

QUARTERLY NEWS



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*

INSIDE THIS ISSUE

Focus on our Strategies

Philippe International Opportunities	p. 2
Philippe Europe Small & Mid-Cap	p. 3
Philippe U.S.	p. 4
Philippe Global Growth & Income Opportunity	p. 5
Philippe Global Opportunities	p. 6
Firm News	p. 7
Performance Disclosures	p. 8

Deflationary Maelstroms

The U.S. is caught between two powerful deflationary maelstroms – the collapse of house prices and the collapse of the financial sector. Yet the looming concern in the financial markets during the second quarter has been inflation, not deflation. In summary, I fear the challenges in dealing with recession and inflation at the same time will make the remainder of 2008 difficult.

Looking ahead, we remain concerned that our market will struggle as the economy tries to recover from the twin maelstroms and the Fed's inflation worries. Therefore, we continue to prefer companies working in parts of the world that are growing, companies in countries that are lenders to the U.S., rather than companies primarily limited to the U.S. domestic economy.

How did we get where we are?

There are a lot of pieces to the puzzle and it is hard to fit them into an explanation which does not omit some large and compelling piece.

- The U.S. has enjoyed having the world's reserve currency for over 50 years. In the past decade, this has let us use foreign borrowed money to over-stimulate the dot.com era; it has let us over-stimulate the recovery from the 2002 "should-have-been" recession; it has let us finance foreign military adventures without taxing our citizens to do so; it has let our consumers spend far beyond their means without any sense of impending financial disaster.
- We have been aided by foreign central banks, benefiting from exports to the U.S. Our trade deficits lubricate world trade. As long as we are "good for the loan", nobody cares. Foreign countries cycle their trade surpluses back into our Treasury bonds as a way to avoid local currency appreciation which would slow their exports.

- China and India's moves into the capitalist world has delivered another billion consumers into the global commercial economy. New demand is created by their desire for better lives, plus their leaders' desire for infrastructure comparable to the developed world. Our trade deficits provide the funds for them to buy and build. This demand is straining the world's metals, food and energy supplies and the resulting rise in prices triggers a world-wide acceleration in inflation.

- Capital and trade inflows to China and several "petro-countries" far exceed their ability to invest in their local economies. At first, these funds are funneled back into U.S. Treasury bonds, keeping U.S. interest rates low. But eventually, with a depreciating dollar, the countries want "endowment-type patrimony preservation." Singapore, Norway and Kuwait are the models for these Sovereign Wealth Funds, trying to preserve the massive outflows of wealth from the U.S. and Europe.

- The U.S. Fed's 2008 emergency intervention to avoid a financial sector collapse has driven interest rates and the dollar down. Many goods in the world markets, including commodities, are traded in U.S. dollars; therefore, combined with a supply shortage, oil and other commodities traded in dollars have accelerated upward in price. Sensing a one-way price movement, investors and speculators piled into commodities, made easy through Exchange Traded Funds (ETFs).

- Sensing that the dollar is headed down relative to emerging market currencies, investors and businessmen have used every means (including ETFs) to shift the currency of their borrowings to the declining currencies – the yen and the dollar – and shift the borrowed money into the stronger currencies – the Australian dollar, the Brazilian real, the Indian rupee, the Chinese RMB and other smaller southeast Asian currencies, thus making it hard for these countries to control their money supply. The result should be currency appreciation against the U.S. dollar, but that is avoided to maintain a trade advantage. Hence we have "unsterilized foreign liquidity" accumulating in countries with trade surpluses, which makes these countries highly inflation-prone.

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.

Lenore E. Thornton
Marketing Director, U.S.
(212) 687-3290

Web site: www.Philippe-Group.com

PHILIPPE INTERNATIONAL OPPORTUNITIES

Portfolio Managers' Commentary

Bear Stearns' bailout in March removed most investors' fears that the U.S. banking system was on the brink of collapsing, and fueled a 5% appreciation in the world index in April, extending the rally initiated at the end of March. First quarter results, on the whole, showed that corporate earnings were holding up well and the global slowdown could, in the end, prove quite mild if it remained confined to the U.S. On the other hand, markets grew concerned by continuously rising oil prices and a weak U.S. dollar, which caused inflation to spiral upward, above central banks' comfort zones. In May, the stock market rally lost momentum and eventually came to a halt.

The announcement by the ECB that an interest rate hike was to be expected in July and growing evidence that emerging nations, especially those that rely on imports for their energy and basic food needs, could no longer cope with record oil and commodity prices, were the main triggers for the market correction in June. The MSCI EAFE collapsed more than 8% as oil futures topped \$140 and investors feared that emerging countries, which had enabled the U.S. and Europe to offset sluggish economies, could no longer decouple from the rest of the world.

The second quarter featured gains of 15 to 19% for oil & gas, mining and steel-related stocks and heavy declines of more than 10%, in financials.

Our portfolio benefited from its exposure to the oil & gas sector and to industrial commodity majors such as **BHP Billiton**, which helped offset the underperformance of transportation and aeronautical-related stocks in Europe, which were penalized by the weak U.S. dollar.

In May, we sold our positions in Western European banks, despite their respective restructuring programs which had been the pillar of our investment rationale for holding them. We feared these banks would have to announce further provisioning and issue new capital, thereby massively diluting minority shareholders and undermining returns on equity. In May, we trimmed the oil stocks to lock in some profit after the impressive rally in oil prices. Finally, we started to increase the weightings of stocks such as **Zodiac** and **MTU**, which are temporarily suffering from the weak dollar against the Euro, but are protected by record order books.

As long as inflation is not properly controlled and the banking system still is in need of fresh capital, we feel it is too early to turn aggressive and seize the many potential opportunities that abound in the markets. However, valuations are now very attractive, provided the world economy does not slump into a prolonged recession, and the market, as soon as commodity and oil prices start their long-awaited correction, could rebound sharply from technically oversold levels.

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	7

Top Ten Holdings as of 06/30/08

SUEZ :	3.9 %
TELEFONICA SA :	3.5 %
VINCI :	2.8 %
LINDE :	2.7 %
DASSAULT SYSTEMES :	2.6 %
THALES :	2.5 %
INBEV :	2.4 %
SCHNEIDER ELECTRIC :	2.3 %
NESTLE SA :	2.3 %
PERNOD-RICARD :	2.3 %

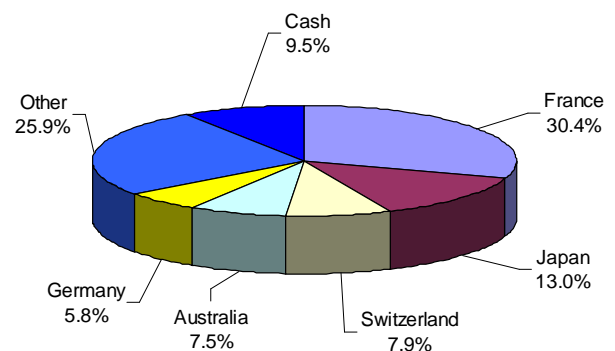
Source GPMS

Characteristics as of 06/30/08

	Philippe	FT World x US
Weighted Avg Market Cap	\$ 43,720 MM	\$ 58,377 MM
Median Market Cap	\$ 12,919 MM	\$ 5,292 MM
Holdings	47	1,338
Product Assets	\$ 30 MM	

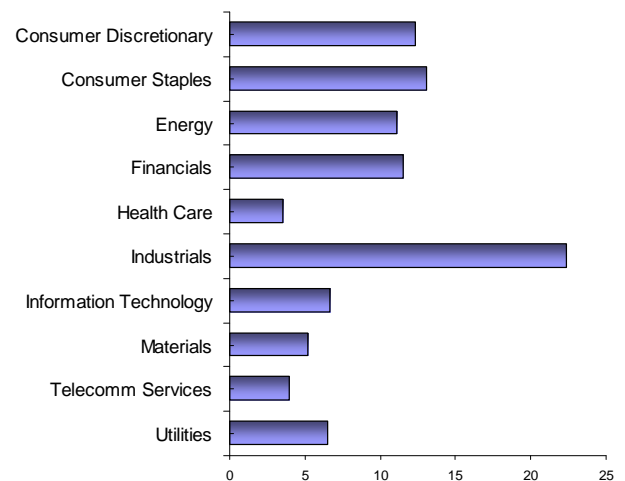
Source Datastream and Wilshire

Geographical Breakdown as of 06/30/08



Source GPMS

Sector Breakdown as of 06/30/08



Source GPMS

Composite Performance as of 06/30/08

	Philippe Return	MSCI EAFE	MSCI EAFE Growth
Quarter	(0.45)	(2.25)	0.02
YTD	(7.02)	(10.96)	(8.14)
1 year	(3.76)	(10.61)	(4.44)
3 years	13.99	12.83	14.67
5 years	15.09	16.65	16.24
Since Inception	3.86	6.12	4.96

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

Source GPMS

PHILIPPE EUROPE SMALL AND MID CAP

Portfolio Managers' Commentary

This quarter, we felt it was time to revisit the benchmark question and relative performance of our strategy as compared to the small-cap indices. As we often have said, we look at relative performance "ex-post" only, to understand what is happening in the market and to make sure that we have not made any unintended shifts in investment style. Our approach to stock-picking remains opportunistic and non-index driven.

In the first half of the year, the composite was above the index by over 9.5%. This out-performance was largely due to our low exposure to the financial, media and consumer sectors, as well as some good stock selection.

Our low exposure to financials and the consumer has long been the case. It is rare that we find small-to mid-cap financial companies with structural growth/niche strategies that are inefficiently priced. We prefer companies with visibility of cash flows, not usually seen in consumer companies.

Contributors

We did find good food and technology stocks. **AAK**, the Swedish fats producer, has structural growth due to the substitution of CBE (Cocoa Butter Equivalent) for cocoa in chocolate. In technology, **LEM** (Switzerland) and **Geneart** (Germany) were contributors. LEM announced good results in June. Geneart announced a partnership with **Qiagen** which expands their opportunity and also increases the credibility of Geneart's technology.

Detractors

Group Vial and **Northgate** were significant detractors. Vial, the French manufacturer and retailer of low cost wooden doors and windows suffered from being viewed as a "construction/house-building" company as opposed to primarily a refurbishing company. Our mistake was to consider the stock defensive due to its low valuation and attractive store roll-out program. The damage has been done and we remain holders.

We believe the growth of Northgate, a light van rental company in the UK, will be impaired by the economic environment and we have reduced our expectations accordingly. However, we have been investors in this company for over ten years and have seen the business perform in a wide variety of economic environments. Management has always focused on utilization and cash flow, over growth, with good results. The business is conservatively financed and offers a yield of 8%. We remain holders.

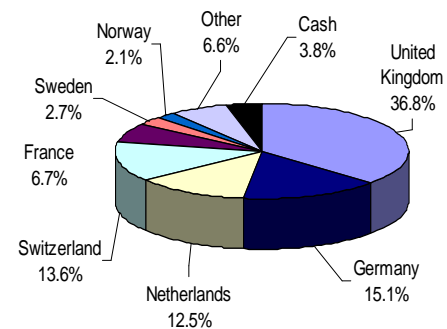
The environment is one of confusion in a feverish atmosphere with almost all metrics pointing to serious deterioration. Even well-performing defensive stocks are once more being "unfairly" hit due to their easy provision of liquidity. Our approach is continually to examine our stocks for fundamental alterations to prospects and reduce/sell those at risk. At the same time we are still confident we will see opportunities to pick up stocks which offer compelling values, low economic sensitivity and attractive growth.

Characteristics as of 06/30/08

	<u>Philippe</u>	<u>S&P Citigroup Europe EMI</u>
Weighted Avg Market Cap	\$ 1,533 MM	\$ 6,030 MM
Median Market Cap	\$ 505 MM	\$ 686 MM
Holdings	64	1,934
Product Assets	\$ 181 MM	

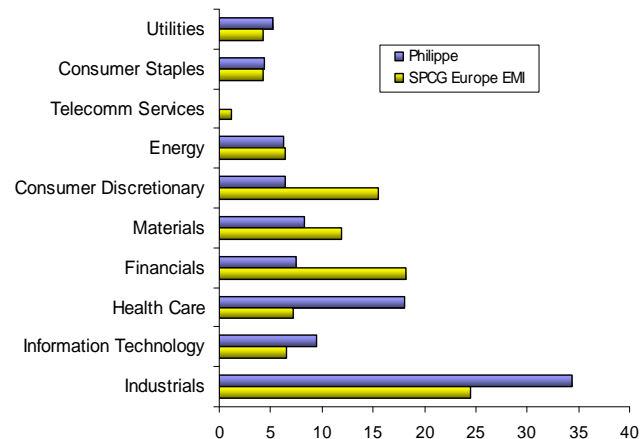
Source Datastream

Geographical Breakdown as of 06/30/08



Source GPMS

Sector Breakdown as of 06/30/08



Source GPMS

Europe Small & Mid Cap Management Team

	<u>Years Experience</u>
Consuelo Brooke , Lead Portfolio Manager	39
Gariesh Sharma , Co-Portfolio Manager & Analyst	11
Johann Ropers , Portfolio Manager	7

Top Ten Holdings as of 06/30/08

HEALTHCARE LOCUMS	3.43%
ACTELION	3.32%
FUGRO NV	3.24%
KSK POWER VENTUR	3.05%
RHOEN KLINIKUM A G	2.97%
ST GALLER KTBK	2.92%
CVS GROUP PLC	2.71%
FUCHS PETROLUB A G NOI	2.69%
AARHUSKARLSHAMIN	2.68%
VOPA K	2.60%

Source GPMS

Composite Performance as of 06/30/08

	<u>Philippe Return</u>	<u>S&P Citigroup</u>	<u>DJ Stoxx</u>	<u>MSCI</u>
	<u>(Gross)</u>	<u>Europe EMI</u>	<u>Small 200</u>	<u>Europe</u>
Quarter	1.19	(5.22)	(8.20)	(4.15)
YTD	(0.82)	(10.39)	(12.12)	(12.41)
1 year	(10.38)	(16.11)	(16.24)	(11.34)
3 years	16.41	16.33	15.71	13.56
5 years	22.28	22.36	21.99	17.13
Since Inception	23.85	24.02	24.86	18.92

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

The markets' indigestion with high oil prices in the month of June quickly evaporated the gains from the first two months of the quarter. There were no safe havens in which to hide aside from energy, food and metal stocks. However, all sectors will eventually face declines in a bear market. We believe the air is slowly coming out of the overcrowded energy trade. We sold our position in **Embraer** on the fear that high oil prices will eventually result in potential cancellation and/or deferral of orders. We trimmed **Bucyrus**, not on the fear of deteriorating fundamentals, but on the basis of a valuation that is priced for perfection. **GE** was a major disappointment after a unimpressive earnings report, but we continue to hold the stock for its portfolio restructuring initiatives and infrastructure assets. Overall, our positions in energy, materials, and material-related stocks supported the performance of the portfolio in a tepid market.

Inflation appears to pose the greatest risk to the global economy. Currently, inflation is driven by oil and food prices. However, we find some comfort that the other two large drivers of inflation, wages and housing, have not contributed negatively. In fact, productivity and a slower economy have held wage inflation in check. We already have witnessed the deleterious effect of high oil prices on airline/aerospace-related and consumer discretionary stocks, and price increases have been announced by major companies in efforts to offset margin erosion. We think that oil will eventually succumb to demand destruction from high prices and a correction in the price of oil would be positive for the market.

The second quarter earnings reports will reveal clues on how the profit picture will unravel in the face of high oil prices, a global growth slowdown, a tightening credit environment and a weakened U.S. consumer. So far, companies have been benefiting from the weak dollar and demand from emerging countries, but the key to the remaining year will be the degree of earnings visibility that will be conveyed by management teams. We believe the market has already somewhat discounted a slowing global economy and margin erosion from high prices, but is still wavering on the depth and breadth of a global slowdown.

Although early results suggest that the tax rebates have supported the U.S. economy, the true test for the U.S. consumer will arise in the second half of the year when the added purchasing power of the rebates disappears. The effect of high gas and food prices, along with negative wealth effects from increasing job losses and housing deflation, will continue to put the consumer in a recessionary mindset. Therefore, we will continue to avoid housing, financials and the majority of consumer-related stocks.

We are currently holding higher levels of cash than usual and will continue to rebalance the portfolio toward high quality companies with earnings visibility, as well as business stability. Investment opportunities are looking more attractive on a longer term-horizon of 3-5 years, but opportunity has to be balanced against the current short-term investment mindset and a de-leveraging environment.

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	25

Characteristics as of 06/30/08

	Philippe	S&P 500
Weighted Avg Mkt Cap	\$ 53,388 MM	\$ 90,944 MM
Median Mkt Cap	\$ 13,045 MM	\$ 10,883 MM
Holdings	44	500
Product Assets	\$111 million	

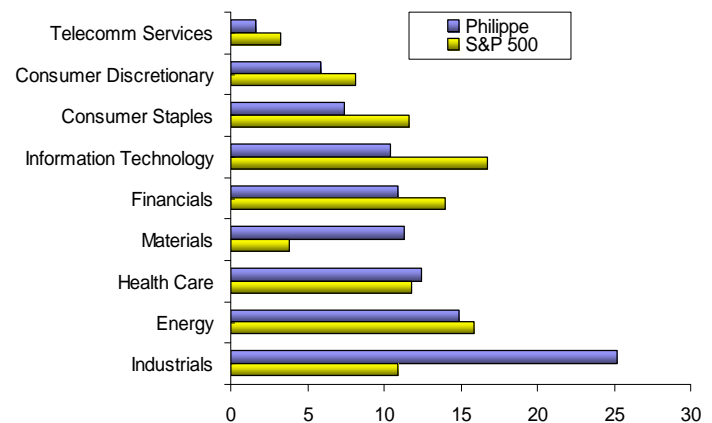
Source Datastream

Top Ten Holdings as of 06/30/08

CONOCOPHILLIPS	3.5%
PRAXAIR	3.2
THERMO FISHER SCIENTIFIC	3.1
ANNALY CAPITAL MGMT.	3.1
FREEMPORT MCMORAN C&G	3.1
WILLIAMS COS.	3.0
BUCYRUS INTERNATIONAL	2.7
EXXONMOBIL	2.6
EATON VANCE	2.5
WESTERN UNION	2.5

Source GPMS

Sector Breakdown as of 06/30/08



Source GPMS

Performance as of 06/30/08

	Philippe	S&P 500	Russell 1000
Gross Return			
Quarter	2.59	(2.73)	(1.89)
YTD	(5.26)	(11.91)	(11.20)
1 year	(0.41)	(13.12)	(12.36)
3 years	8.70	4.40	4.80
5 years	8.75	7.58	8.21
Since Inception	4.05	1.66	2.23

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

In light of the news on the economy, the markets performed well in the second quarter. However, the "wash out" in the last ten days of June set an ominous trend for the rest of the summer.

Economic news in the U.S. pointed toward a protracted period of very slow growth, squeezed profit margins, and consumer distress. News in the financial sector went from bad to worse and announcements of further asset write downs appeared every week.

What worked in the portfolios were energy and raw material companies, food-chain related issues and some "Contra-ETFs", NYSE listed exchange traded funds which move in the opposite direction of the market. We invested in two which do well when smaller domestic companies and real estate of all classes are suffering.

What did not work were companies carrying financial assets, or associated with aviation and Asian companies. Continued unwinding of leveraged hedge funds, exacerbated by the reduced financing available to carry financial assets, is extending the downward spiral of yield assets. We sold **I-Star** and **Grammercy**, our leveraged real estate holders, early in the quarter on the belief that real estate prices are in a secular downward trend, and we fear they might cut their dividends to conserve strength for the long term. Both stocks were down sharply after we sold them.

We kept **Annaly** and added similar stocks holding portfolios of leveraged government guaranteed mortgages and high quality whole loans with current dividend yields of 13%. These guaranteed mortgage REITS were up only marginally for the quarter and were weak in June. We believe growing weakness in our economy will prevent any meaningful monetary tightening in an election year unless inflation news is disastrous. Essentially, the Fed will try to jawbone the dollar up, but keep rates down until some slowing in the decline of house prices is seen.

We view the weakness of China-related markets as a pending opportunity. Seldom does one get the opportunity to buy major companies at 15 times forward earnings and growing at 25% per year. Once risk tolerance stabilizes, the opportunities among Asian equities are as exciting as we have seen in 25 years.

Our strategy assumes a difficult summer. Our portfolios are very conservative. While the storms blow, we want to maintain positions in companies we feel are somewhat removed from the economic down-cycle, with the rest of the portfolio holding securities with strong free-cash-flow yields and minimum economic cyclicality. We will continue to hold high cash positions and "contra ETFs" to reduce market volatility.

The key tests for moving into more adventurous positions include:

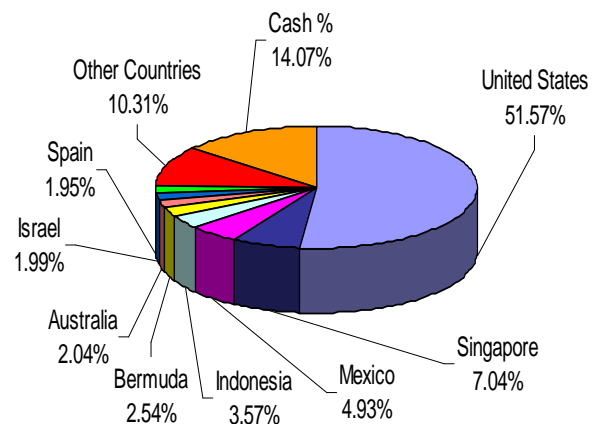
- A plan from a presidential candidate that our energy and spending issues will be addressed
- A sign that Asian economies can grow in spite of a U.S. recession and an turn in the downward momentum in Asian markets.

Characteristics as of 06/30/08

Weighted Avg Market Cap	\$ 38,151 MM
Median Market Cap	\$ 7,135 MM
Dividend Yield	3.6
Price/Book	3.9
Holdings	58
Product Assets	\$ 148 MM

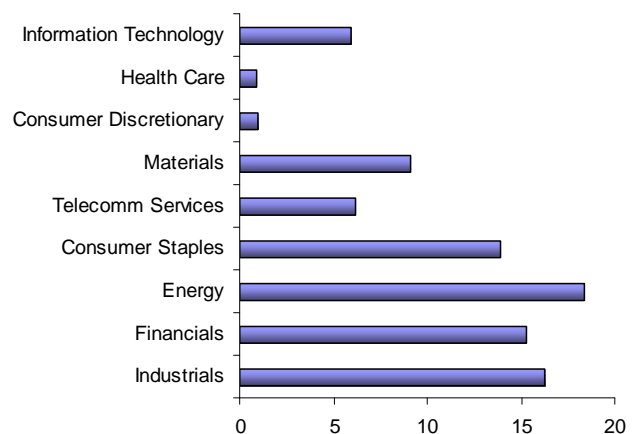
Source: Wilshire

Geographical Breakdown as of 06/30/08



Source GPMS

Sector Breakdown as of 06/30/08



Source GPMS

Global 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	25
David Descalzi, Advisor	19

Top Ten Holdings as of 06/30/08

ANNALY CAPITAL MAN	3.7%
ULTRASHORT REAL ESTATE	3.4%
PHILIP MORRIS INTL COM STK NPV	2.9%
WEATHERFORD INTL B COM USD1	2.5%
DIAMOND OFFSHORE COM USD0.01	2.5%
FREEMPORT-MCMOR C&G CLASS B COM	2.5%
GENERAL ELECTRIC CO COMMON	2.1%
PIMCO FDS PACIFIC TOTAL RETURN FD	2.1%
MANAGERS FUNDS BD FD	2.1%
LOOMIS SAYLES FD I BOND FUND RETA	2.1%

Source GPMS

Composite Performance as of 06/30/08

	Philippe Return (Gross)	Merrill Lynch Global Broad	MSCI World
Quarter	1.75	(0.46)	(1.66)
YTD	(9.55)	0.45	(10.57)
1 year	(5.59)	5.17	(10.68)
Since Inception	(0.31)	3.92	(3.89)

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

Bear Stearns' bailout in March removed most investors' fears that the U.S. banking system was on the brink of collapsing, and fueled a 5% appreciation in the world index in April, extending the rally initiated at the end of March. First quarter results, on the whole, showed that corporate earnings were holding up well and the global slowdown could, in the end, prove quite mild if it remained confined to the U.S. On the other hand, markets grew concerned by continuously rising oil prices and a weak U.S. dollar, which caused inflation to spiral upward, above central banks' comfort zones. In May, the stock market rally lost momentum and eventually came to a halt.

The announcement by the ECB that an interest rate hike was to be expected in July and growing evidence that emerging nations, especially those that rely on imports for their energy and basic food needs, could no longer cope with record oil and commodity prices, were the main triggers for the market correction in June. The FTSE World collapsed more than 8%, as oil futures topped \$140 and investors worried that emerging countries, which had enabled the U.S. and Europe to offset sluggish domestic economies, could no longer decouple from the rest of the world.

The second quarter featured gains of 15 to 20% for oil & gas, mining and steel-related stocks and heavy declines of more than 10%, in financials.

Our portfolio benefited from its exposure to the oil & gas sector and to industrial commodity majors such as **Freeport-MacMoran**, which helped offset the underperformance of transportation and aeronautical-related stocks in Europe, which were penalized by the weak U.S. dollar.

In May, we sold our positions in Western European banks, despite their respective restructuring programs which had been the pillar of our investment rationale for holding them. We feared these banks would have to announce further provisioning and issue new capital, thereby massively diluting minority shareholders and undermining returns on equity. In May, we trimmed the oil stocks to lock in some profit after the impressive rally in oil prices. Finally, we started to increase the weightings of stocks such as **Zodiac** and **MTU**, which are temporarily suffering from the weak dollar against the Euro, but are protected by record order books.

As long as inflation is not properly controlled and the banking system still is in need of fresh capital, we feel it is too early to turn aggressive and seize the many potential opportunities that abound in the markets. However, valuations are now very attractive, provided the world economy does not slump into a prolonged recession, and the market, as soon as commodity and oil prices start their long-awaited correction, could rebound sharply from technically oversold levels.

Global Opportunities Equity Management Team

	<u>Years Experience</u>
Michel Raud , Co-CIO, Lead Portfolio Manager	35
Béatrice Philippe , Co-CIO, Portfolio Manager	37
Howard Chin , Associate Portfolio Manager & Analyst	11
Eric Fourier , Associate Portfolio Manager & Analyst	7

Top Ten Holdings as of 06/30/08

LINDE	3.2%
SUEZ	3.2%
TELEFONICA SA	3.1%
THERMO FISHER	3.1%
THALES	2.9%
ZODIAC	2.9%
NESTLE SA	2.8%
CISCO SYSTEMS INC	2.6%
VINCI	2.6%
XTO ENERGY INC	2.5%

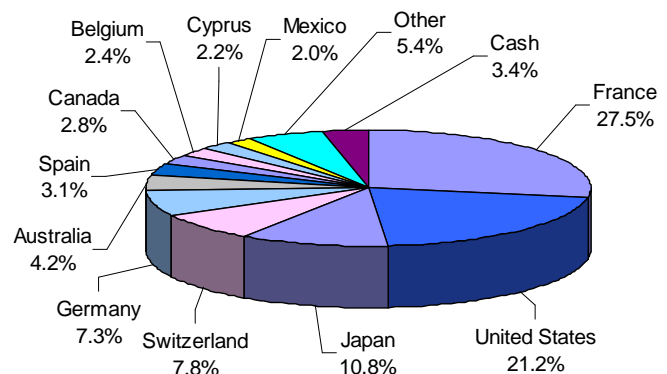
Source GPMS

Characteristics as of 06/30/08

	<u>Philippe</u>	<u>FTSE All World</u> <u>Developed</u>
Weighted Avg Market Cap	\$ 42,029 MM	\$ 71,579 MM
Median Market Cap	\$ 14,998 MM	\$ 6,206 MM
Holdings	48	2,002
Product Assets	\$ 14 MM	

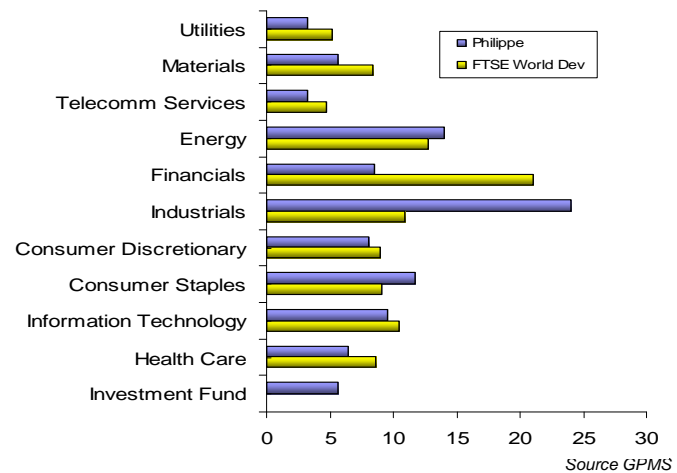
Source Wilshire

Geographical Breakdown as of 06/30/08



Source GPMS

Sector Breakdown as of 06/30/08



Source GPMS

Composite Performance as of 06/30/08

	<u>Philippe Return</u> <u>(Gross)</u>	<u>FTSE A.W.</u> <u>Dev.</u>
Quarter	(1.79)	(2.79)
YTD	(8.67)	(12.13)
1 year	(5.30)	(12.50)
3 years	11.49	7.04
Since Inception	10.18	7.76

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)

- In the U.S., “too cheap” money, asleep regulators, aggressive financial innovation and greed contributed to a bubble in housing and other asset prices. The corollary is financial institutions stuffed with questionable assets bought at high prices. Unwinding these bubbles creates the two deflationary maelstroms. Falling house prices lead to the largest evaporation of consumer wealth in generations. Consumer confidence collapses, followed almost certainly by significant spending contractions, and probably a protracted period of no growth and rising unemployment.
- The fall in house prices is paralleled by deflation in securities. The collapse of the “shadow banking system” (all the financing activities based on derivatives and non-bank borrowing) leads to further pressure on asset prices and the largest sources of capital, the commercial paper and CDO (collateralized debt obligation) markets, shrink significantly. The assets formerly carried by these financing sources must be sold, resulting in further drops in asset prices.
- Asset losses result in write-offs of capital of the banks, creating a capital shortage so large it can only be supplied by our government or by borrowing from foreign Sovereign Wealth Funds. So we turn to the Middle East and China to restore the stability of our banking system.
- At the same time, oil and gasoline prices have soared, adding to the consumer distress. The short-term impact has been obscured by the 2008 emergency tax rebates which, in their support for spending, peaked in June and will diminish gradually through the fall. This means that, however fragile consumer spending is in July, it will be under considerably more stress by Halloween when tax rebates run out.
- Our post-WWII economy was built on the assumption of cheap energy. \$4.00 gasoline is causing major dislocations: Small airlines fail and big ones cancel flights; power boat manufacturers close; remote suburbs are blanketed with “for sale” signs; the failure of General Motors is discussed. Generally, the larger corporations are in stronger financial positions. The large multi-nationals are benefitting from strength in Asia and Latin America. However, smaller companies are beginning to lay off workers as domestic capital spending is slowing.
- The global wealth transfer recipients – primarily China and the petro-countries – are building infrastructure at a rapid rate, sustaining the upward pressure on metals, coal and other basic materials. Spending for oil and gas exploration continues to expand. China's spending in Africa and the Middle East to tie up resources is progressing at a furious pace which is largely unreported in the West.
- In the financial markets, spreads have widened as concerns about recession, unemployment and probable defaults have risen. Therefore, even though the Fed has supplied financing to save the banks, rates to borrowers are higher in the rare cases where the banks are willing to lend. This leads to “reflexivity,” meaning the asset is worth what a bank will lend to buy it. This process feeds on itself into a recession.

This seems to be where we are. Due to a decade of self-indulgence, we are heavily in debt and we work hard to ignore our problems. Our wealth is transferring rapidly to countries supplying us with goods and oil. We badly need a plan, and leadership, to cut back on spending and energy consumption.

In the meantime, protecting capital is the top priority. One wants to own good quality debt, non-cyclical equities earning strong free cash flow or assets of foreign enterprises which are relatively impervious to the adjustment problems which the U.S. will be going through for the next three or four years.

July 2, 2008

FIRM NEWS

□ The Philippe Group is very pleased to announce it has been retained as investment manager of *Pan-Holding*, the oldest global fund in Continental Europe. It was founded in 1931 by Raymond Philippe, the grandfather of Béatrice Philippe. Ms. Philippe was a manager of the fund from 1973 to 1998. This mandate will be an addition of over \$250 million to our Global Equity strategy.

□ Our Co-CIO, Michel Raud was recently interviewed for an article entitled “Natural gas a safer bet than oil...” on *Citywire*. To read this article, please visit the *Citywire* website:

<http://www.citywire.co.uk/selector/-/news/fund-manager-interviews/content.aspx?ID=307607>

New York

Philippe Investment Management, Inc.
Two Penn Plaza
Suite 1920A
New York, NY 10121
212 687 3290

Paris

PIM Gestion France, S.A.
14, rue Cambacérés
75008, Paris
France
+33 1 40 28 16 50

London

C Brooke Investment Partners Ltd.
10 Charles II Street
London SW1Y4AA
United Kingdom
+44 20 7930 5191

Summit, New Jersey

SeaBridge Investment Advisors
450 Springfield Avenue
Suite 301
Summit, NJ 07901
908 273 5085

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 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 as presented here is based on time-weighted returns, gross of fees including income and all cash equivalents. Performance returns to investors are 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 U.S. Equities, LLC at year-end 2007 were \$15 million. Total U.S. equity assets managed by the Philippe Group at year-end 2007, including euro-denominated PIM funds, were \$108 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 as presented here is based on time-weighted returns, gross of fees including income and all cash equivalents. Performance returns to investors are 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. Total assets in this strategy, managed by Philippe Group at year-end 2007, including Euro-denominated PIM Yield-Growth funds, were \$196 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 request.

www.Philippe-Group.com