January 2002.