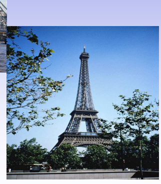
Philippe

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

John C. Conti, Vice Chairman of SeaBridge Investment Advisors and sub-advisor for Philippe U.S. Equity portfolios.

Are Stocks Cheap Enough?

In recent months, our outlook for equities has become more constructive. Essentially, three factors have underpinned our waxing enthusiasm since we voiced a cautionary note in May of 2008: First, the price of oil has declined materially since the summer driving season; second, the one-year holding period decline in the stock market from its peak in October 2007 (adjusted for inflation/deflation) was greater than any one year period in history;* third, the U.S. Treasury shifted the focus of the Troubled Asset Relief Program (TARP) from buying impaired assets from banks to providing liquidity for banks to create new loans. Taken together, these factors suggest to us that stocks are cheap and the seeds of an economic recovery have been planted.

So what are the implications for our investment strategy? To answer this question let us quickly review the evolution of our portfolio during the course of 2008. We began 2008 with a portfolio that was structured to benefit from continued global economic growth. In January 2008, we were 25% invested in global infrastructure-related companies. Also, we had a substantial commitment to financial sector stocks. By February, it became apparent that the U.S. economy was exhibiting recession-like conditions, but the Fed was responding to the slowing economy, so we continued to invest the portfolio to take advantage of global growth. After Bear Stearns failed, the Fed moved even more aggressively to avoid a systemic meltdown. We were impressed with the Fed's response and maintained our portfolio strategy.

In late May, however, we became concerned about the prospect for continued growth, primarily because the price of oil had increased substantially in the first half of 2008 and the early prospect of an Obama presidency had raised uncertainty over tax policy. We concluded that a less aggressive portfolio structure was in order, but were reluctant to reduce our commitment to the global infrastructure-related stocks because we believed they are strategically important. Our goal has always been to invest with a long-term horizon; therefore, in order to reconcile our long-term goals with our short-term concerns, we increased our cash reserves rather than reduce or eliminate the investments in companies that we believe are strategically important. We sold, or reduced, investments in companies that are related directly to the consumer.

By late July, the price of oil was declining. Since the high price of oil was the primary factor in moving to a cautious posture in May, we began to put our reserves to work as the price of oil declined. Most of our purchases increased existing positions in the portfolio, but also we began to establish a presence in energy infrastructure. Fortunately we kept our cash reserves well above normal because the high price of oil earlier in the year caused an abrupt halt to global growth, which exacerbated the U.S. real estate problem. As a result, **Fannie Mae**, **Freddie Mac**, and **AIG** were forced to submit to a Federal seizure, and **Lehman Brothers** went bankrupt. The Lehman bankruptcy caused a major money market fund to "break the buck" and a crippling credit crunch ensued. Before long the independent investment bank all but ceased to exist as a species and every major financial institution in the U.S. (as well as many in Europe) became wards of the state.

The stock market's response to the credit crunch was a decline of 50% from its peak in 2007. (The largest one-year holding period decline in the stock market since 1802 was 38.6%.*) Given the massive public policy response by taxing authorities around the globe, we believe a depression-like outcome has been substantially mitigated and, therefore, a decline in stock prices similar to the Depression is unwarranted and leaves room for stock prices to rebound even if the economy continues to suffer from a long, deep recession.

The most encouraging development in the evolution of the financial crisis is the refocusing of the TARP funds away from buying troubled loans toward fostering the underwriting of new loans. This change was implemented on the 25th of November by the creation of two new credit facilities at the Fed. One facility will start with $200 billion and will be used to purchase newly issued asset-backed pools of consumer loans. The other facility will be $600 billion to purchase mortgage pools and securities issued by government-sponsored entities. *(Continued on Page 7)*

PHILIPPE INTERNATIONAL OPPORTUNITIES

Portfolio Managers' Commentary

Throughout the world, consumers and companies adjusted very quickly to the deteriorating economic environment that emerged from the financial crisis. Faced with slumping economic indicators and heavy job losses, governments have announced ambitious stimulus packages; some to be implemented immediately, others over the next two years. Central banks continued to flood the market with liquidity with further reductions in interest rates. Risk aversion drove investors into government bonds, further weakening the stock markets.

During the quarter, financial analysts sharply revised downward their earnings estimates for 2008 and 2009, while volatility spiked to levels last seen in 1929. This resulted in another drop in stock prices and the MSCI EAFE collapsed nearly 20%. The market sell-off was broad-based with all major countries posting declines of more than 20% with the notable exception of Japan, which benefitted from a 17% rise in the value of the yen against the U.S. dollar. All sectors ended the quarter in negative territory, although defensive industries such as telecom services, pharmaceuticals, electric utilities and general retailers fared better with declines under 10%. Banks, steel, mining and automobiles significantly underperformed, posting declines of more than 30%.

Philippe International Opportunities could not escape the market sell-off; however, it was ahead of its benchmark and finished the year 4.48% above the MSCI EAFE index. The portfolio benefitted from new capital inflows that we invested in outstanding companies boasting above average return on capital and superior market positions. Those stocks, which formerly we deemed too expensive, reached very attractive valuation levels in the course of the quarter. We initiated new positions in **SGS** (certification and testing), **Sonova** (hearing aids), **Eurofins Scientific** (laboratory testing services) and **Nintendo** (game hardware & software) and added to **Roche** and **Bayer** in healthcare, **Thalès** in defense and **Faiveley** in railway equipment. All these companies have relatively good visibility on future earnings and offer considerable upside potential.

Outlook

Investors generally agree that major equity indices have reached historically low valuation levels and the rebounds enjoyed by a few stocks in December show that some investors started to take advantage of these opportunities. However, the world continues the slide into recession and many companies are expected to post particularly poor results for the last quarter of 2008 and for the first quarter of 2009. During this transition phase, we will continue to focus on the more predictable sectors and on what we view as the safest stocks that meet our valuation criteria.

International Equity Management Team

	Years Experience
Michel Raud, *Co-CIO, Portfolio Manager*	36
Béatrice Philippe, *Co-CIO, Portfolio Manager*	38
Eric Fourrier, *Associate Portfolio Manager & Analyst*	8

Top Ten Holdings as of 12/31/08

TELEFONICA SA :	3.8 %
DAIWA AM TOPIX BANKS :	3.5 %
ROCHE HLDGS AG :	3.3 %
FAIVELEY :	3.2 %
GDF SUEZ :	3.1 %
ANHEUSER-BUSCH INBEV	3.1 %
DASSAULT SYSTEMES :	2.8 %
THALES :	2.8 %
VINCI :	2.8 %
BAYER :	2.7 %

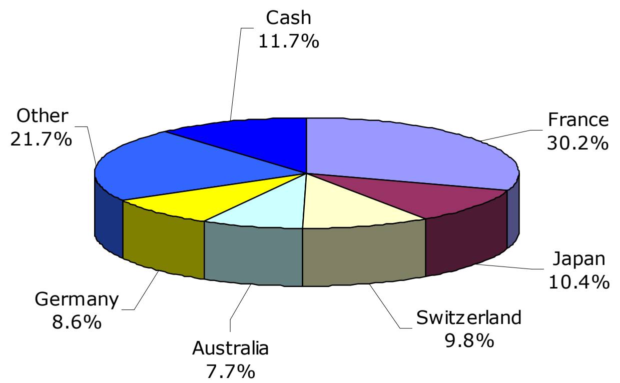
Source GPMS

Characteristics as of 12/31/08

	Philippe	FT World x US
Weighted Avg Market Cap	**$ 31,741 MM**	**$ 40,795 MM**
Median Market Cap	**$ 7,546 MM**	**$ 3,449 MM**
Holdings	**48**	**1,307**
Product Assets	**$ 20 MM**	

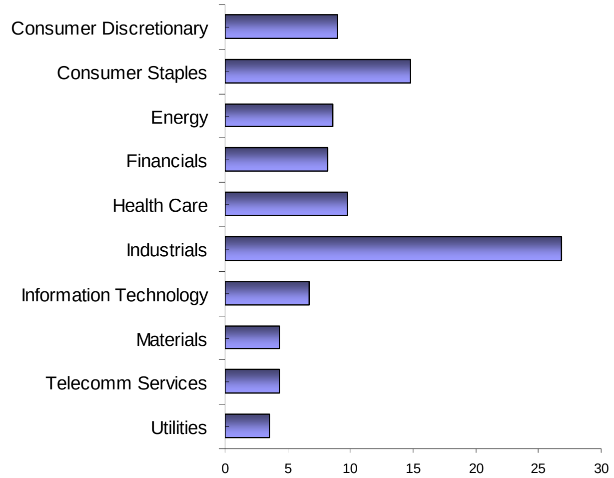
Source Datastream and Wilshire

Geographical Breakdown as of 12/31/08



Source GPMS

Sector Breakdown as of 12/31/08



Source GPMS

Composite Performance as of 12/31/08

	Philippe Return	MSCI EAFE	MSCI EAFE Growth
Quarter	**(18.88)**	**(19.95)**	**(20.10)**
YTD	**(38.90)**	**(43.38)**	**(42.70)**
1 year	**(38.90)**	**(43.38)**	**(42.70)**
3 years	**(4.95)**	**(7.34)**	**(6.53)**
5 years	**1.72**	**1.66**	**1.43**
Since Inception	**(1.68)**	**(0.08)**	**(1.34)**

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

2008 has had more than enough comment from us with our views recounted throughout the year. For now we will concentrate on our perspective for 2009. We long have felt that while the real economy would remain treacherous for most of the year, the worst corporate news was likely to be seen in the first 3-4 months. Thereafter, the potential for sharp negative moves would lessen in 2009. With this deceleration in the rate of decline, we expect markets to progressively build a base.

Major rallies, some of long duration, may cause confusion among investors and continued volatility. In 2010/11, we expect investors to be aware of the need to sharply reverse their strategy as the consequences of the monetary and fiscal stimuli, which are now so necessary, are felt. In such an environment, we once again place great emphasis on stock picking. Major criteria may well be different, with less focus on "cheapness" and historic levels and more on dividend capacity and our old stalwart, cash flow generation with limited debt.

Timing is always a difficult decision, but our conclusion is that longer-term investors should consider increasing their equity exposure selectively over the next months. Contrary to much conventional wisdom, we find Europe, particularly Continental Europe, to be among the more fundamentally attractive markets.

We initiated a position in **Fresenius Medical Care** (FMC), the world's largest provider of products and services to the kidney dialysis market. The business has low sensitivity to the economy and a structural growth opportunity. Patient numbers continue to increase due to demographics and, in the U.S., there is an opportunity to increase the scope of the business via disease management. FMC should benefit as well from increasing demand in developing markets as incomes rise and the funding for kidney dialysis increases. We think the change in administration in the U.S. will offer more opportunities than risks for FMC as the shift toward disease management from simple service supply may be accelerated. The downside is somewhat protected by the recently passed Medicare bill which details rate increases in 2009 and 2010.

Europe Small & Mid Cap Management Team

	Years Experience
Consuelo Brooke, *Lead Portfolio Manager*	40
Gariesh Sharma, *Co-Portfolio Manager*	12
Johann Ropers, *Portfolio Manager*	8

Top Ten Holdings as of 12/31/08

ACTELION	4.31%
ST GALLER KTBK	4.21%
RHOEN KLINIKUM AG	3.74%
HEALTHCARE LOCUMS	3.67%
TAKKT AG	3.14%
FAIVELEY	3.13%
VOPAK	3.10%
IMTECH NV EUR0.80	2.99%
TELEPERFORMANCE EUR2	2.88%
FUCHS PETROLUB AG NOI	2.75%

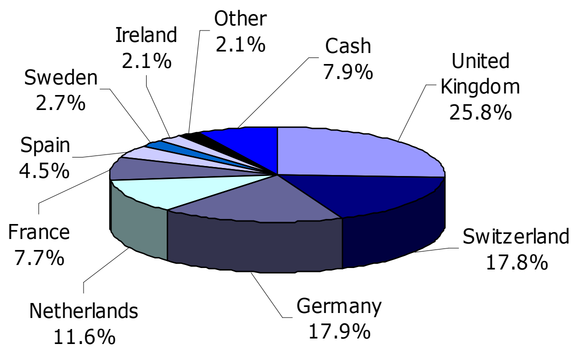
Source GPMS

Characteristics as of 12/31/08

	Philippe	S&P Citigroup Europe EMI
Weighted Avg Market Cap	**$ 1,917 MM**	$ 2,220 MM
Median Market Cap	**$ 209 MM**	$ 366 MM
Holdings	**59**	1,614
Product Assets	**$ 87 MM**	

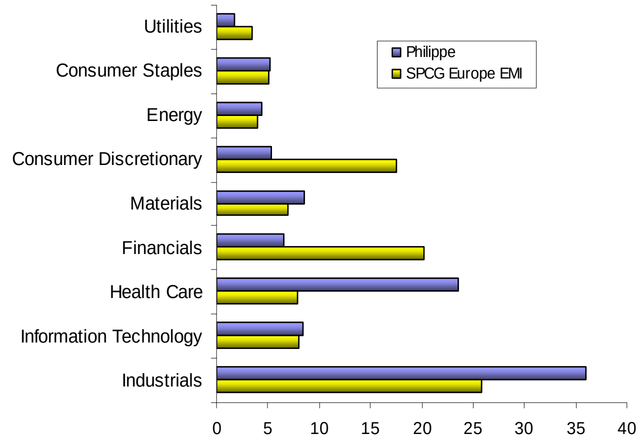
Source Datastream

Geographical Breakdown as of 12/31/08



Source GPMS

Sector Breakdown as of 12/31/08



Source GPMS

Composite Performance as of 12/31/08

	Philippe Return (Gross)	S&P Citigroup Europe Small Cap	DJ Stoxx Small 200	MSCI Europe
Quarter	(26.52)	(28.45)	(28.19)	(22.79)
YTD	(43.35)	(50.84)	(51.00)	(46.42)
1 year	(43.35)	(50.84)	(51.00)	(46.42)
3 years	(5.75)	(8.42)	(7.92)	(6.55)
5 years	4.34	2.85	2.94	1.53
Since Inception	11.31	10.74	11.72	8.41

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 rapid decline in economic activity intensified during the quarter, precipitated by a broad pullback by the consumer amid rising unemployment and continued wealth destruction in both the housing and stock markets. Corporations, facing steep declines in demand and tougher credit conditions, are cutting back spending plans, deferring projects and laying off employees. Confidence remains shaken in the financial system as the government is now the lender and buyer of last resort. It remains to be seen whether the massive stimulus plans of the government will be able break the negative feedback loops that are undermining the economy.

There appear to be some encouraging signs that the credit markets are healing from the government backstops. The majority of the recent commercial paper issuances have been privately funded and investment grade spreads have narrowed, leading many companies to tap the markets. 30-year mortgage rates have dropped to 4.75% and there have been a flood of mortgage refinancings at these levels which helps the consumer on the margin, but home purchases have not yet picked up, which leads us to believe that rates will need to go lower. In addition, the spread between the 30-year mortgage rate and the longer term treasuries remains high. In order for the equity markets to have a sustainable base to build a rally, the banking system and the credit markets will need to be stabilized.

During the quarter, we initiated positions in several of the larger pipeline Master Limited Partnerships (MLPs) including **Energy Transfer Equity**, **Energy Transfer Partners**, **Kinder Morgan Partners**, **Nustar** and **El Paso Partners**. We are attracted to the 8% to 11% yields, coupled with stable business models and modest capital expenditure plans to grow distributions in a credit-constrained environment . We initiated a position in **Ecolab**, a well managed industry leader that sells cleaning and sanitizing solutions to multi-industries, a recurring sales-based model that we gravitate to in this environment. We trimmed our position in **PetSmart** on concerns that the consumer will continue to pull back on spending.

Outlook

In the months ahead, we think the market will prefer those companies that are able to navigate these tumultuous times in a credit constrained environment. The emphasis going forward will be on the strength of the balance sheet, access to capital and the ability to generate cash flow. Growth will be deemphasized by the need to ensure survival and to rationalize a cost structure to operate in a slower growth environment. However, we continue to look for secular growth stories selling at attractive valuations. Valuations, in some cases, are priced in for depression-like scenarios, which we think is unlikely given that central banks around the world are pumping out stimulus plans to support and reflate the global economy.

U.S. Equity Management Team

	Years Experience
Béatrice Philippe, *Co-CIO, Portfolio Manager*	38
Howard Chin, *Associate Portfolio Manager & Analyst*	13
John Conti, *Sub-Advisor; SeaBridge Investment Advisors*	26

Characteristics as of 12/31/08

	Philippe	S&P 500
Weighted avg Mkt Cap	**$ 43,398 MM**	**$ 80,326 MM**
Median Mkt Cap	**$ 8,030 MM**	**$ 6,428 MM**
Holdings	**51**	**500**
Product Assets	**$ 96 MM**	

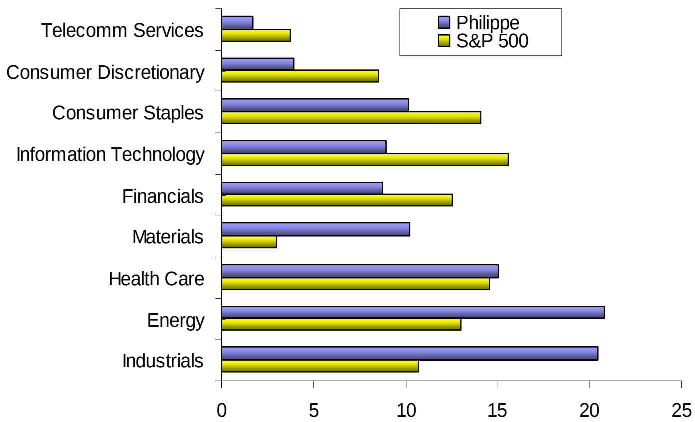
Source Datastream

Top Ten Holdings as of 12/31/08

ANNALY CAPITAL MAN	3.7%
EXXON MOBIL CORP	3.5%
PRAXAIR INC COM USD0.01	3.0%
CONOCOPHILLIPS	2.9%
THERMO FISHER	2.8%
ITT CORPORATION	2.7%
RAYTHEON	2.6%
ENERGY TRANSFER	2.6%
JOHNSON & JOHNSON	2.6%
UNITED TECHNOLOGIES	2.4%

Source GPMS

Sector Breakdown as of 12/31/08



Source GPMS

Performance as of 12/31/08

	Philippe Gross Return	S&P 500	Russell 1000
Quarter	(22.47)	(21.94)	(22.48)
YTD	(35.86)	(37.00)	(37.60)
1 year	(35.86)	(37.00)	(37.60)
3 years	(5.31)	(8.34)	(8.64)
5 years	(1.44)	(2.19)	(2.03)
Since Inception	(0.16)	(1.80)	(1.45)

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

Philippe

PHILIPPE GLOBAL GROWTH & INCOME OPPORTUNITIES

Portfolio Managers' Commentary

2008 was a very painful year for our Growth and Income portfolios. Securities such as Master Limited Partnerships (MLPs) and bonds, which in the past moved counter-cyclically when equities fell, sold off severely as the public lost confidence in the face of large hedge fund liquidations of yield assets and a loss of confidence in securities in general.

The January 5th issue of the U.S. newspaper *Barron's* showed a "recruiting poster" of Uncle Sam enjoining the public to sell Treasury bonds and buy Corporate and Municipal bonds. Actually, the Fed had done the same when it announced a policy of zero interest rates on December 15th. During the last two weeks of December, corporate bonds put on a strong rally which appears to have carried, undiminished, into the New Year. Closed-end bond funds rallied even faster as their large discounts from net asset value, which broadened in October and November, began to close. MLPs and funds of preferred stocks also started moving up, although with less persistency than bonds.

Outlook

Securities prices are depressed and the public mood is so pessimistic that the stage is set for a rally. However, the economic reality in the U.S. and elsewhere remains grim in the recession spiral we are in, with little chance of an easing before the summer.

We are in transition from a world economy growing from the thrust of U.S. borrowing, to a world economy adjusting to an era of U.S. savings. As a consequence, until we see how world growth fares, and how consumer debt begins to be reduced or defaulted upon, we prefer securities with more reliable income streams.

Currently the portfolio is 77% invested in what we classify as "defensive" positions: Cash, bonds, MLPs, Canadian Royalty Trusts and defensive stocks. Cyclical equities may rebound more in the short-term, but we believe the best risk/reward balance for the first half of 2009 is in more reliable income streams, selling at large price discounts to their valuations of a year ago.

Global Growth and Income Opportunities Management Team

	Years Experience
Béatrice Philippe, *Co-CIO*	38
Garnett Keith, *Portfolio Manager, Advisor*	40
Howard Chin, *Associate Portfolio Manager & Analyst*	13
John Conti, *Advisor*	26
David Descalzi, *Advisor*	21

Top Ten Holdings as of 12/31/08

ENERGY TRANSFER	5.8%
ANNALY CAPITAL MAN	5.5%
PHILIP MORRIS	3.6%
HATTERAS FINANCIAL	3.2%
PIMCO FDS PACIFIC	2.9%
KROGER CO	2.6%
MFA MORT INVEST	2.6%
MEDCO HEALTH SOL	2.6%
MANAGERS FUNDS	2.4%
KINDER MORGAN ENERGY	2.3%

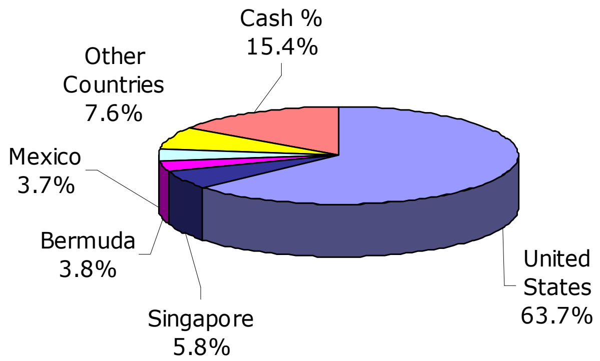
Source GPMS

Characteristics as of 12/31/08

Weighted Avg Market Cap	**$ 21,638 MM**
Median Market Cap	**$ 5,170 MM**
Holdings	**47**
Product Assets	**$ 26 MM**

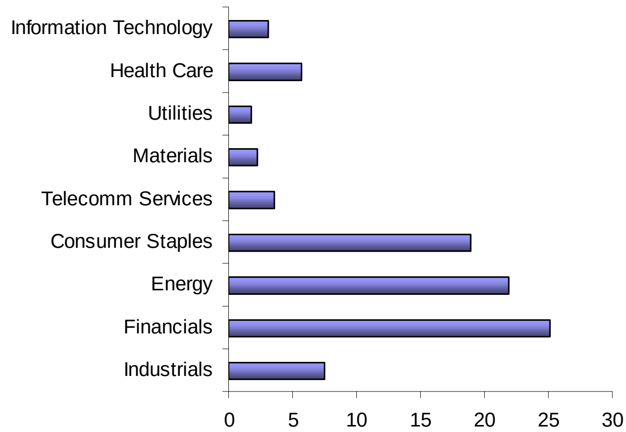
Source: Wilshire

Geographical Breakdown as of 12/31/08



Source GPMS

Sector Breakdown as of 12/31/08



Source GPMS

Composite Performance as of 12/31/08

	Philippe Return (Gross)	Merrill Lynch Global Broad	MSCI World
Quarter	**(14.03)**	**(6.13)**	**(21.77)**
YTD	**(36.37)**	**(12.52)**	**(40.71)**
1 year	**(36.37)**	**(12.52)**	**(40.71)**
Since Inception	**(18.31)**	**(4.99)**	**(23.05)**

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

Throughout the world, consumers and companies adjusted very quickly to the deteriorating economic environment that emerged from the financial crisis. Faced with slumping economic indicators and heavy job losses, governments announced ambitious stimulus packages; some to be implemented immediately, others over the next two years. Central banks continued to flood the market with liquidity with further reductions in interest rates. Risk aversion drove investors into government bonds, further weakening the stock markets.

During the quarter, financial analysts sharply revised downward their earnings estimates for 2008 and 2009, while volatility spiked to levels last seen in 1929. This resulted in another drop in stock prices and the FTSE All-World Developed index collapsed more than 21%. The market sell-off was broad-based with all major countries posting declines of more than 20%, with the notable exception of Japan, which benefitted from a 17% rise in the value of the yen against the dollar. All sectors ended the quarter in negative territory, although defensive industries such as telecom services, pharmaceuticals and electric utilities fared better than the index. Banks, steel, and real estate significantly underperformed, posting declines of more than 30%.

Philippe Global Opportunities could not escape the market sell-off and ended the year slightly behind it's benchmark. The indiscriminate market correction gave us the opportunity to invest in outstanding companies that boast above-average return on capital and superior market positioning. Those stocks, which formerly we deemed too expensive, reached very attractive valuation levels in the course of the quarter. We initiated new positions in **Covance** (clinical studies and outsourcing), **Eurofins Scientific** (laboratory testing services), and **Nintendo** (game hardware & software), all of which have relatively good visibility on future earnings. We also added positions in companies that operate in more cyclical industries such as **Praxair,** the leading supplier of industrial gases in the U.S., and **Bucyrus,** one of the two major players in the large-scale mining equipment industry, benefitting from a record backlog of orders which are non-cancellable and backed by letters of credit.

Outlook

Investors generally agree that major equity indices have reached historically low valuation levels and the rebounds enjoyed by a few stocks in December show that some investors started to take advantage of these opportunities. However, the world continues the slide into recession and many companies are expected to post particularly poor results for the last quarter of 2008 and the first quarter of 2009. During this transition phase, we will continue to focus on the more predictable sectors and on what we view as the safest stocks that meet our valuation criteria.

Global Opportunities Equity Management Team

	Years Experience
Michel Raud, *Co-CIO, Portfolio Manager*	36
Béatrice Philippe, *Co-CIO, Portfolio Manager*	38
Howard Chin, *Associate Portfolio Manager & Analyst*	13
Eric Fourrier, *Associate Portfolio Manager & Analyst*	8

Top Ten Holdings as of 12/31/08

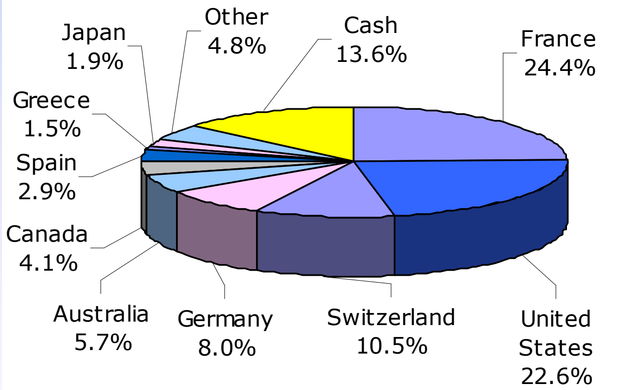
ROCHE HLDGS AG	3.1%
TELEFONICA SA	2.9%
XTO ENERGY INC	2.9%
THALES	2.7%
NESTLE SA	2.4%
LINDE AG	2.3%
BAYER	2.3%
GDF SUEZ	2.2%
UNITED TECHNOLOGIES	2.1%
ZODIAC	2.1%

Source GPMS

Characteristics as of 12/31/08

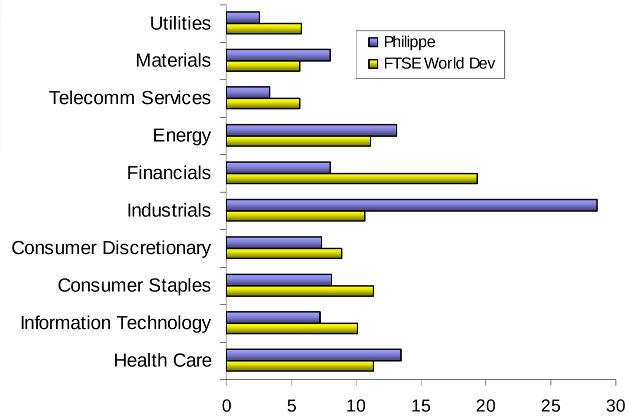
	Philippe	FTSE All World Developed
Weighted Avg Market Cap	$ 31,241 MM	$ 58,709 MM
Median Market Cap	$ 9,906 MM	$ 4,061 MM
Holdings	70	1,928
Product Assets	$ 150 MM	

Geographical Breakdown as of 12/31/08



Source GPMS

Sector Breakdown as of 12/31/08



Source GPMS

Composite Performance as of 12/31/08

	Philippe Return (Gross)	FTSE A.W. Dev.
Quarter	(22.35)	(21.48)
YTD	(41.24)	(40.26)
1 year	(41.24)	(40.26)
3 years	(5.74)	(7.27)
Since Inception	(0.44)	(0.07)

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)

Importantly, mortgage rates responded immediately to these new programs and have continued to decline. In the respite between Christmas and the New Year holiday, the Treasury Department threw the economy yet another bone by re-capitalizing GMAC. As soon as the re-capitalization was announced, GMAC responded by offering 0% interest rate car loans. Our conclusion: The credit crunch is beginning to dissipate.

Another important development on the horizon is the Obama fiscal stimulus plan, which will be formalized in late January, and likely passed by Congress in February. Initially, Obama's plan was thought to emphasize Government spending programs. In recent days, however, it has been leaked that as much as 40% of the stimulus package will be comprised of tax cuts, which will have a more durable impact on the economy.

So after a tumultuous year in 2008, our portfolios are re-positioned for growth. We have invested our excess cash, and our reserves are now at a level that we consider normal. We still own our global infrastructure-related stocks, and in some cases have begun to add to these investments, which include **ITT, Bucyrus, Pall, Cisco, Deere, Air Products, Freeport McMoran, Joy Global, Praxair**, and **Actuant**. We have continued to increase our investment in energy shares, and now maintain an investment in **Exxon, Valero, Williams**, and **Petro Bras**. Our commitment to the financial sector is currently low, 3%; however, we will take another look at the banks after the year-end earnings are reported and may add to our investments in this space.

John C. Conti; January 7, 2009

*Reference: Stocks for the Long Run, fourth edition, Jeremy Siegel
On a purchasing power basis, the largest decline in the market over one year was 38.6% which includes deflation added back. Absolute declines in equities were greater in several one-year holding periods during the Great Depression.

This article reflects the views of the author as of the date written and does not necessarily represent the views of other members of SeaBridge Investment Advisors. The information should not be construed as investment advice, or is there any guarantee that any projection, forecast or opinion will be realized. It does not represent an offer to buy or sell securities.

FIRM NEWS

❑ SODITIC CBIP LLP

C Brooke Investment Partners Ltd. has combined its investment management activities with those of Soditic Asset Management Ltd in London, to form Soditic CBIP LLP. Consuelo Brooke will be a partner in the new entity. Soditic CBIP is located in London and is registered as an investment advisor with the FSA in the U.K. and the SEC in the U.S.

Philippe Investment Management and Soditic CBIP will continue the 8-year relationship Philippe had with C Brooke Investment Partners Ltd. in the management of the Philippe Europe Small and Mid Cap portfolios.

❑ PEOPLE

We are pleased to announce that **Jacques B. Vaÿsse** joined the Company at the beginning of 2009. Mr. Vaÿsse previously had been an officer of SAEF Gestion in Paris, the prior manager of Pan-Holding Fund. Philippe Investment Management assumed the management of Pan-Holding in August, 2008. (please see *Quarterly News, Third Quarter, 2008 issue)* Mr. Vaÿsse will be a member of the Philippe management team and will be located in the Paris office.

New York
Philippe Investment Management, Inc.
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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 2008 were $20 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 2008 were $79 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 2008 were $10 million. Total U.S. equity assets managed by the Philippe Group at year-end 2008, including euro-denominated PIM funds, were $96 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 2008 were $6.5 million. Total assets in this strategy, managed by Philippe Group at year-end 2008, including euro-denominated PIM Yield-Growth funds, were $26 million.

Philippe Global Opportunities composite includes a fully discretionary, global equity, euro-denominated European FCP (French mutual fund). Since October 1, 2008 the composite also includes the returns of Pan-Holding SICAV, a European-based, mutual fund. 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. From time to time, the investment strategy for the Global Opportunities FCP may include currency hedging of up to 15% of the portfolio. There are no currency hedges in place as of December 31, 2008. 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 2008 were $150 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

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