Philippe

INVESTMENT MANAGEMENT

QUARTERLY NEWS

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Focus on our Strategies

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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Spotlight

Garnett Keith, Chairman and CEO of SeaBridge Investment Advisors; Director, Philippe Investment Management.
Mr. Keith is sub-advisor for PIM Yield Growth portfolios and Philippe Global Growth & Income Opportunity LLC

Trouble on Market

In August, investors were feeling that they would do well to get through the third quarter of 2007 with flat performance. However, thanks to a 50 basis point cut in the Fed Funds rate, the markets rallied to come though the quarter with strong positive returns.

So where does that leave us as we go into the fourth quarter? I am generally encouraged that the real estate lending bubble has burst. Problems in housing and consumer spending remain; however, it now appears the U.S. economy will slow, but avoid a recession. Europe also is likely to slow and Japan may be slipping back into another recession. But Asia, ex Japan, is growing briskly so the overall balance of world growth will probably come in at 2-3% as we move into 2008.

The key question, of course, is the eventual depth of the housing recession. It took five years to get into the housing mess and it will probably take a year to contain the problem. The number of defaulted mortgages in CDOs (Collateralized Debt Obligations) is rising steadily even as the financial authorities dig to find the residual owners of all these loan pools which have been sold and resold. Investigation is slow, but some holders are being identified as their funding sources refuse to lend and the holders have to go into liquidation.

The first round of losses on bad CDO loans was reported in SIVs (special investment vehicles) sponsored by smaller German banks. The CDO assets are not on the banks' balance sheets, but held in separate investment companies set up by, and owned by, the banks. These vehicles obtained cheap financing in the commercial paper market to carry leveraged portfolios of higher yielding CDOs. As rumors swirled about their bad assets, the buyers of SIV commercial paper balked. The SIV's had to call on borrowing lines from their sponsoring banks to refund their commercial paper which resulted, in extreme cases, in the banks having to take SIV assets back onto their balance sheets. To husband liquidity for such possible events, the banks generally reduced lending and investing which, in turn, resulted in a liquidity crisis, especially in Europe.

The enduring problems seem to be in the commercial banks, which are once again stuck with underwater private equity loans and loans to sub-prime mortgage originators. The Fed's reduction in the discount rate in August gives the banks more time and access to liquidity to work through these problems.

The reasoning of the Fed for the mid-September rate cut of ½%, rather than the ¼% which had seemed the more likely course, is open to several interpretations:

1. The Fed wanted to eliminate all questions about whether it will supply the liquidity needed to head off a recession.
2. More problems exist in U.S. money market funds which hold short term mortgage paper than are publicly acknowledged, and the Fed wanted to get ahead of these problems and supply the market with cheap money.

(Continued on Page 7)

PHILIPPE INTERNATIONAL OPPORTUNITIES

Portfolio Managers' Commentary

The effects of the credit market crisis were evident not only among American institutions, but also across the broader European and Asian markets, as stocks declined sharply from mid-July to mid-August. Many banks, particularly in Europe--and not restricted to the well known names--disclosed significant exposure to assets affected by the crisis. The overall resilience of the global economy and the commendable functioning of central banks that supplied the market with generous liquidity, undoubtedly led to the markets' swiftly regaining confidence.

On September 18th, the FED lowered the Fed funds rate by 50 basis points. Equity markets rebounded somewhat, but remained shy in the face of uncertainty as investors awaited the third quarter results to observe how the real economy reacts. The US dollar was very weak during the quarter, depreciating by more than 5% versus the euro and 6.8% versus the yen.

Our overall investment strategy during these volatile times remains the same. The increased pricing fluctuations, however, provide opportunities to execute this strategy as follows:

- Reduce exposure to stocks that had become expensive. During July, we trimmed **Siemens** and sold **WalMart de Mexico**. At the end of August we also sold **SAP** followed by **Celesio** at the beginning of September. In addition, we lightened our position in **Esprit** and **CGG VERITAS**.
- Exit stocks for which the visibility of future cash flows has deteriorated, primarily due to increasing competition in the marketplace. We sold **Matsushita Electric Industrial**, despite low valuations, as the company is suffering in its plasma product line within a generally dull consumption environment.
- Increase weight in companies for which the visibility of future cash flows has improved, and for which the valuations have returned to more attractive levels. We added to our holdings in **Siemens** at the end of August, after the share price had experienced a setback of more than 20% over the preceding two months. We also added to **Steria** which had announced the acquisition of the British **Xansa,** sending the share price 25% lower. We feel that the market overreacted to the potential execution risk and valuations at this level do not incorporate all the synergistic benefits embedded in the merger.
- Renew the portfolio with the addition of very strong companies exhibiting recognized competitive advantages that we expect to provide superior returns on invested capital. This category includes the Swiss company, **Schindler,** a producer of lifts and escalators, the Japanese company, **SMC**, a producer of factory pneumatic equipment, the German company, **MTU Aero Engines**, providing aircraft engine components, manufacturing and maintenance and **Denso**, the Japanese global automotive equipment supplier.

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

Top Ten Holdings as of 09/28/07

BHP BILLITON LTD :	4.0 %
TELEFONICA SA :	3.7 %
TOTAL EUR2.5 :	3.5 %
SUEZ :	3.4 %
WOODSIDE PETROLEUM NI	3.0 %
SIEMENS AG :	3.0 %
PERNOD-RICARD :	2.7 %
NAT BANK OF GREECE :	2.7 %
CIE GEN GEO-VERIT :	2.5 %
COCA-COLA HLC.BT.CO. :	2.4 %

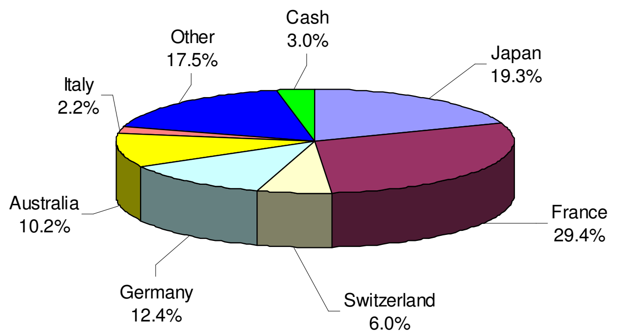
Source GPMS

Characteristics as of 09/28/07

	Philippe	FT World x US
Weighted Avg Market Cap	**$ 55,614 MM**	**$ 61,951 MM**
Median Market Cap	**$ 19,584 MM**	**$ 6,481 MM**
Holdings	**49**	**1,344**
Product Assets	**$ 26 MM**	

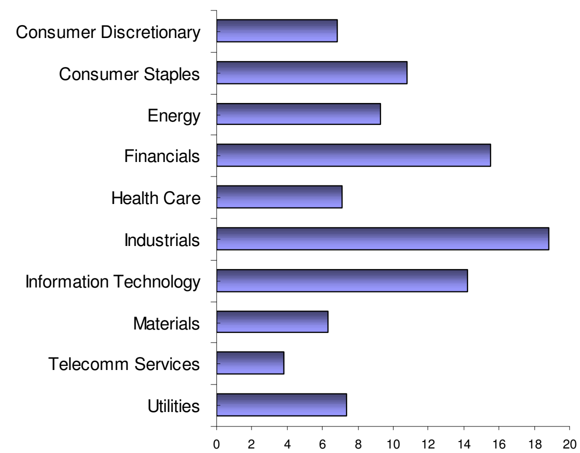
Source Datastream and Wilshire

Geographical Breakdown as of 09/28/07



Source GPMS

Sector Breakdown as of 09/28/07



Source GPMS

Composite Performance as of 09/28/07

	Philippe Return	MSCI EAFE	MSCI EAFE Growth
Quarter	**4.98**	**2.18**	**4.33**
YTD	**17.96**	**13.15**	**16.78**
1 year	**28.18**	**24.86**	**27.76**
3 years	**22.39**	**23.29**	**23.10**
5 years	**21.20**	**23.57**	**21.40**
Since Inception	**5.65**	**8.97**	**6.92**

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

Source GPMS

Philippe

PHILIPPE EUROPE SMALL AND MID CAP

Portfolio Managers' Commentary

In July we wrote of our concerns about a serious and growing disconnect between the technicals and the fundamentals of the equity market. Our fear was whether this would cause a systemic failure with markets out of control. While we certainly felt the effects of a sell-off across the board, especially in the small caps, we did not see a high volume, "capitulation" that normally would be expected to mark the end of a correction. We believe it will be some months before we can safely say that the correction in financial markets has not significantly hurt the real economy.

Just a few months ago, inflation was viewed by many as the greatest danger on the horizon. This fear of inflation has now been replaced by the threat of a U.S. consumer recession. Our most likely expectation is that, with the exception of a few sectors which will clearly be weak, the economy as a whole should move forward at a respectable, if reduced, rate once confidence is restored.

After outperforming during the first 7 months of the year, our portfolios then were hit harder in August and September. There was no pattern, apart from a general lack of confidence. The smallest stocks were heavily sold, perhaps motivated by a "flight to quality"; it seems investors still confuse size with quality and small cap with domestic and vulnerable. Or perhaps it was forced sales, the result of redemptions. Or perhaps it was because these stocks had held up well and investors wanted to lock-in profits. For example, **Ramirent --**up 55% YTD, down 9% in September. Whatever the reason, the market was not rational, consumed as it was by fear and uncertainty.

Our performance was impacted by two stocks related to house building; **Helma** in Germany, and **McInerney** in Ireland. These stocks behaved as if there were a sub-prime crisis in their markets which is, obviously, untrue. Both companies have strong, risk adverse, business models and we continue to own both.

We feel current prices justify the selective purchase of non-consumer discretionary stocks with low sensitivity to the economy and robust balance sheets. Many of these we know well and have seen them resist similar periods of market nervousness. **Serco** is a good example. This business services company released better than expected results in August and there is virtually no economic sensitivity. Management has excellent visibility for revenue in the next three years.

We also purchased two stocks for which we had been waiting for an opportunity; **Geneart,** a German technology company producing synthetic genes for the biotech and chemical industries and **James Fisher**, a specialist supplier of marine services that is reinvesting cash flows generated in its mature divisions into new niches offering much better growth with good visibility. Both are businesses with limited economic sensitivity.

We will continue to look to be rational investors and to seek potential opportunities among the havoc wrought by momentum investors, while keeping an awareness of the risks.

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 09/28/07

ACTELION	3.39%
HEALTHCARE LOCUMS	3.23%
FUGRO NV	3.20%
RHOEN KLINIKUM AG	2.38%
KSK POWER VENTUR	2.32%
HARDY OIL AND GAS	2.28%
FLSMIDTH & CO A/S DKK2(	2.22%
MAY GURNEY INTEGRATE	2.14%
UMECO	2.10%
MTL	2.08%

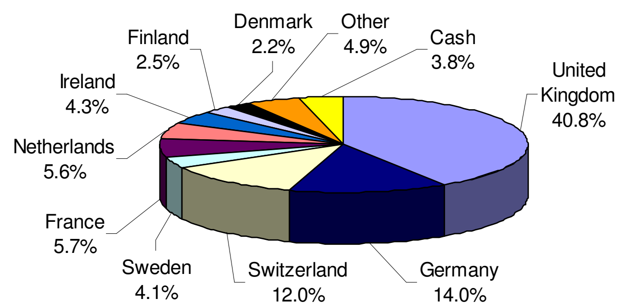
Source GPMS

Characteristics as of 09/28/07

	Philippe	SPCG EUR. EMI
Weighted Avg Market Cap	**$1,722 MM**	**$6,159 MM**
Median Market Cap	**$473 MM**	**$950 MM**
Holdings	**72**	**1,997**
Product Assets	**$346 MM**	

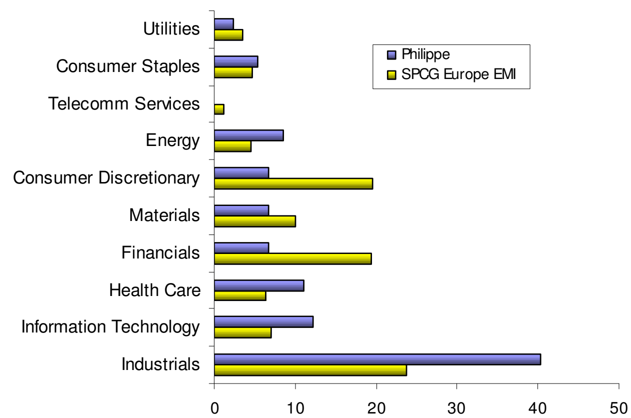
Source Datastream

Geographical Breakdown as of 09/28/07



Source GPMS

Sector Breakdown as of 09/28/07



Source GPMS

Composite Performance as of 09/28/07

	Philippe Return (Gross)	S&P Citigroup Europe EMI	DJ Stoxx Small 200	MSCI Europe
Quarter	(4.77)	(2.26)	(0.36)	1.69
YTD	8.93	9.77	11.35	14.39
1 year	26.53	28.25	31.02	27.51
3 years	26.21	30.42	30.85	24.77
5 years	29.49	32.11	33.70	25.47
Since Inception	29.49	32.11	33.70	25.47

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

Source GPMS

Philippe

PHILIPPE U.S.

Portfolio Managers' Commentary

The Fed's decision to cut the federal funds and discount rates appears to have actively addressed the liquidity problems that were ignited by the sub-prime mortgage crisis. Confidence is slowly being restored in the credit markets and the banking system, albeit at higher costs, particularly in the short-term commercial paper and LBO markets. While the carnage on Wall St was mostly limited to the mortgage market, the risk to Main Street (i.e., jobs) may have been preempted by the Fed's aggressive moves. Corporate third quarter earnings results and forecasts will shed more light on the impact to the economy. We think that third quarter corporate profits are likely to be encouraging in the light of low expectations, but that forward profit guidance will be cautiously optimistic, reflecting the uncertainties.

As markets rallied to new highs after the Fed actions, the worsening housing situation now appears to be yesterday's news. However, we expect to see more negative headlines on housing as many ARMs (Adjustable Rate Mortgages) will be reset to higher rates in the months ahead and mortgage defaults and home foreclosures increase. We are encouraged to see the consumer still spending, albeit at a slower rate. Companies are repurchasing shares, corporate debt levels are low, exports are increasing, and unemployment remains at low levels.

Portfolio contributors in the quarter include those companies that are leveraged to the basic materials, agriculture and oil services sectors such as **Keppel, Freeport McMoran, Bunge, Praxair** and **ConocoPhillips.** Detractors included smaller cap names such as **Six Flags and Schulman** and financial and REIT companies including **IStar Financial** and **Eaton Vance.**

We took advantage of price weakness in the quarter to initiate a position in **ITT**. ITT has a leadership role in its core markets including water-related pumps and systems, and technology-based weaponry and defense. The water and wastewater market offers one of the most attractive secular themes in the process control industry.

Looking ahead, we remain cautious about the financial, housing and consumer sectors in the U.S. We expect the shares of large, global energy, industrial, raw-material, and technology companies will post better earnings growth and returns and we are generally avoiding companies that rely on an expanding U.S. economy. We will proceed with caution as the market's appetite for risk seems to have returned to pre-sub-prime crisis levels. Global equity markets reached new highs following the Fed actions.

The market will continue to heal, but not without speed bumps along the way.

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 09/28/07

	Philippe	S&P 500 (Gross)
Weighted Avg Market Cap	$ 57,241 MM	$ 115,213 MM
Median Market Cap	$ 12,874 MM	$ 14,018 MM
Holdings	45	500
Product Assets	$ 104 MM	

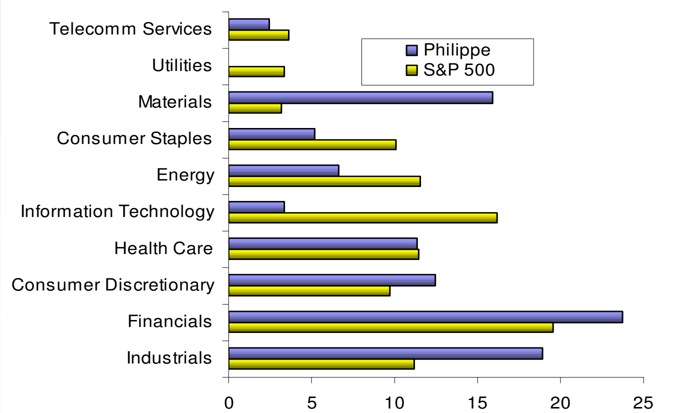
Source Datastream

Top Ten Holdings as of 09/28/07

FREEPORT-MCMOR C&G	3.76%
EXXON MOBIL CORP	3.32%
ESPRIT HOLDINGS	3.15%
KEPPEL CORP	3.13%
BUCYRUS INTL INC	2.94%
RPM INTERNATIONAL COM	2.80%
THERMO FISHER	2.76%
URBAN OUTFITTERS COM	2.60%
GENERAL ELECTRIC CO	2.50%
INVITROGEN CORP COM	2.49%

Source GPMS

Sector Breakdown as of 09/28/07



Source GPMS

Composite Performance as of 09/28/07

	Philippe Return	S&P500	Russell 1000
Quarter	4.69	2.03	1.98
YTD	15.37	9.13	9.30
1 year	25.62	16.44	16.90
3 years	12.97	13.16	13.79
5 years	14.61	15.46	15.99
Since Inception	5.15	3.71	4.23

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

Thanks to a 50 basis point cut in the federal funds rate, the markets rallied in late September and we came through the quarter much better than expected.

Performance differences among securities in the portfolio were pronounced. Stocks which we thought were on the safe end of the real estate spectrum declined sharply, notwithstanding their good positions. Master limited partnerships, which have served us so well over the years, had a difficult quarter. Happily, our basic materials stocks, China stocks, shipping stocks and oil stocks rallied vigorously, more than offsetting our problem children. Thank goodness for diversification!

As we go into the fourth quarter, problems in housing and consumer spending will remain, but it now appears the U.S. economy will slow, but avoid a recession. The wild card of course, is the eventual depth of the housing recession, which is bad and getting worse. Europe also will likely slow and Japan may be slipping back into another recession. But Asia, ex Japan, is growing briskly. So the overall balance of world growth will probably come in at 2-3% as we move into 2008. The dollar has been weak and is likely to remain so. This raises the stated earnings of global companies when foreign earnings are translated back into their U.S. financial statements. Therefore, the earnings of larger global companies should continue to grow.

During the quarter, we added to companies, such as **IStarFinancial** and **CapitalSource,** that lend to the business and real estate markets, where their price slump appears to put them back into the "good value" column. We took advantage of market dips to buy into **Tesco,** a leading British retailer, and **Coca-Cola Femsa**, a Coca-Cola bottler focused on Mexico and Latin America. We took new positions in **KPN NV,** a Dutch telecom operator with a high dividend yield and a good restructuring and return of capital story; **Woodside Petroleum** for its massive LNG (Liquefied Natural Gas) reserves on Australia's North Shelf, a key resource for Asia's continued growth; and **China Infrastructure Machinery**, a leader and consolidator in the wheel loader industry, with secular export potential as well as new product launches in forklifts and excavators.

Looking ahead, we are cautious about the financial, housing and consumer sectors in the U.S. In Asia, we are trying to stay away from exporters of consumer goods to the U.S. and we look for reasonably valued holdings which will benefit from Asian domestic growth.

Growth and Income Opportunities Management Team

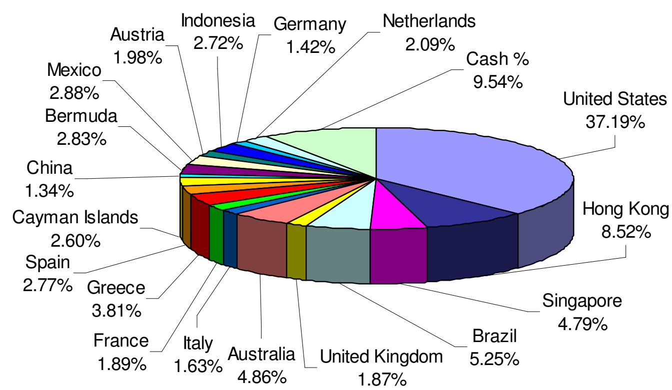
	Years Experience
Béatrice Philippe, *Co-CIO, Portfolio Manager*	37
Garnett Keith, *Lead Portfolio Manager, Advisor*	40
John Conti, *Portfolio Manager, Advisor*	24
David Descalzi, *Portfolio Manager, Advisor*	19
Howard Chin, *Associate Portfolio Manager & Analyst*	11

Characteristics as of 09/28/07*

	Philippe
Weighted Avg Market Cap	$51,620 MM
Median Market Cap	$8,473 MM
Dividend Yield	2.8
Holdings	59
Product Assets	$12 MM

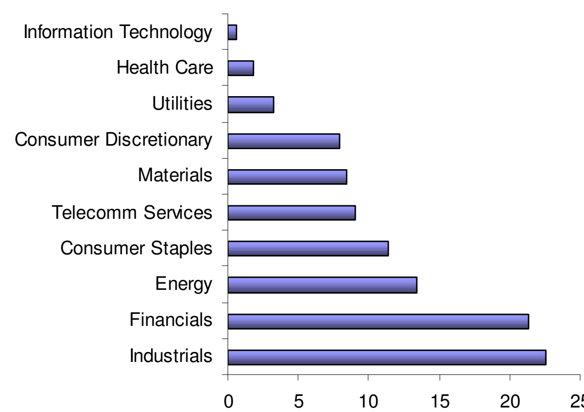
Source: Datastream

Geographical Breakdown as of 09/28/07*



Source GPMS

Sector Breakdown as of 09/28/07*



Source GPMS

Top Ten Holdings as of 09/28/07*

ANNALY CAPITAL MAN	3.32%
ESPRIT HOLDINGS	3.04%
SCHLUMBERGER LTD	3.01%
CAPITAL SOURCE INC	2.99%
TELEFONICA SA	2.77%
ISTAR FINANCIAL	2.66%
AIRCASTLE LIMITED	2.38%
CIA VALE RIO DOCE	2.37%
CHEUNG KONG INFSTR	2.15%
SHN EXPRESSWAY	2.08%

Source GPMS

Composite Performance as of 09/28/07

	Philippe Return (Gross)	Merrill Lynch Global Broad Market	MSCI World (net)
Quarter	**4.47**	**2.98**	**2.36**
YTD	**17.28**	**4.58**	**11.74**
1 year	**29.80**	**6.95**	**21.09**
Since Inception	**25.71**	**7.74**	**19.33**

Returns are gross of fees. Periods greater than one year are annualized.
Inception date: June 1, 2006
**Please see Performance Disclosure*

Source: GPMS

PHILIPPE GLOBAL OPPORTUNITIES

Portfolio Managers' Commentary

The effects of the credit market crisis were evident not only among American institutions, but also on European and Asian markets, as stocks declined sharply from mid-July to mid-August. Many banks, particularly in Europe, and not always the prominent names, disclosed high exposure to assets affected by the crisis. The overall resilience of the global economy and the effectiveness of the central banks that coordinated to supply the market with generous liquidity, helped everyone regain some confidence.

On September 18, the Fed lowered the fed funds rate by 50 basis points. Equity markets rebounded somewhat, but remained shy in the face of uncertainty, as investors waited to observe how the real economy reacts after third quarter results are reported.

The U.S. dollar was very weak during the quarter, depreciating by more than 5% versus the euro and 6.8% versus the yen.

Our strategy during the quarter fell into four categories:

• Reduce exposure to stocks that had become expensive. We trimmed **Siemens** and **Transocean** at the beginning of July and we sold **Wal Mart de Mexico** at the end of July, **SAP** at the end of August and we lightened the position in **Esprit** and **CGG VERITAS** at the end of September.

• Exit stocks for which the visibility of future cash flows had deteriorated primarily because of tougher competitive conditions. We sold our position in **Istar** early in July despite the fundamental qualities of the company. We sold **Matsushita Electric Industrial**, despite low valuations, as the company is suffering in its plasma product line within a generally dull consumption environment.

• Increase the weightings of companies for which visibility of future cash flows has improved and for which the valuations have returned to more attractive levels. We added to our holdings in **Siemens** at the end of August after a setback of the share price of more than 20% over the preceding two months. We also added to **Steria** after their announcement of the acquisition of the British **Xansa**, which sent the share price 25% lower. We think the market overreacted to the potential execution risk, and does not take into account the positive effects of the merger. We added to **Pernod**, **Exxon**, **United Technologies** and **Thermo Fisher**.

• Renew the portfolio with very strong companies enjoying recognized competitive advantages that we expect to provide superior returns on invested capital: **Schindler** in Switzerland, a producer of lifts and escalators, **SMC** in Japan, a producer of factory pneumatic equipment, **MTU Aero Engines**, a provider of aircraft engine components and **Denso,** the global Japanese automotive equipment supplier.

Global Opportunities Equity Management Team

	Years Experience
Michel Raud, *Co-CIO, 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 09/28/07

TELEFONICA SA	3.7%
THERMO FISHER	2.9%
ALLIANZ SE	2.6%
BUCYRUS INTL INC	2.6%
LINDE	2.6%
TOTAL EUR2.5	2.5%
SIEMENS AG	2.5%
SUEZ	2.5%
XTO ENERGY INC	2.4%
NAT BANK OF GREECE	2.4%

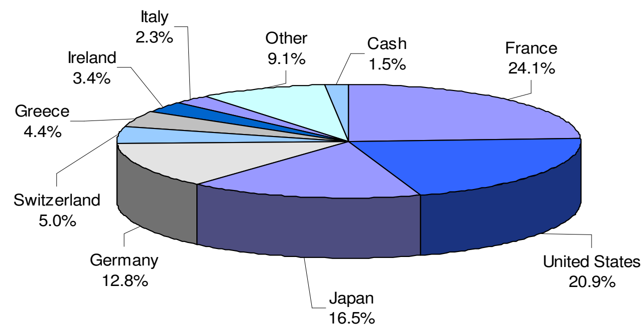
Source GPMS

Characteristics as of 09/28/07

	Philippe	FTSE All World Developed
Weighted Avg Market Cap	$ 51,789 MM	$ 81,904 MM
Median Market Cap	$ 16,203 MM	$ 7,747 MM
Holdings	51	2,022
Product Assets	$ 15 MM	

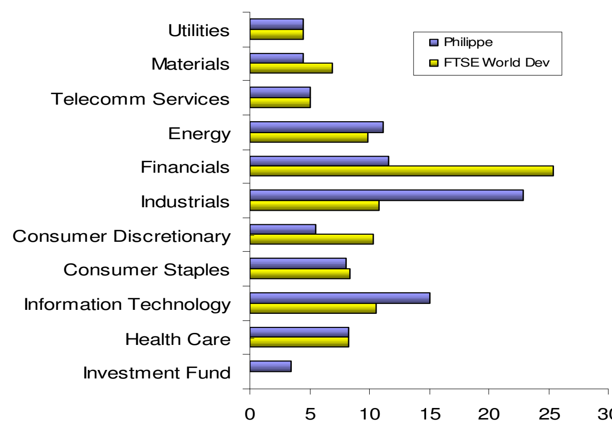
Source Wilshire

Geographical Breakdown as of 09/28/07



Source GPMS

Sector Breakdown as of 09/28/07



Source GPMS

Composite Performance as of 09/28/07

	Philippe Return (Gross)	FTSE A.W. Dev.
Quarter	4.00	2.09
YTD	15.32	10.36
1 year	27.50	19.21
3 years	18.13	16.37
Since Inception	15.82	14.76

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)*

3. Congress was getting passionate about the housing slump and the Fed wanted to shut down political pressure to make cheap money more available.
4. With housing weak, a slumping stock market at the same time could impair consumer confidence; therefore, a bold action to buoy the stock market is desirable, as we go into the Christmas season.

The answer is probably some of each, and the immediate reaction to the Fed move appears to have helped. Nonetheless, we are left with more questions for the fourth quarter:

1. Will the relentless bad news from the housing sector erode confidence in spite of the Fed's action?
2. Will the retreat of the U.S. dollar, now encouraged by lower U.S. interest rates, turn into a rout?
3. Can Asia keep growing fast if the U.S. stalls to near-recession levels?

We have guesses for answers to these questions (yes, no, maybe) but the practical solution is to try to stay out of the way of fallout if we get a resoundingly negative answer to any. Financial, housing and consumer sectors in the U.S., and Asian exporters of consumer goods to the U.S., could feel the brunt of these worries. We feel it best to find reasonably valued holdings which are benefiting from Asian domestic growth, reduce exposure to Japan and repurchase those companies lending to the real estate markets where their price slump appears to make them good values.

FIRM NEWS

❑ **Jane Russell, Client Relations; Paris**
Jane joined the firm in September, 2007 in European Marketing and Client Services team. Previously, Jane was in marketing and investor relations at Warakirri Asset Management in Melbourne. She also worked at PriceWaterhouseCoopers in Melbourne and BNP Paribas in Dublin. Jane graduated from the University of Melbourne and is a Chartered Accountant.

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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 2006 were $23 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 2006 were $287 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 2006 were $23 million.

The Philippe Growth & Income Opportunities composite includes a fully discretionary, global equity, euro-denominated European FCP (PIM Yield-Growth) with assets over $50 million. The reference indices are the Merrill Lynch Global Broad Market Corporate Index and MSCI The World 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. PIM Yield-Growth is the same management and style as Philippe Growth & Income Opportunities. It 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 has not been 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 2006 were $45 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 2006 were $13 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