Philippe

INVESTMENT MANAGEMENT

QUARTERLY NEWS

Spotlight

Michel Raud, Co-Chief Investment Officer of Philippe Investment Management.
Lead Portfolio Manager of Global/International Equity.

INSIDE THIS ISSUE

Focus on our Strategies

U.S. Economic Recession?

The global markets have greeted 2008 on a very cautious note with many uncertainties clouding investors' minds. Nearly everyone agrees that the key question one has to answer in order to shed light on 2008 is: *"Will the U.S. economy fall into recession in reaction to the financial and real estate crises?"* Optimists, giving credit to central banks, believe the United States will merely lose steam in the next couple of quarters before recovering in the second half. If this intuition proves correct, Europe and Asia can easily muddle through the slowdown, both supported by healthy domestic markets. Pessimists, on the other hand, concerned by the level of potential inflation, believe a major recession cannot be avoided in the U.S. and Europe and Asia will be more severely impacted than expected. If the first scenario prevails, current earnings estimates, which so far haven't been aggressively revised downward, remain valid and many of the stocks that corrected recently are attractively priced. If the second scenario prevails, consensus numbers are too high. No one can assess the magnitude of the necessary revisions but, as long as earnings visibility remains poor, valuations have limited value.

For two years in a row, U.S. markets underperformed relative to non-U.S., the S&P 500 (total return) rising 15.79% in 2006 and 5.49% in 2007, as compared to gains of 26.34% and 11.17%, respectively for the MSCI EAFE index. As measured by the FTSE World Ex-USA index, Europe was the leader in 2007 (+14.8% in dollars), although the spread of returns within the region was wide, with Finland gaining 54% and Germany and Greece more than 30%, while Ireland collapsed 15.6% and Sweden and Belgium remained flat. Of course, in 2007, the appreciation of the euro of nearly 11% relative to the dollar, accounted for most of the return.

The Pacific Basin generated returns of 8.1%; however, the surge in Hong Kong (+52.5%), Singapore (+32%) and Australia (+30%) was almost entirely wiped out by another disappointing year for the Japanese market, which posted a 5% decline despite a 6.6% appreciation of the yen. With the uninterrupted growth in BRIC countries and robust trading in the developed world, sectors related to capital investment such as mining, machinery and steel, significantly outperformed the overall market and, along with oil related stocks, were the winners of 2007. On the downside, banks and insurance stocks in Europe and Asia were impacted by subprime related losses and a widespread mistrust of financials in general. Pharmaceuticals & biotech stocks also underperformed the broader market, as the whole industry looks structurally caught between its inability to discover and develop new drugs on one side, and increased pressure from state-sponsored healthcare programs on the other.

Japan was a major disappointment in 2007 despite the country's record export figures and aggressive investment abroad. The lack of political leadership, combined with nonsensical administrative measures that damaged the construction and consumer finance industries, undermined investors' confidence resulting in a massive sell-off regardless of individual stocks' merits.

(Continued on Page 7)

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 OPPORTUNITIES

Portfolio Managers' Commentary

In 2007, the fund outperformed its benchmark by 5.13%. Our European holdings delivered the best performance, especially stocks that derive growing earnings from emerging countries, such as **Telefonica** (Latin American telecoms), **CGG Veritas** (global marine seismic surveys), **Coca-Cola Hellenic Bottling** (soft drinks in Eastern Europe) and **National Bank of Greece** for their Eastern European business. Stocks undergoing a major transformation with considerable margin improvement, such as **Siemens** and **Linde** in Germany, also were among the best contributors. Our Australian positions delivered very strong returns, especially **BHP**, as a result of high commodity demand. Japan once again acted as the party spoiler with heavy declines, primarily in small & mid cap stocks, which were sanctioned for disappointing results but mostly suffered from thin market liquidity and a general shift to large cap companies. This trend also was visible in Europe, accelerating in the second half of the year, as investors aggressively cut small cap positions. Fortunately, our exposure to small caps was less than 9% of the portfolio.

Looking ahead to 2008, our international portfolio should be well armed to weather uncertain times. The portfolio has 10% cash to take advantage of excessive share price corrections when the market capitulates and loses confidence. In addition, 25% to 30% of the stocks in the portfolio are relatively immune to the cycle (healthcare, food, beverage, and utilities) and have superior positions in emerging markets where affluent consumers are demanding Western products (**Nestlé**, **Danone**, **InBev, Coca-Cola Femsa)**

We have examined sectors which would suffer the most under a recession scenario:

•We are not invested in bank stocks in Asia. In Europe we own three banks that are under restructuring after recent acquisitions and have a presence in Eastern Europe; **Unicredito** and **Commerzbank**, and in Latin America, **Banco Santander**. At current prices, these banks should generate 15% earnings growth for the next 2/3 years and have dividend yields close to 5%.

•In commodity-related stocks, we own **BHP** for its diversified portfolio of mining businesses and its cash flow that can be used to acquire smaller competitors.

•Oil stock prices appear to be on an upward trend regardless of crude oil price volatility. In our portfolios we own **Woodside Petroleum**, **Total** and **CGG Veritas**.

We are focused on high-quality European stocks which are restructuring (**Siemens**, **Michelin**) or are in the process of extracting synergies from recent acquisitions (**Linde, Groupe Stéria**). In addition, we own companies benefiting from long lasting cycles and working with well-filled order books such as **MTU Aeroengines** and **Dassault Aviation** and **Thales** in defense electronics.

In a hyper-competitive world, the generic doesn't make a lot of money; therefore, we look to invest in companies boasting technologies or competitive advantages that are not easy to duplicate, a key to sustainable growth and profitability; for example, **FLSmidth** in Denmark, the world's leading maker of cement factories, and **Dassault Systèmes**, the undisputed leader in product lifecycle management software.

International Equity Management Team

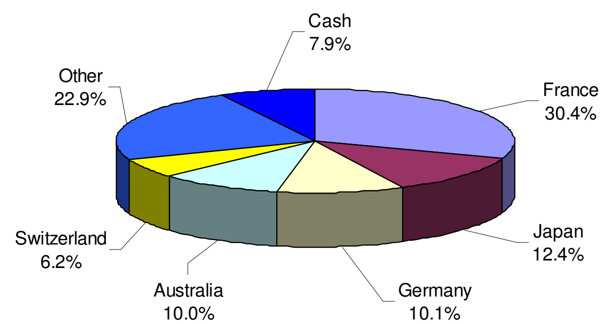
	Years Experience
Michel Raud, *Co-CIO, Lead Portfolio Manager*	35
Béatrice Philippe, *Co-CIO, Portfolio Manager*	37
Eric Fourrier, *Associate Portfolio Manager & Analyst*	6

Characteristics as of 12/31/07

	Philippe	FT World x US
Weighted Avg Market Cap	$ 56,664 MM	$ 63,915 MM
Median Market Cap	$ 18,327 MM	$ 6,208 MM
Holdings	46	1,333
Product Assets	$ 31 MM	

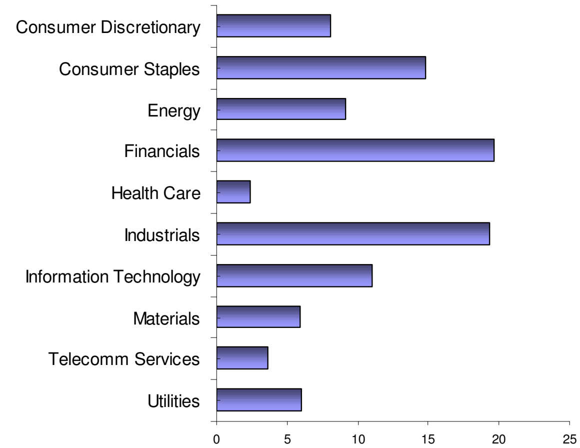
Source Datastream and Wilshire

Geographical Breakdown as of 12/31/07



Source GPMS

Sector Breakdown as of 12/31/07



Source GPMS

Composite Performance as of 12/31/07

	Philippe Return	MSCI EAFE	MSCI EAFE Growth
Quarter	(1.41)	(1.75)	(0.28)
1 year	16.30	11.17	16.45
3 years	16.14	16.83	17.29
5 years	18.79	21.58	19.84
Since Inception	5.22	8.35	6.61

Returns are gross of fees. Periods greater than one year are annualized.
Inception date: January 1, 2001.
Please see Performance Disclosure.

Source GPMS

Top Ten Holdings as of 12/31/07

SUEZ :	3.8 %
TOTAL EUR2.5 :	3.5 %
SIEMENS AG :	3.4 %
TELEFONICA SA :	3.4 %
VINCI :	3.3 %
WOODSIDE PETROLEUM NF	3.1 %
BHP BILLITON LTD :	3.0 %
COCA-COLA FEMSA :	2.6 %
THALES :	2.6 %
NAT BANK OF GREECE :	2.5 %

Source GPMS

PHILIPPE EUROPE SMALL AND MID CAP

Portfolio Managers' Commentary

2007 was a disappointing year for fundamental, defensive investors. When fear and uncertainty are major influences, it is hard for rationally driven decisions to prevail.

On an absolute basis, our performance was impacted by several disappointments including **Helma** and **Baltic Oil Terminals,** offsetting the "winners" such as **KSK** and **Fugro**. Where necessary, we took action on the mistakes and took profits on the winners. Even more disappointing in the second half was that many high quality stocks with low exposure to economic activity performed poorly despite producing results that were in-line with expectations. Examples include: **Ricardo**, **Northgate**, **e2V**, **May Gurney**, **Matchtech**, **Takkt** and **St. Galler**. We increased our position in most of these stocks with the expectation of reaping the rewards when confidence returns to the markets.

The penalty for results slightly below expectations and for stocks which seem to be related to a weak sector (such as construction or recruitment) was severe and, we argue, disproportionate. We increased our positions in the most obvious, including **Care UK** and **Aarhuskarlshamn**. In others, **SAF-Holland** and **Silanis**, we are waiting until we can clearly see a recovery in the business and the market is more disposed to be patient.

The largest theme in our portfolios, at over 20%, is "Productivity". This theme generally includes businesses which provide services to other businesses, enabling the customer to increase output, lower cost, or both. Examples include **Takkt**, the business equipment mail order company, which is lowering the cost of business equipment purchases, and **Fuchs**, a specialty lubricants company which enables its customers to get the most from their equipment.

"Demography" is a significant theme. Holdings include providers of healthcare services such as **Rhön-Klinikum** and **Care UK**; suppliers of medical device technology such as **Stratec Biomedical**; and niche pharmaceutical companies such as **Actelion**.

"Scarce Resources" is another focus. Stocks in the portfolio include **Fugro**, **Odim** and **Vopak**, which provide products and services to the oil and petrochemical industries; **Ricardo**, a provider of energy saving, environmentally friendly engine technology to the automotive sector, **Gurit**, a provider of materials used in the manufacture of wind turbines; and **Centrosolar**, a distributor of solar panels and related equipment.

We have negligible exposure to financials; however we have new investments in **BCV** and **St. Galler Kantonalbank**, two very well capitalized Swiss cantonal banks with no exposure to sub-prime assets and a willingness to return excess capital to shareholders.

With the first signs of a cautious attitude to employment, we may have to adjust our expectations; however, we still believe that a good results' season and strong outlook statements, combined with current attractive price levels, should avert further significant weakness. We anticipate more volatility in the first quarter at least, but assuming no major policy mistakes by central banks, we anticipate a sharp upward reversal in the second half.

Europe Small & Mid Cap Management Team

	Years Experience
Consuelo Brooke, *Lead Portfolio Manager*	38
Gariesh Sharma, *Co-Portfolio Manager & Analyst*	11
Johann Ropers, *Associate Portfolio Manager & Analyst*	7

Top Ten Holdings as of 12/31/07

HEALTHCARE LOCUMS	5.09%
MATCHTECH GROUP	5.03%
MAY GURNEY INTEGRATE	5.03%
TAKKT AG	3.93%
ST GALLER KTBK	3.71%
CVS GROUP PLC	3.68%
KSK POWER VENTUR	3.56%
FUCHS PETROLUB AG NOI	3.54%
RHOEN KLINIKUM AG	3.16%
LEM HLDGS AG	2.97%

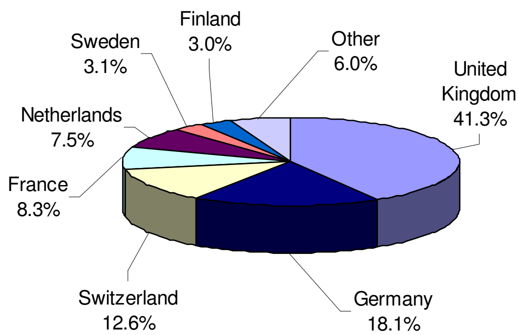
Source GPMS

Characteristics as of 12/31/07

	Philippe	S&P Citigroup Europe EMI
Weighted Avg Market Cap	**$ 1,422 MM**	$ 5,972 MM
Median Market Cap	**$ 510 MM**	$ 831 MM
Holdings	**54**	1,992
Product Assets	**$ 229 MM**	

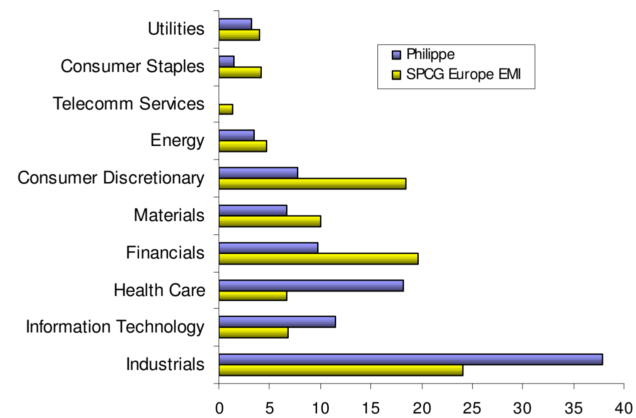
Source Datastream

Geographical Breakdown as of 12/31/07



Source GPMS

Sector Breakdown as of 12/31/07



Source GPMS

Composite Performance as of 12/31/07

	Philippe Return (Gross)	S&P Citigroup Europe EMI	DJ Stoxx Small 200	MSCI Europe
Quarter	**(5.12)**	**(4.22)**	**(4.35)**	**(0.46)**
1 year	**3.35**	**5.14**	**6.51**	**13.86**
3 years	**17.28**	**21.60**	**21.41**	**18.55**
5 years	**26.42**	**28.92**	**29.85**	**22.76**
Since Inception	**26.59**	**29.25**	**30.70**	**23.97**

Returns are gross of fees. Periods greater than one year are annualized.
Inception date: October 1, 2002.
Please see Performance Disclosure.

Source GPMS

PHILIPPE U.S.

Portfolio Managers' Commentary

In our view, the health and the mindset of the consumer take center stage as we enter the New Year. The strength of the U.S economy has been dependent on consumer spending; however, the willingness and the ability to spend is currently under threat by declining home prices, job contraction, and higher gas and food prices. We have been seeing evidence of a pull-back in discretionary spending, but now we also see a tighter rein on spending as consumers are switching over to discount retailers. News of a slowdown in CVS's front end sales and AT&T's comment on an increasing number of consumers being disconnected for defaulting on bill payments, are not encouraging.

The housing situation continues to worsen: declining home prices, increasing levels of foreclosures, the ballooning inventories of unsold homes, ARM resets leading to more distress and a difficulty in accessing capital. The continual decline in collateral value, compounded by the stress in financial institutions, and tighter underwriting standards, is not a good recipe for finance companies to extend credit. However, we believe that the credit crunch is a two to three quarter phenomenon as the Fed must directly address the issue in order for the economy to function and grow.

The market has been discounting slower economic growth and/or the possibility of a recession since October, 2007. The risk appetite for stocks has clearly declined as investors have rotated into the U.S. Treasury market and moved away from the carry trade. Certainly, there is a heightened level of fear permeating in this environment. Sentiment has reached pessimistic lows, as one indicator, the *American Association of Individual Investors'* 1/04/07 survey, reported that the percent of bearish investors has outweighed the percent of bullish investors by 30%, a level that, in the past, served as a contrarian signal for a market rally in the next 12 months. Like most boom and bust cycles, excesses were created during the boom times, leading to inflated asset prices, but opportunities will abound as negative sentiment overshadows fundamentals during the bust period.

Portfolio contributors in the quarter include those companies that are leveraged to the mining industry, **Bucyrus** and **Joy Global** and oil and gas companies such as **Exxon Mobil** and **ConocoPhillips**. Detractors included the retailer, **PetSmart** and the financial service companies, **Bank of America** and **IStar Financial**, the best operator in the commercial real estate REIT sector.

Although prices have come down, we still remain cautious. We are carefully watching the U.S. financial, housing and consumer sectors. We favor healthcare companies in this environment, particularly the equipment supplies and service companies. We continue to like companies with leverage to global growth, although we acknowledge that this is becoming a crowded field..

U.S. Equity Management Team

	Years Experience
Béatrice Philippe, *Co-CIO, Portfolio Manager*	37
Howard Chin, *Associate Portfolio Manager & Analyst*	11
John Conti, Sub-Advisor; SeaBridge Investment Advisors	24

Characteristics as of 12/31/07

	Philippe	S&P 500 (Gross)
Weighted Avg Market Cap	$ 50,350 MM	$ 108,091 MM
Median Market Cap	$ 7,407 MM	$ 12,797 MM
Holdings	48	500
Product Assets	$ 108 MM	

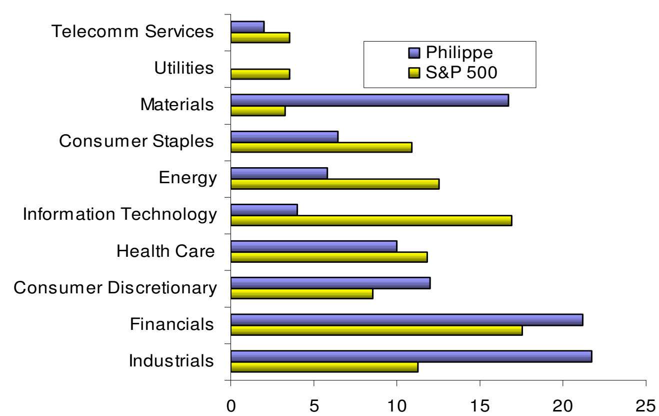
Source Datastream

Top Ten Holdings as of 12/31/07

BUCYRUS INTL INC	3.43%
COCA-COLA FEMSA	2.89%
EXXON MOBIL CORP	2.87%
URBAN OUTFITTERS COM	2.78%
RPM INTERNATIONAL COM	2.65%
FREEPORT-MCMOR C&G	2.51%
WESTERN UNION COMP CO	2.47%
INVITROGEN CORP COM	2.43%
SENIOR HOUSING PPT	2.43%
ITT CORPORATION	2.43%

Source GPMS

Sector Breakdown as of 12/31/07



Source GPMS

Composite Performance as of 12/31/07

	Philippe Return	S&P500	Russell 1000
Quarter	**0.85**	**(3.33)**	**(3.23)**
1 year	**16.35**	**5.49**	**5.77**
3 years	**10.51**	**8.62**	**9.08**
5 years	**12.63**	**12.82**	**13.42**
Since Inception	**5.10**	**3.21**	**3.73**

Returns are gross of fees. Periods greater than one year are annualized.
Inception date: February 1, 1999.
Please see Performance Disclosure.

Source GPMS

PHILIPPE GLOBAL GROWTH & INCOME OPPORTUNITIES

Portfolio Managers' Commentary

Our strategy performed well in 2007; however nearly all the gains were in the first half. The political unrest in Pakistan, oil prices at $100/barrel and the rapid rise of Mike Huckabee, a candidate not favored by financial interests, were factors in December's weakness. However, in our minds there were three other realities which weigh more heavily on the market outlook.

•U.S. housing problems continue while the government searches for a mechanism to slow the decline. The eventual solution to falling house values is either a sharp drop in interest rates or a sharp rise in incomes, both of which appear unlikely.

•U.S. consumer spending is weakening. The possibility that cut-backs are now upon us weighs heavily on the large consumer-driven economy.

•The spreads on inter-bank borrowing in the U.S. and Europe, and the price action of securities held by leveraged portfolios, indicate that the strains on the shadow financial system are not yet fully unwound.

However, we remain "cautiously optimistic". There is still a lot of liquidity in the U.S. and in the world, much of which has accumulated in sovereign wealth funds. Their investments in Treasury bonds and troubled U.S. financial institutions has supported the U.S. markets in the same way that LBO buying did in the prior two years. In addition, the dollar is cheap. The U.S. export sector is prospering and U.S. equities are trading at big discounts, thanks to low exchange rates, and are not expensive relative to interest rates.

We are carefully watching the banking, housing and retail sectors, but remain underweight. Our instinct is to continue to look for companies removed from the current problems. We prefer to bet on growth in Asia – both Asian companies and U.S. and European companies with strong and growing franchises in emerging markets. We will also keep some spare cash.

In the fourth quarter, we began to unwind some of our exposure to Chinese expressway stocks (**Shenzhen, Jiangsu)** and bulk shippers (**Eagle Bulk** and **Quintana Maritime**). We also divested companies susceptible to slower growth (**Venture** in Singapore; **RPM**, a U.S. paints and coating company and **Metcash**, an Australian retailer). We sold our MLP holdings including **Plains All American** and **Williams Partners**. Our bet on growth in Asia led us to initiate positions in **China Milk** and **United Tractors**, an Indonesian distributor of construction machinery, leveraged to the growth of palm oil and coal. We also invested in more defensive growth stocks including **StarHub**, a telecom leader in Singapore, **Raytheon**, a defense contractor in the U.S. and **American Movil**, a wireless operator in Mexico.

Our guess is 2008 will be the mirror image of 2007. Problems in the first quarter are obvious, but as the year goes on, some things will be resolved and, helped by low interest rates, stock markets can move higher.

Growth and Income Opportunities Management Team

	Years Experience
Béatrice Philippe, *Co-CIO*	37
Garnett Keith, *Lead Portfolio Manager, Advisor*	40
Howard Chin, *Associate Portfolio Manager & Analyst*	11
John Conti, *Advisor*	24
David Descalzi, *Advisor*	19

Top Ten Holdings as of 12/31/07*

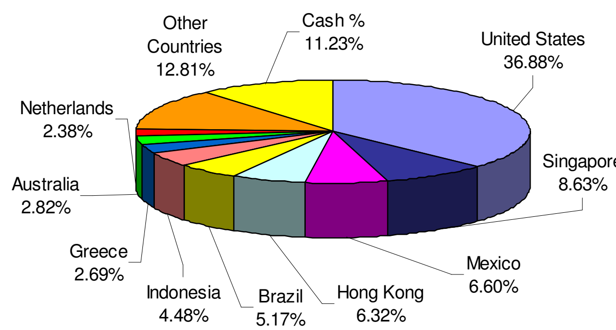
ANNALY CAPITAL MAN	3.71%
AIRCASTLE LIMITED	3.62%
AMERICA MOVIL SA ADR :	3.02%
GENERAL ELECTRIC CO C(	2.36%
CIA VALE RIO DOCE	2.28%
COCA-COLA FEMSA S AD	2.26%
NAT BANK OF GREECE	2.10%
SCHLUMBERGER LTD	2.09%
ALTRIA GROUP INC COM U	2.09%
TEXTRON INC COM USD0.1	2.06%

Source GPMS

Characteristics as of 12/31/07

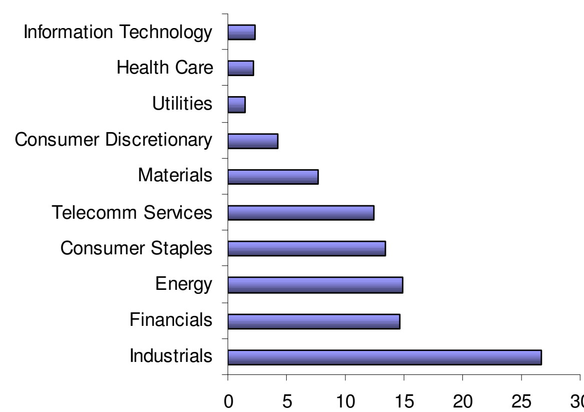
	Philippe
Weighted Avg Market Cap	**$ 51,519 MM**
Median Market Cap	**$ 13,172 MM**
Dividend Yield	**4.2**
Holdings	**61**
Product Assets	**$ 12 MM**

Geographical Breakdown as of 12/31/07



Source GPMS

Sector Breakdown as of 12/31/07



Source GPMS

Composite Performance as of 12/31/07

	Philippe Return (Gross)	Merrill Lynch Global Broad	MSCI World
Quarter	**0.64**	**1.66**	**(2.42)**
Since Inception	**10.13**	**4.47**	**6.38**

Returns are gross of fees. Periods greater than one year are annualized.
Inception date: April 2, 2007
Please see Performance Disclosure

Source: GPMS

PHILIPPE GLOBAL OPPORTUNITIES

Portfolio Managers' Commentary

In 2007, we outperformed the benchmark by 7.33%. Our US and European holdings delivered the best performance, especially stocks that derive a growing portion of their earnings from emerging countries, such as **Telefonica** (Latin America), **Coca-Cola Hellenic Bottling** (Eastern Europe) and **National Bank of Greece** (Eastern Europe). In Europe and North America, energy related stocks had a positive contribution, in particular the oil services companies, **CGG Veritas** and **Transocean,** oil and gas producers, **Exxon Mobil**, **Total** and **XTO** and power generators such as **Suez** and **Gaz de France**. Stocks undergoing a major transformation with considerable margin improvement, such as **Siemens** and **Linde** in Germany and **Bucyrus** and **Thermo Fisher** in the U.S. were also among the best contributors.

Japan once again acted as the party spoiler with heavy declines, primarily in small & mid cap stocks. Most of our Japanese holdings suffered from thin market liquidity rather than poor earnings momentum. We continue to own these stocks for their compelling valuation levels and we believe they will rapidly rebound when fears related to the world slowdown fade. In Europe as well, the small and mid-caps were sanctioned as investors rotated into larger companies. Fortunately, our exposure to small caps was less than 12%.

Looking ahead to 2008, our global portfolio should be positioned to weather uncertain times. Defensive sectors such as consumer staples, healthcare, telecom services and utilities account for 25% of the total portfolio. In addition to being relatively immune to the economic cycle, these stocks also benefit from the structural growth in emerging nations where they have built strong positions. Oil and gas related stocks represent 11% of the portfolio and, despite short term volatility, these companies benefit from structural supply/demand imbalances.

Among the economically-sensitive sectors, our exposure to banks is limited to retail banking in Europe, with an emphasis on companies active in Eastern Europe (**National Bank of Greece, Bank of Cyprus**).In Industrials, we focus on high-quality stocks that are restructuring (**Siemens, Michelin**), or are in the process of extracting synergies from recent acquisitions (**Linde, Groupe Stéria, Bucyrus**). In addition, we own companies benefiting from long-lasting cycles and strong order books (**MTU Aeroengines, United Technologies, Faiveley** and **Thales**).

In our hyper-competitive world, the generic doesn't make a lot of money; therefore, we look to invest in companies boasting technologies or competitive advantages that are not easy to duplicate, a key to sustainable growth and profitability; for example, **FLSmidth** in Denmark, the world's leading maker of cement factories; **Dassault Systèmes**, the undisputed leader in product lifecycle management software and **Denso**, Japan's leading auto parts supplier with a particular edge in car electronics.

Global Opportunities Equity Management Team

	Years Experience
Michel Raud, *Co-CIO, Lead Portfolio Manager*	35
Béatrice Philippe, *Co-CIO, Portfolio Manager*	37
Howard Chin, *Associate Portfolio Manager & Analyst*	11
Eric Fourrier, *Associate Portfolio Manager & Analyst*	6

Top Ten Holdings as of 12/31/07

BUCYRUS INTL INC	3.5%
TELEFONICA SA	3.5%
SIEMENS AG	2.9%
THERMO FISHER	2.9%
SUEZ	2.9%
VINCI	2.8%
LINDE	2.7%
COCA-COLA FEMSA	2.6%
TOTAL EUR2.5	2.6%
NAT BANK OF GREECE	2.6%

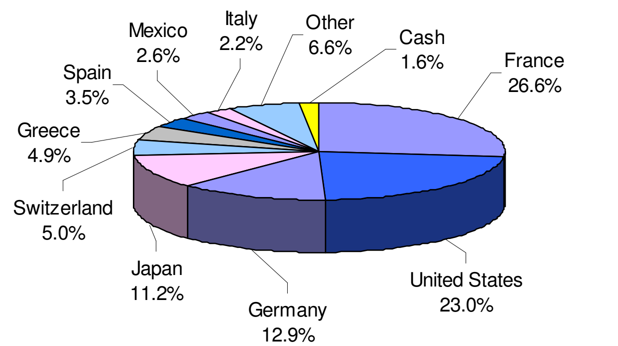
Source GPMS

Characteristics as of 12/31/07

	Philippe	FTSE All World Developed
Weighted Avg Market Cap	$ 54,804 MM	$ 82,441 MM
Median Market Cap	$ 16,514 MM	$ 7,293 MM
Holdings	49	2,000
Product Assets	$ 15 MM	

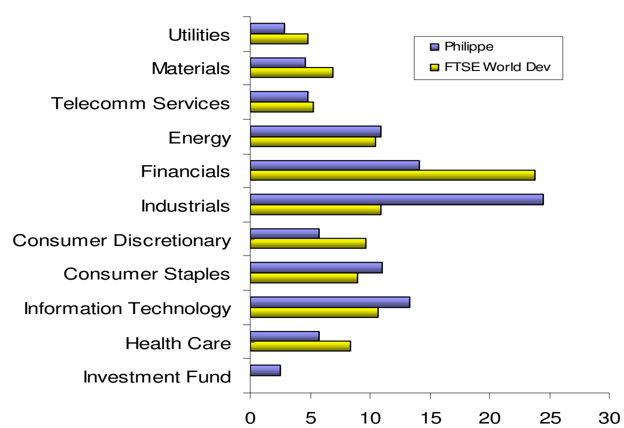
Source Wilshire

Geographical Breakdown as of 12/31/07



Source GPMS

Sector Breakdown as of 12/31/07



Source GPMS

Composite Performance as of 12/31/07

	Philippe Return (Gross)	FTSE A.W. Dev.
Quarter	(0.30)	(2.46)
1 year	14.97	7.64
3 years	13.97	11.25
Since Inception	14.51	12.85

Returns are gross of fees. Periods greater than one year are annualized. Inception date: May 31, 2004.
Please see Performance Disclosure. *Source: GPMS*

SPOTLIGHT *(continued from page 1)*

When fears of a global recession disappear, Japan's relative undervaluation will become all the more obvious since corporate Japan is, albeit too slowly, improving its ROE. We can reasonably bet on the country's ability to raise that ratio from 10% to 15% as European companies have managed to do for the past three years.

Markets regularly meet with such uncertain times and some investors take advantage of the general lack of direction to bet on a particular macro outcome. We believe such a "Russian roulette" strategy is far too risky and a long-term investment philosophy should consist of 1) Selecting companies that operate in sectors with good structural growth that fare relatively well during cyclical downturns and boast strong competitiveness that enables them to generate consistent high returns on invested capital, and 2) Not overpaying for these quality stocks, a necessary condition in order to avoid future underperformance.

If the economic environment worsens, these companies will suffer more or less, depending on their sensitivity to the cycle. Their share prices will likely correct temporarily, but they will fare better than their weaker competitors and their earnings will rebound as soon as the economy regains its strength.

We will keep a cautious posture over the next few months, ahead of the publication of audited 2007 accounts of the banks and financial institutions and ahead of the confirmation of the resilience of the US economy. The bad news cycle, with earnings downgrades, is not yet finished. During these periods of rupture and uncertainty, markets re-price the risk and usually exaggerate the downside. Small capitalization and financial stocks already have been savagely de-rated but can decline further. Large cap industrial cyclicals remain vulnerable.

Eventually, prices of equities will appear more attractive than the remuneration of the risk free asset, i.e., the 10-year U.S. government bond yield, and the market will rebound. The challenge will be to capture the opportunities. We will remain faithful to the companies we already know and trust and when valuations become so compelling relative to the more defensive stocks, a partial arbitrage will be justified.

We will have to be brave, not too soon, but not too late either.

January 7, 2008

FIRM NEWS

- **PIM Euro FCP:** In response to many requests, we are pleased to announce a new fund for our European investors. The Fund will invest in euro-denominated equities only and will be managed in the same, growth with attention to valuation, style as our Global and International portfolios. Michel Raud is the lead portfolio manager and he will work closely with Béatrice Philippe, Portfolio Manager, and Eric Fourrier, Associate Portfolio Manager and Analyst.

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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 *firmwide* from January 1, 1989 through December 31, 2001.

Composite Descriptions

The Philippe International Opportunities composite includes a commingled fund (LLC), suitable for U.S.-based, high-net-worth individuals and endowment/foundation clients. The minimum investment in the LLC is $250,000. The minimum time frame recommended for investment in the LLC is two years. The LLC is officially valued each month at month-end. Further information on the LLC is available in our *Confidential Memorandum*, which can be obtained from Philippe Investment Management. The benchmark for the composite is the MSCI EAFE, net. Returns include the effect of foreign currency exchange rates. The exchange rate source of the benchmark and the 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. Accounts are included from the first full month under management. Leverage is not used in this 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 2007 were $31 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 U.S. 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. Accounts are included from the first full month under management. Leverage is not used in this 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 2007 were $205 million.

The **Philippe U.S. Equity composite** includes two fully discretionary U.S. equity accounts with assets over $20 million. Included are a euro-denominated European FCP (a French mutual fund) 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 U.S. 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 U.S. investors, the track record, translated into U.S.D, is representative of our results for a U.S. 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 2007 were $25 million.

The Philippe Global Growth & Income Opportunity LLC is a commingled fund suitable for high-net-worth individuals and endowment/foundation clients. The minimum time frame recommended for investment is two years. The Fund is officially valued every month. Performance shown is for original investors in the Fund. Performance is calculated net of management fees, custody fees and transaction costs. The annual management fee is 1.00%, calculated and paid quarterly. Past performance is not necessarily indicative of future performance. For further information, please see the Confidential Memorandum, which can be obtained from Philippe Investment Management, Inc. Assets in The Philippe Fund Global Growth & Income Opportunity, LLC at year-end 2007 were $12 million.

Philippe Global Opportunities composite includes a fully discretionary, global equity, euro-denominated European FCP (French mutual fund) with assets over $10 million. The benchmark is the FTSE All World Developed Index. All returns are translated into U.S. 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 U.S. investors, the track record, translated into U.S.D, is representative of our results for a U.S. 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. 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 is one portfolio in the composite. Composite assets at year-end 2007 were $15 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