

# 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*

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### Economic Inflection Point

Market values are back close to where they were at the beginning of the year following the rally that began on March 9th. January and February were full of worse than expected reports from almost every economic quarter, but the news improved after the Fed announced massive bond purchases and Treasury Secretary Geithner detailed a plan to remove toxic assets from the banks. We hope we are at a point of inflection beyond which the economic news turns from uniformly bad, to mixed and, eventually, to good.

Today, the questions before every investor are:

- 1) Have we seen the bottom?
- 2) Should we shift to a less conservative investment posture?
- 3) Will economic recovery begin, and what will be its nature?

### Have we seen the bottom?

We are hopeful that we have seen the bottom, but that requires two assumptions: First that the powerful monetary and fiscal actions of governments around the world will take effect and buoy the economic down-spiral. Clearly, it is helping securities prices as the massive build-up of money in Treasury securities begins to seek higher returns. Second, production, now falling faster than consumption, will recover as inventories are depleted. With 91.5% of the labor force employed, real disposable incomes are rising due to the fall in inflation. Savings have soared as confidence has collapsed. As production grows to equal demand, the news will get better, somewhat restoring consumer and investor confidence and spending which should set off a virtuous circle to stabilize housing and securities markets, and economic recovery should begin. This is the hope. In the near term, the recession is likely to continue, although diminish in force as we move into the fall. Negative real growth is expected to be 4 percent in 2009 with unemployment averaging 9%, and topping out at 11-12% in early 2010.

What is happening in the rest of the world is important, too. It appears that China hit bottom in the fourth quarter, '08, and export shipments are gradually improving. China has announced a \$585 billion economic stimulus package and eased money so M2 is growing at around 20%. The best guess on China's growth for 2009 is about 6%. South Korea and Taiwan are weak as their U.S.-oriented export sectors have been hard hit. Real growth estimates for 2009 are a negative 3 to 4 percent. Indonesia, supported by commodity exports to China, should grow 3 to 4%.

Australia is having a housing recession, but if raw material exports to China are picking up, it should avoid problems of the magnitude hitting the U.S. and Europe. Forecasts for 2009 are negative real growth of a fraction of one per cent and unemployment topping out between 6 and 7 percent.

India is benefiting from being relatively more closed to world trade and should grow about 4%. The monsoon season, vitally important to India's large agrarian sector, looks promising. Japan, on the other hand, still is spiraling down as shipments of autos, machine tools and other capital goods are likely to remain weak for some time. Japan's real growth for 2009 could be down 7%, the worst decline in the developed world.

Putting it all together, China and India's growth should let Asia record modestly positive numbers in 2009. If the U.S. and Europe can stabilize economies in 2009, Asia's exports should recover in 2010 and growth will be strong.

Europe's big problems come from the emerging countries in Eastern Europe and Russia. These economies were running hot in 2005-07 based on entry into the EU which fueled exports to Western Europe. Finances were stretched and borrowing was often in euros or Swiss Francs. Exports have collapsed and currencies are very weak, threatening to balloon foreign currency debts and cause widespread bankruptcies.

(Continued on Page 7)

## CONTACT INFORMATION

If you would like further information about Philippe Group, our products or people, or would like to comment on the *Spotlight*, please let us know.

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# PHILIPPE INTERNATIONAL OPPORTUNITIES

## Portfolio Managers' Commentary

In the first three months of 2009, world governments and central banks increased their efforts to stem the deterioration in the global economy. In the U.S., Secretary Geithner detailed his bank rescue plan, calling for private investors to buy the toxic assets of banks. The public-private program will be 90% financed by the Fed, while the FDIC will guarantee the private sector borrowings. The Federal Reserve will dedicate an additional \$750 billion for buying mortgages from banks and announced its intention to buy \$300 billion worth of U.S. Treasuries across all maturities, with a view to putting downward pressure on long-term rates, thereby relieving the overall debt burden.

These announcements gave relief to financial markets after a particularly difficult start to the year, featuring rising unemployment and a collapse in industrial production. Equity markets reacted positively to the Geithner plan and also found some comfort in China's stimulus package already bearing fruit. The MSCI EAFE rebounded 6% in March but ended the quarter down almost 14% after the heavy declines in January and February. With commodity prices, especially oil and copper, starting to bottom out, mining and oil & gas stocks out-performed the index. Sector rotation benefited automobile companies in Asia and technology stocks worldwide. However, investors continued to avoid banks and insurance companies and reduced exposure to heavily indebted companies in utilities and telecom services.

Philippe International Opportunities benefited from its limited exposure to financials and from the rebound of oil & gas holdings. In early January, we added to oil and gas stocks and opened a new position in **Petrobras**, taking advantage of low oil prices that we believe are unsustainable. During the quarter, we took profits on a number of stocks that had performed well. We also sold industrial equipment makers **Fanuc** and **Hitachi Construction Machinery**. We believe their end markets will remain depressed until 2010 at the earliest. We invested the proceeds into companies that enjoy superior earnings visibility and attractive valuation multiples including **Syngenta** and **Nufarm** in the crop protection market, and **Unilever** in household goods. We believe the new management team at Unilever will successfully streamline the company's cost structure and win back investors' confidence.

**Outlook:** We are of the view that the array of measures taken will eventually spur an economic recovery. However, we think it is too early to become aggressive. Companies we have met continue to point to tight lending conditions and a lack of visibility. Managements prioritize cash flows and keep a lid on human and capital investment. The next reporting season is likely to feature large earnings declines and share price corrections, providing even better entry prices into high-quality stocks.

### International Equity Management Team

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

### Top Ten Holdings as of 03/31/09

ROCHE HOLDING	3.9%
TELEFONICA	3.8%
PETROBRAS SP ADR	3.3%
ENI	3.2%
NESTLE	2.9%
BAYER	2.9%
UNILEVER CERTS.	2.9%
THALES	2.8%
VINCI (EX-SGE)	2.7%
DASSAULT SYSTEMES	2.7%

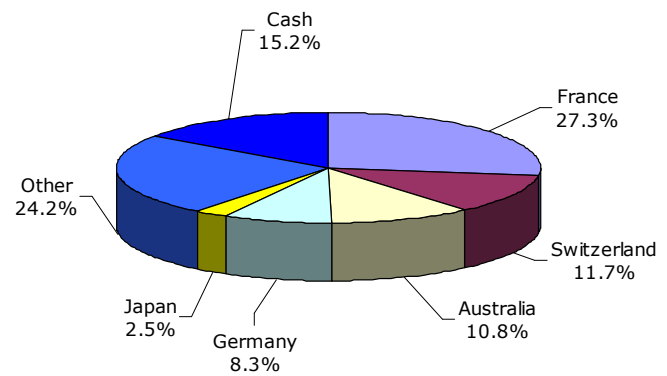
Source GPMS

## Characteristics as of 03/31/09

	Philippe	FT World x US
Weighted Avg Market Cap	\$ 36,522 MM	\$ 34,581 MM
Median Market Cap	\$ 6,768 MM	\$ 3,040 MM
Holdings	42	1,295

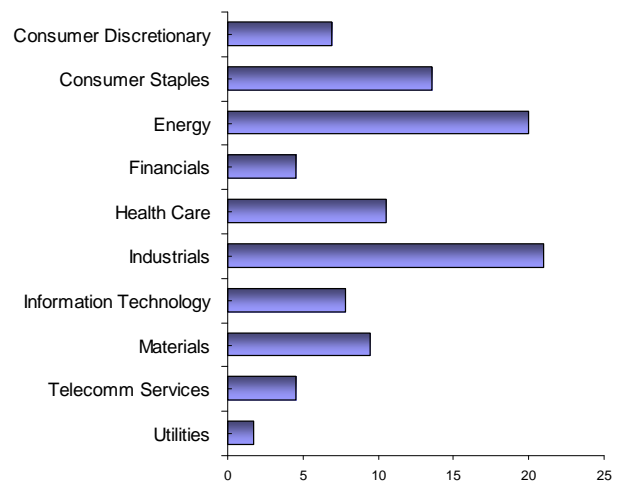
Source Datastream and Wilshire

## Geographical Breakdown as of 03/31/09



Source GPMS

## Sector Breakdown as of 03/31/09



Source GPMS

## Composite Performance as of 03/31/09

	Philippe Return	MSCI EAFE	MSCI EAFE Growth
Quarter	(9.02)	(13.94)	(12.43)
YTD	(9.02)	(13.94)	(12.43)
1 year	(40.48)	(46.51)	(45.36)
3 years	(10.11)	(14.46)	(13.11)
5 years	(0.59)	(2.18)	(1.99)
Since Inception	(2.75)	(1.88)	(2.87)

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

January and February saw deteriorating economic and corporate news; however, there were signs of improvement in March. For example, the latest purchasing managers' reports and, even more importantly, the German IFO Institute leading indicator, historically an excellent forecaster of turning points, gave positive signals.

There are reasonable expectations that second quarter results may be better than fourth quarter, '08 or first quarter, '09 as companies restore inventories, having found that they had been excessively concerned about demand last autumn. We will be closely watching inventories in coming months to see if they indicate that the "green shoots" are capable of further development and if we should reverse our belief that we are at the beginning of a major bear rally. Confidence slowly is being rebuilt as expectations have been reduced and there are signs that investors are showing some discrimination.

As was to be expected, the rally in equity markets saw a reverse of strength in the U.S. dollar and higher oil prices, while gold has stalled below the psychologically important barrier of \$1000. It is prudent to be wary at these levels in case of a reversal of recent strength. However, we are confident that the recent investment of our excess cash is an equally prudent move, albeit that our preference for value has meant that we have lagged the rebound in the index which was led by the strong recovery in financials and other "leaders" in the downward spiral.

In March, we purchased new positions in **Halma** and **Connaught**. Halma focuses on sensors for the detection of hazards and products to ensure water safety and leak detection and the business has continued to develop well. Halma fits into both the "security" and "scarce resources" themes in the portfolio. We took advantage of a fall in the share price of Connaught to initiate our position. Connaught is the leading provider of repair services to the UK social housing market.

In February, we re-initiated a position in **Neopost**, having exited the stock during the summer of 2006. The company is a leading provider of mailing machines and postage meters and has a strong position worldwide with significant recurring revenue and a dividend yield of over 6%.

We sold **FL Smidth**, an equipment supplier for the cement and minerals industries. We feel it will be some time before these businesses are in a capital spending mode again. We continue to take profits in **Healthcare Locums** and we sold **Arcadis** after a strong bounce in the share price. We see better risk/reward elsewhere.

### Europe Small & Mid Cap Management Team

	Years Experience
<b>Consuelo Brooke</b> , Lead Portfolio Manager	40
<b>Gariesh Sharma</b> , Co-Portfolio Manager	12
<b>Johann Ropers</b> , Portfolio Manager	8

### Top Ten Holdings as of 03/31/09

VOPAK	3.69%
SYNTHES INC	3.56%
ACTELION	3.55%
RHOEN KLINIKUM AG	3.43%
ST GALLER KTBK	3.19%
FUGRO NV	3.14%
AARHUSKARLSHAMN	3.13%
TAKKT AG	2.89%
IMTECH NV EURO.80	2.70%
HEALTHCARE LOCUMS	2.58%

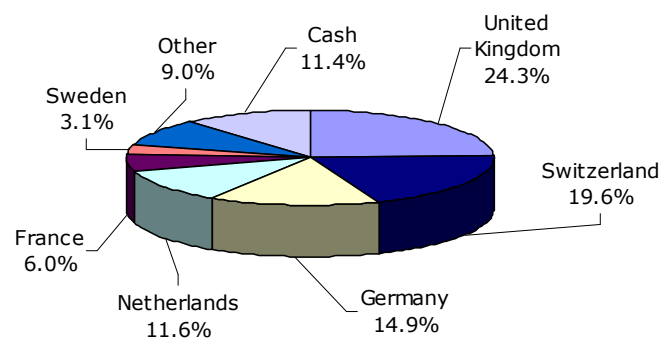
Source GPMS

## Characteristics as of 03/31/09

	Philippe	DJ Stoxx Small 200 (Net)
Weighted Avg Market Cap	\$ 2,375 MM	\$ 1,894 MM
Median Market Cap	\$ 351 MM	\$ 1,454 MM
Holdings	58	200

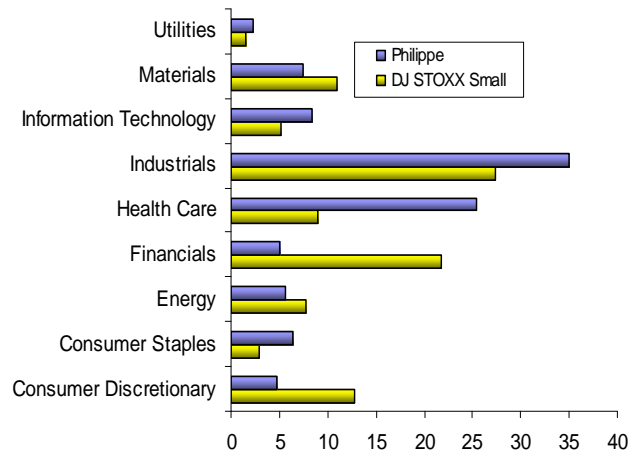
Source Datastream

## Geographical Breakdown as of 03/31/09



Source GPMS

## Sector Breakdown as of 03/31/09



Source GPMS

## Composite Performance as of 03/31/09

	Philippe Return (Gross)	S&P Citigroup Europe Small Cap	DJ Stoxx Small 200	MSCI Europe
Quarter	(14.48)	(11.17)	(11.57)	(14.56)
YTD	(14.48)	(11.17)	(11.57)	(14.56)
1 year	(50.57)	(53.81)	(54.73)	(49.91)
3 years	(14.20)	(16.53)	(16.06)	(14.30)
5 years	0.09	(0.90)	(0.98)	(1.79)
Since Inception	8.23	8.32	9.17	5.50

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

2009 did not start off on a very encouraging note, resulting in a painful negative slide in the equity markets. Globally, the outlook for 2009 deteriorated significantly following 4Q08 earnings and bleak forecasts from corporations. 4Q08 and 1Q09 GDP forecasts were revised downward to a worse than expected 6% decline, following severe pullbacks in consumer spending, shrinking corporate investments, and an eroding export market. Following an encouraging issuance of corporate bonds in January, the credit markets began to freeze up again. The market reacted harshly to Treasury Secretary Timothy Geithner's announcement that he needed more time to come up with a complete plan to 'fix' the banking system. Lastly, the fiscal stimulus plan also disappointed the markets for the lack of "stimulus" projects and for being back-end loaded on the timing of projects.

Although we recognize that the U.S. faces major problems, we also acknowledge that the markets are in the beginning of a healing process, aided by the stimulative actions of the government, the necessity of time for the economic cycle to run its course and the self-correcting nature of market forces. Steps to the healing process have included the following:

- 1) An unprecedented amount of liquidity has been provided by the Fed to the financial system
- 2) The Fed's desire to keep rates low by committing to buy \$1.45 trillion of housing debt and \$300 billion of Treasuries after cutting the benchmark interest rate almost to zero
- 3) Mortgage rates have fallen to 4.75%, resulting in a flood of refinancings and housing affordability is at an attractive level
- 4) Energy prices have been cut in half within the last year
- 5) Fiscal efforts by other countries to stimulate their economies.

In the beginning of March, the stock market began to rally on marginally positive news on the economic front, resulting in a 25% rally off the lows. There are some signs that the sharp decline in economic activity may be slowing, for example, data on home sales, homebuilding, and consumer spending. In order for this to be a sustainable recovery, we would like to see continued stabilization of the financial system and improvement in the credit markets.

We have structured the portfolio with companies that are well positioned in their markets and have the balance sheet to weather a slow growth and credit-restrained environment. We look for these companies to sustain value in a recessionary environment, increase market share, invest in R&D, and eventually come out in a stronger position when the economy improves.

In the beginning of quarter, we added to our positions in pipeline MLPs, resulting in an 11% exposure in the portfolios. We initiated a position in **Crescent Point Energy Partners**, a Canadian oil and gas exploration trust, holding attractive assets and with a well-capitalized balance sheet to pursue acquisitions. We also started a position in **Air Products**, an industrial gas company that was trading at attractive valuations for assets that are leveraged to a recovery in the global economy. Our sells were primarily concentrated in the defense sector, on the uncertainty of the defense budget under the new administration.

### U.S. Equity Management Team

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

## Characteristics as of 03/31/09

	Philippe	S&P 500
Weighted avg Mkt Cap	\$ 30,128 MM	\$ 68,567 MM
Median Mkt Cap	\$ 6,591 MM	\$ 5,594 MM
Holdings	53	500

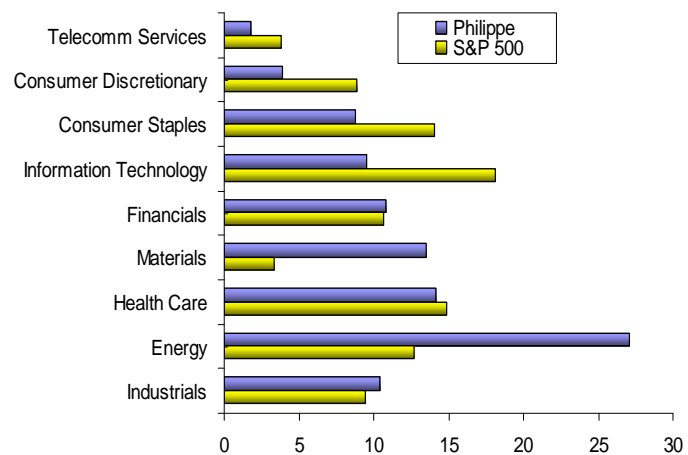
Source Datastream

## Top Ten Holdings as of 03/31/09

PRA XAIR INC COM USD0.01	3.7%
ANNALY CAPITAL MAN	3.5%
EXXON MOBIL CORP	3.2%
THERMO FISHER	3.1%
CISCO SYSTEMS INC	2.7%
MILLIPORE CORP	2.6%
HENRY SCHEIN CORP COM	2.5%
CONOCOPHILLIPS	2.3%
EATON VANCE CORP COM	2.3%
ENERGY TRANSFER PTN	2.3%

Source GPMS

## Sector Breakdown as of 03/31/09



Source GPMS

## Performance as of 03/31/09

	Philippe	S&P 500	Russell 1000
<b>Gross Return</b>			
<b>Quarter</b>	(5.15)	(11.01)	(10.45)
<b>YTD</b>	(5.15)	(11.01)	(10.45)
<b>1 year</b>	(34.12)	(38.09)	(38.27)
<b>3 years</b>	(8.29)	(13.05)	(13.23)
<b>5 years</b>	(2.65)	(4.76)	(4.53)
<b>Since Inception</b>	(0.68)	(2.87)	(2.47)

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

March started with worse than expected economic news and ended with the crash of the U.S. auto industry. Fortunately, in between, a powerful bear market rally was powered by Treasury Secretary Geithner's plan to lift bad assets out of the banks via public/private investment partnerships fueled by very attractive government funding. The rise of market values caused a lift in morale and brief fantasies that the worst was over.

A confidence-inspiring end to the auto bail-outs and progress on clearing bank assets would make us shift to a more aggressive portfolio mix. Unfortunately, we are not assuming that events in April will give us this reassurance and therefore, we are maintaining a defensive posture.

In the portfolios, we made a few changes in stocks to re-introduce some cyclicity, which we have tried to avoid for the last year. We have large holdings in "income vehicles." These include investment grade bond mutual funds, REITs holding government guaranteed mortgages, master limited partnerships holding pipelines, and a number of closed-end investment funds (CEFs). Following the public panic in October, 2008, CEFs have been trading at substantial discounts to their net asset values. Their yields have been high and we believe the discounts will diminish as investor confidence is restored. We also added a small exposure to gold to hedge the potential inflationary impact on our closed-end fund bond positions. We initiated a 5% exposure to several Canadian Royalty Trusts that were yielding 8-10%, with a focus on companies that have attractive assets, a hedged production profile and strong balance sheets.

We remain cautious with bond-like and defensive investments comprising over three-fourths of the portfolio. The portfolio yield continues to hover around eight percent.

Despite the high yields on the overall portfolio, we believe the investments in the portfolios have significant recovery potential when markets stabilize and investor confidence returns.

### Global Growth and Income Opportunities Management Team

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

## Top Ten Holdings as of 03/31/09

ANNALY CAPITAL MAN	5.4%
ENERGY TRANSFER EQ	4.3%
ENERGY TRANSFER PTN	3.4%
HATTERAS FINANCIAL	3.3%
PIMCO FDS PACIFIC	3.2%
MFA FINANCIAL	2.9%
NUSTAR ENERGY	2.8%
MEDCO HEALTH SOL	2.8%
KINDER MORGAN ENERGY MANAGERS FUNDS	2.6%

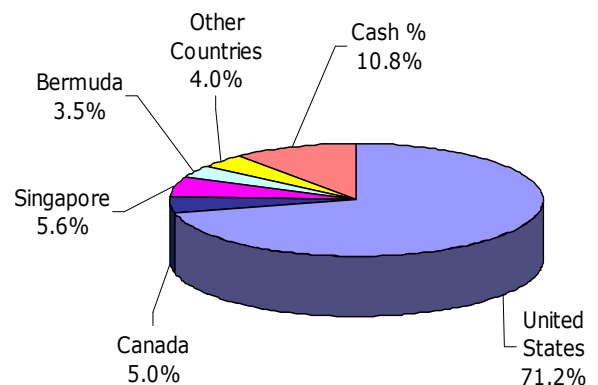
Source GPMS

## Characteristics as of 03/31/09

Weighted Avg Market Cap	<b>\$ 13,842 MM</b>
Median Market Cap	<b>\$ 1,978 MM</b>
Holdings	<b>53</b>

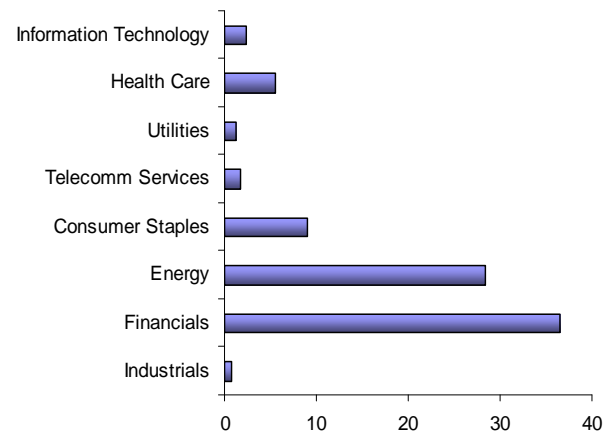
Source: Wilshire

## Geographical Breakdown as of 03/31/09



Source GPMS

## Sector Breakdown as of 03/31/09



Source GPMS

## Composite Performance as of 03/31/09

	<u>Philippe Return</u>	<u>Merrill Lynch</u>	<u>MSCI World</u>
	<u>(Gross)</u>	<u>Global Broad</u>	
<b>Quarter</b>	<b>(5.05)</b>	<b>0.78</b>	<b>(11.92)</b>
<b>YTD</b>	<b>(5.05)</b>	<b>0.78</b>	<b>(11.92)</b>
<b>1 year</b>	<b>(32.04)</b>	<b>(12.63)</b>	<b>(42.58)</b>
<b>Since Inception</b>	<b>(18.38)</b>	<b>(4.02)</b>	<b>(25.41)</b>

Returns are gross of fees. Periods greater than one year are annualized.

Inception date: April 2, 2007

Please see Performance Disclosure

Source: GPMS

# PHILIPPE GLOBAL OPPORTUNITIES

## Portfolio Managers' Commentary

In the first three months of 2009, world governments and central banks increased their efforts to stem the deterioration in the global economy. In the U.S., Secretary Geithner detailed his bank rescue plan, calling for private investors to buy the toxic assets of banks. The public-private program will be 90% financed by the Fed, while the FDIC will guarantee the private sector borrowings. The Federal Reserve will dedicate an additional \$750 billion for buying mortgages from banks and announced its intention to buy \$300 billion worth of U.S. Treasuries across all maturities, with a view to putting downward pressure on long-term rates, thereby relieving the overall debt burden.

These announcements gave relief to financial markets after a particularly difficult start to the year, featuring rising unemployment and a collapse in industrial production. Equity markets reacted positively to the Geithner plan and also found some comfort in China's stimulus package already bearing fruit. The FT World ex-U.S. rebounded nearly 8% in March but ended the quarter down almost 12% after the heavy declines in January and February. With commodity prices, especially oil and copper, starting to bottom out, mining and oil & gas stocks out-performed the index. Sector rotation benefited automobile companies in Asia and technology stocks worldwide. However, investors continued to avoid banks and insurance companies and reduced exposure to heavily indebted companies in utilities and telecom services.

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### Global Opportunities Equity Management Team

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<b>Eric Fourrier</b> , Associate Portfolio Manager & Analyst	8

### Top Ten Holdings as of 03/31/09

ROCHE HLDGS AG	3.6%
TELEFONICA SA	2.8%
XTO ENERGY INC	2.8%
THALES	2.8%
CME GROUP INC	2.4%
THERMO FISHER	2.4%
CISCO SYSTEMS INC	2.2%
NESTLE SA	2.2%
SCHINDLER PTG CERT	2.1%
BAYER	2.1%

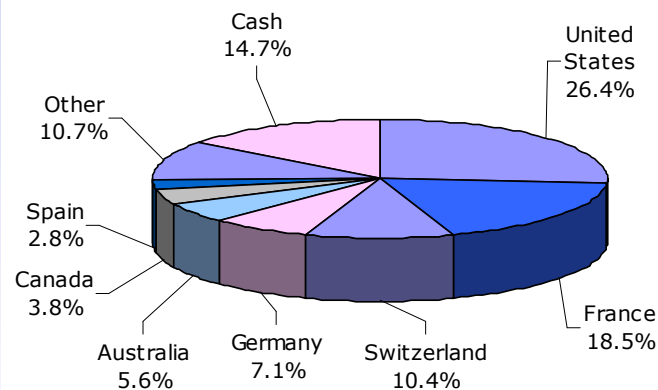
Source GPMS

### Characteristics as of 03/31/09

	Philippe	FTSE All World Developed
Weighted Avg Market Cap	\$ 31,523 MM	\$ 50,316 MM
Median Market Cap	\$ 13,286 MM	\$ 3,685 MM
Holdings	64	1,910

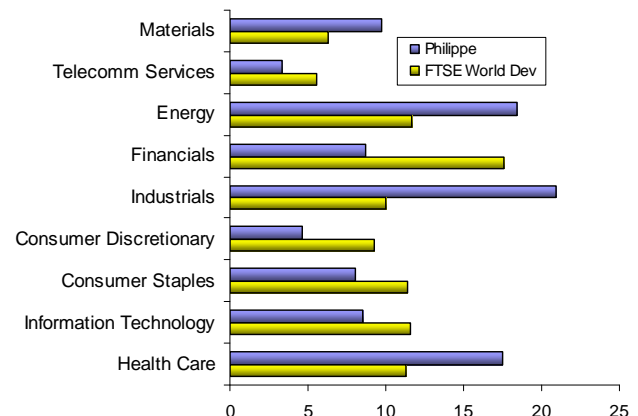
Source Wilshire

### Geographical Breakdown as of 03/31/09



Source GPMS

### Sector Breakdown as of 03/31/09



Source GPMS

### Composite Performance as of 03/31/09

	Philippe Return (Gross)	FTSE A.W. Dev.
Quarter	(8.33)	(11.71)
YTD	(8.33)	(11.71)
1 year	(43.00)	(42.00)
3 years	(10.86)	(12.99)
Since Inception	(2.19)	(2.60)

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)

European banks, particularly those in Austria, Sweden and some in Italy have very large exposures. Hence, another round of banking crises in Europe cannot be ruled out. Negative real growth in Europe will probably run 3 to 5 percent in 2009, with Russia close to negative 6%. Unemployment in the EU is likely to approach 9 percent in 2009, putting heavy burdens on government transfer payment programs. With an aging population, the fiscal outlook for Europe is troubling, which is one reason they are resisting more fiscal stimulus to fight the recession.

The UK is a special case with an economy heavily over-weighted in the financial and housing sectors both of which currently are in trouble. In spite of massive government stimulation, real growth is estimated to be negative 3.5 to 4.0 percent in 2009 with unemployment approaching 8%.

Mexico and Canada follow the U.S. are expected to have negative growth of about 3 percent. South America is doing better with fractionally negative growth forecasts for 2009.

So, 2009 will show negative real growth for the world for the first time in decades. Asia is positive, and there are early signs that U.S. growth will turn positive late in the year or early in 2010. Europe and Japan need positive growth in the U.S. and Asia to allow their export driven/aging consumer economies to turn around.

**Have we seen the bottom?** The signs for a turn seem to be coming into view, but we are not yet to the point where we can be certain. Markets tend to turn at the first signs of a recovery, and their strength since mid-March is a hopeful indicator.

**Should we shift to a less conservative investment posture?**

Consistent with the above, at SeaBridge, we are becoming slightly more aggressive.

Asia is up over 5 percent year-to-date and we continue to be constructive on the outlook. In particular, the outlook for China is good, in our view, and valuations are cheap. We are avoiding Europe based on concerns that they will lag in an upturn and fear of an Eastern European bank blow up. However, there are some excellent European companies that operate all over the globe, and we are considering them. We moved U.S. portfolios more fully into the markets in the first quarter, painful in February but very rewarding in March.

**Will economic recovery begin, and what will be its nature?**

Deflationary forces are likely to remain very powerful as we go through the summer and into the fall. The world has lost two trillion dollars of demand as the U.S. consumer has swung from borrowing to saving, and unemployment around the world has soared. In addition, in excess of one trillion dollars of capital spending programs have been cancelled by corporations as the recession has spiraled down. The fiscal programs of governments around the world have attempted to offset part of this lost demand, maybe half for 2009. Those spending programs are funded with borrowed money and will be withdrawn in 2010/2011. As the national economies find their footing, much of the fiscal and monetary stimuli, which is now being massively applied, must be withdrawn, otherwise we will have big inflation problems.

So best guess is that the recovery has begun in China, will begin in the U.S. and smaller Asian countries in 2010, and will begin in Europe and Japan in 2011. However, we expect the recovery will be slow in the U.S. as consumer spending will not return to its 2007 level for several years. The Fed will be withdrawing money from the system as rapidly as it can to avoid inflation. In sum, the U.S. economy will feel more like 1955-1964 than 1997-2007.

Conditions in Europe will be similar to the U.S. with payments for the national welfare systems weighing on the economies in the same way that paying off war debts will weigh on the U.S. Government while the U.S. consumer pays its way out of credit card hock.

We can hope the worst of capital destruction is behind us. We can not be sure yet, but the signs are more hopeful than they have been for two years.

Garnett L. Keith, April 4, 2009

*Economic growth estimates are from the most recent IMF forecast.*

*This article reflects the views of the author as of the date written and may not be realized in the future. The information should not be construed as investment advice, nor is there any guarantee that any projection, forecast or opinion will be realized. It does not represent an offer to buy or sell securities.*

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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 three 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.**

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