

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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Good News / Bad News

The second quarter of 2009 was good for the equity markets, generally reversing the losses of the first quarter and leaving a positive return for the six months.

While the quarter was positive, the equity markets' trajectories slowed during the quarter as the strength of the market rebound off the March panic lows dissipated. Many markets topped out in May, and June saw a modest retracement of the year-to-date gains. The risk premiums in the fixed income markets continued to narrow as fears of financial collapse subsided.

This leaves us with the obvious question, where do the economy and markets go from here? Television commentators are tripping over one another to report "the recession is ending", yet the commentators spend less time on the transient nature of the drivers of the rebound:

- A sharp swing from inventory liquidation to inventory rebuilding
- Government stimulus programs starting to take effect
- Transfer payments to unemployed workers

There are signs that house prices are in a bottoming process in all but the most overbuilt cities, but the inventory overhang of unsold homes is daunting for sellers. Durable goods orders appear to have turned up modestly. With short term interest rates much lower than longer term rates, banks are making money on most loans as they add to reserves for growing credit card defaults. Banks are raising fresh capital and possible bank failures no longer make headlines. All of which gives a sense that "the worst is over."

However, the grim June jobs report delivered a powerful reminder that things may not get much better for some time. Job losses jumped back up to 467,000, with 7.2 million jobs lost since the recession began in December 2007. Average hours worked fell to 33 which means that, even for those working, incomes are falling.

In most recessions, very low interest rates lead to increases in home buying and auto purchases. In this recession, consumer spending is unlikely to recover strongly until the employment outlook improves. Data from merchants indicated that, even in late June, the consumer was still economizing and favoring the low end of price choices on necessities. Hotels and house-goods retailers are teetering on the edge of bankruptcy. Therefore, while we can hope for increasing strength in the second half economy, just how much strength remains to be seen.

Things are better in Asia, ex-Japan, especially China, where the government's mandate to banks to keep lending has restored real estate investing. Infrastructure projects are accelerating, particularly in the rail system. Chinese consumer spending is picking up, but the magnitude is not able to offset the continuing export weakness. China has used the deep recession to rebuild strategic stockpiles of commodities which has given those markets a sense of strength, likely to be ephemeral however, unless world growth picks up beyond the stockpiling. We like companies focused on domestic consumption in Asia and, in China, those benefitting from the massive infrastructure building.

With uncertainties about growth, but the capital markets healing, we continue to like investments in credit fixed income. As spreads narrow, we expect to shift some of our assets toward Asian equities. We continue to believe investors should review their holdings to gain assurance that the businesses owned are suited to the atypical nature of this recovery.

Our hope is that portfolios can expand their gains modestly during the second half of the year, but, of course, there are no guarantees.

Garnett L. Keith, July 6, 2009

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.

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

Central banks' use of both conventional and non-conventional policy tools has prevented the world banking system from collapsing, while massive fiscal stimulus programs implemented throughout the world have helped consumers and producers become more constructive about the future. As a result, the economy is showing signs of stabilization, and leading indicators are finally turning, although timidly. Apparently, investors no longer believe in a Great Depression scenario, which allowed financial markets to post strong gains in April and May. However, this rebound came to a halt in June as investors are now looking for tangible evidence that the economy has troughed before taking stock prices higher.

The **MSCI EAFE Index** rose by 25.43% in the second quarter as stocks geared to the economic cycle rebounded quickly. Steel & Metals, Banks, Real Estate and Machinery posted gains of 40% to 50%. More defensive industries -- Pharmaceuticals, Telecom Services and Food Retailing -- underperformed, however still rose more than 10%. **Philippe International Opportunities** trailed the Index which primarily is explained by our decision to remain out of financials. The portfolio benefited not only from its exposure to commodity markets through oil-related holdings, but also from the rebound in some defensive stocks that enjoy a healthy earnings momentum including **Eurofins Scientific**, **Vinci** and **Unilever**.

Outlook and investment strategy:

Stimulus packages implemented everywhere in the world are slowly finding their way through local economies and should eventually trigger a broad-based recovery in world GDP. The IMF and the OECD recently upgraded their economic outlook for 2010, although no one can accurately predict how strong the rebound will be next year. Much will depend on consumption figures, especially in the U.S.. The recovery may last a few years, as was the case in 1934, 1935 and 1936. If such a scenario unfolds, equity markets will have room to go much higher. However, central bankers and governments could spoil the party, either by raising interest rates and taxes too early, or by delaying normalization and thereby encouraging the formation of another bubble.

In such uncertain times, our strategy remains focused on selecting high quality stocks that trade at undemanding valuations and enjoy superior medium-term growth prospects, even though short term business conditions may prove challenging. In line with that strategy, we added to **Esprit Holdings** and **Nexans**. We also started new positions in **Rolls Royce** (civil and defense aerospace) and **John Wood** (oil & gas services).

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 06/30/09

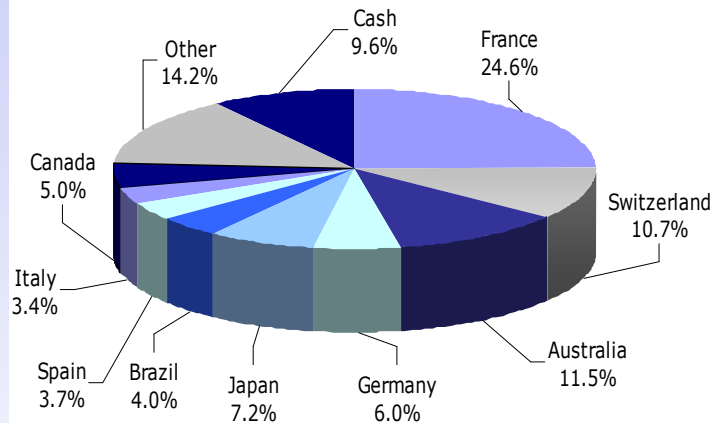
PETROLBRAS SP ADR PRF	3.8 %
TELEFONICA SA :	3.7 %
BHP BILLITON LTD :	3.5 %
ENI :	3.4 %
ROCHE HLDGS AG :	3.3 %
UNILEVER :	3.1 %
THALES :	2.8 %
NESTLE SA :	2.8 %
BAYER :	2.8 %
ENCANA CORP :	2.7 %

Source GPMS

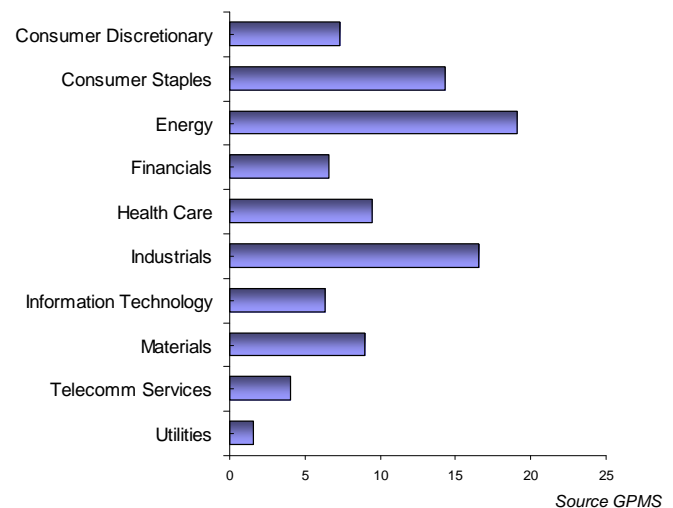
Characteristics as of 06/30/09

	Philippe	FT World x US
Weighted Avg Market Cap	\$ 40,494 MM	\$ 40,456 MM
Median Market Cap	\$ 7,542 MM	\$ 4,008 MM
Holdings	42	1,293

Geographical Breakdown as of 06/30/09



Sector Breakdown as of 06/30/09



Composite Performance as of 06/30/09

	Philippe Return	MSCI EAFE	MSCI EAFE Growth
Quarter	20.46	25.43	21.43
YTD	9.60	7.95	6.34
1 year	(27.99)	(31.35)	(33.66)
3 years	(4.55)	(7.97)	(7.38)
5 years	3.14	2.31	2.19
Since Inception	(0.52)	0.83	(0.54)

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

Source GPMS

PHILIPPE U.S.

Portfolio Managers' Commentary

After a sharp market rally from the March lows, the second quarter ended with a minor pullback, reflecting investors' concerns about the timing of the recovery, the balance sheet of the consumer, governmental fiscal policy and, more imminently, the outlook for 2nd quarter earnings. Cost cutting/restructuring will remain an important part of the earnings story in the near-term, but cutting costs will not lead companies into prosperity. The markets want to see earnings growth generated from a recovery on the top line. Pricing will remain a drag but volume declines may have stabilized. Acquisitions have been muted and will have little impact on top line growth in the 2nd and 3rd quarters, but may be a source of growth in later quarters as companies are on the prowl for cheap assets. Currency should benefit those with strong export operations. Overall, the market will need to see some evidence that demand is coming back before making its next leg up.

Markets also are carefully monitoring consumer activity. The U.S. consumer has been the engine of growth for the U.S. and developing economies, but this has come to a screeching halt after years of overspending via debt. This engine of growth has played a critical role in nearly every economic recovery in the post-World War II era, but currently, its spending power is heavily weighed down by a leveraged balance sheet, declining wages and work hours, unemployment and the prospect of unemployment, and expectations of higher taxes in the coming years. All these factors could prolong the current slump.

The savings rate, via tax cuts and transfer payments, has increased to around 8%, which is structurally positive in the long-term, but poses a short-term conundrum. Thus, it is critical that monetary and fiscal policy remain stimulative until the consumer is ready to open its wallet again. We think that the consumer balance sheet adjustment will be a multi-year undertaking, but history has shown that the consumer can pay down debt and spend at the same time. In addition, a sustained economic recovery needs free flowing credit and the reopening of the securitization market. Banks are in no hurry to increase lending and the government has not been able to strongly jumpstart the securitization programs. Until those elements come into place, combined with a more confident consumer, a sub-par recovery should prevail.

We sold **Kroger**, **Terex**, and **L3** during the quarter. Kroger is still the best operator in the supermarket space, but intense price competition and unemployment have become bigger headwinds, warranting an exit of the position. Terex continued to face softening end-market demand in its construction business, coupled with a weak balance sheet. We sold L3 on the concern of a tighter economic budget under the current administration.

We added to our existing positions in **Air Products**, **American Tower** and **Charles River** and we initiated one new position, **Life Technologies**, a one-stop-shop supplier to lab researchers. We will continue to initiate new ideas in quality defensive growth companies, productivity enhancers, and companies with solid international growth prospects.

U.S. Equity Management Team

	<u>Years Experience</u>
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 06/30/09

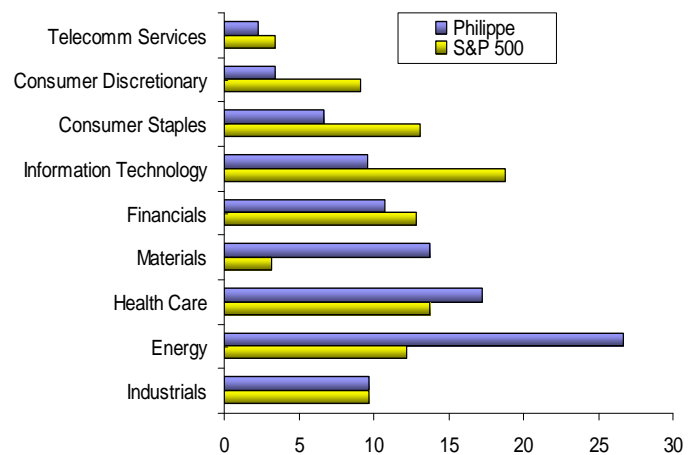
	<u>Philippe</u>	<u>S&P 500</u>
Weighted avg Mkt Cap	\$ 29,537 MM	\$ 72,390 MM
Median Mkt Cap	\$ 7,407 MM	\$ 6,842 MM
Holdings	51	500

Top Ten Holdings as of 06/30/09

PRA XAIR INC COM USD0.01	3.3%
ANNALY CAPITAL MAN	3.2%
THERMO FISHER	3.1%
EXXON MOBIL CORP	2.8%
MILLIPORE CORP	2.7%
HENRY SCHEIN CORP COM	2.6%
CISCO SYSTEMS INC	2.5%
LIFE TECH CORP	2.4%
EATON VANCE CORP COM	2.3%
WESTERN UNION COMP COM	2.3%

Source GPMS

Sector Breakdown as of 06/30/09



Source GPMS

Performance as of 06/30/09

	<u>Philippe</u>	<u>S&P 500</u>	<u>Russell 1000</u>
Gross Return			
Quarter	18.27	15.93	16.50
YTD	12.18	3.16	4.32
1 year	(24.05)	(26.21)	(26.69)
3 years	(1.99)	(8.22)	(8.19)
5 years	0.32	(2.24)	(1.85)
Since Inception	0.95	(1.42)	(0.98)

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

Please see Performance Disclosure, page 7.

Source GPMS

PHILIPPE GLOBAL GROWTH & INCOME OPPORTUNITIES

Portfolio Managers' Commentary

The U.S. and European equity markets topped out in May as the strength of the market rebound off the March lows dissipated. June saw a modest retracement of year-to-date gains. Asian markets flattened in June but held gains better than did markets in the West. Our growing portfolio in emerging consumer holdings, mostly traded in Hong Kong, performed well.

The risk premiums in the fixed income markets in the U.S. continued to narrow as fears of financial collapse receded. Rising confidence allowed the discounts on closed-end bond and preferred funds to close toward par. Our over-weighting in the credit fixed income sector continued to deliver gains and gave us positive returns for the month and performance superior to the global indices, year-to-date.

Unemployment continues to rise and massive monetary stimulus is nullified by a contraction of bank credit and the falling velocity of money. So, while we think GDP growth is likely to turn positive in the third or fourth quarter, the economic rebound will likely be weak, and its duration questionable, unless consumer spending starts to expand.

Things are better in Asia (please see the *Spotlight* article on page 1). We expect to shift some assets toward Asian equities as China's infrastructure projects grow and the Chinese consumer spends more.

We continue to be committed to credit fixed income. As the spreads narrow, we will use these assets to invest in Asian equities. Additionally, we are reviewing all our holdings in an effort to make sure the businesses owned are suited to the atypical nature of this recovery.

Purchases in Asia in the second quarter included:

PT Perusahaan Gas Negara, the largest operator in the distribution and transmission of natural gas to industrial, commercial and household users in Indonesia.

Capita Commercial Trust, an office landlord that owns high quality prime commercial assets in Singapore.

Noble Group, a global supply chain management company for agricultural goods and commodities.

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 06/30/09

ANNALY CAPITAL MAN	3.6%
HATTERAS FINANCIAL	3.1%
ENERGY TRANSFER PTN	3.0%
MFA FINANCIAL	2.8%
NUSTAR ENERGY	2.7%
MEDCO HEALTH SOL	2.5%
MANAGERS FUNDS	2.4%
KINDER MORGAN ENERGY	2.3%
BAYTEX ENERGY	2.3%
LOOMIS SAYLES FD I	2.2%

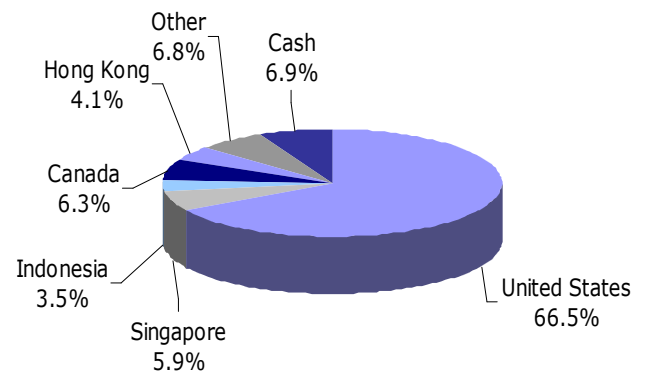
Source GPMS

Characteristics as of 06/30/09

Weighted Avg Market Cap	\$ 16,952 MM
Median Market Cap	\$ 2,327 MM
Holdings	60

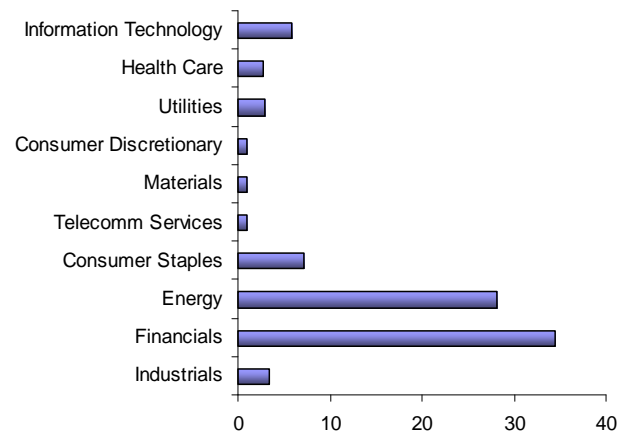
Source: Wilshire

Geographical Breakdown as of 06/30/09



Source GPMS

Sector Breakdown as of 06/30/09



Source GPMS

Composite Performance as of 06/30/09

	Philippe Return (Gross)	Merrill Lynch Global Broad	MSCI World
Quarter	19.21	15.90	20.75
YTD	13.20	16.81	6.35
1 year	(20.37)	1.72	(29.50)
Since Inception	(9.76)	2.94	(16.23)

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

Inception date: April 2, 2007

Please see Performance Disclosure, page 7

Source: GPMS

PHILIPPE GLOBAL OPPORTUNITIES

Portfolio Managers' Commentary

Central banks' use of both conventional and unconventional policy tools has prevented the world banking system from collapsing, while massive fiscal stimulus programs implemented throughout the world have helped consumers and producers become more constructive about the future. As a result, the economy is showing signs of stabilization and leading indicators are finally turning, albeit timidly. Apparently investors no longer believe in a Great Depression scenario, allowing the financial markets to post strong gains in April and May. However, the rebound came to a halt in June as investors are now looking for tangible evidence that the economy has troughed before taking stock prices higher.

The **FTSE All World Developed Index** rose by 21.38% in the second quarter as stocks geared to the economic cycle rebounded strongly, including steel & metals, banks and real estate which posted gains above 40%. More defensive industries such as pharmaceuticals, telecom services and food retailing, underperformed, although still rose between 8% and 15%. **Philippe Global Opportunities** outperformed the Index, benefitting from exposure to commodity markets with holdings in oil, coal and copper-related stocks. The portfolio also enjoyed a sharp rebound in defensive stocks that maintain a healthy earnings momentum such as **Eurofins Scientific**, **Vinci** and **Schindler**.

Outlook and investment strategy:

Stimulus packages implemented everywhere in the world are slowly finding their way through local economies and should eventually trigger a broad-based recovery in world GDP. The IMF and the OECD recently upgraded their economic outlook for 2010, although no one can accurately predict how strong the rebound will be. Much will depend on consumption figures, especially in the U.S. The recovery may last for a few years, as was the case in 1934, 1935 and 1936. If such a scenario unfolds, equity markets will have room to go much higher. However, central bankers and governments could spoil the party either by raising interest rates and taxes too early, or by delaying normalization and thereby, encouraging another bubble to form.

In such uncertain times, our strategy remains focused on selecting high quality stocks that trade at undemanding valuations that enjoy superior medium-term growth prospects, even though short term business conditions may prove challenging. In line with that strategy, we added to **Schneider Electric**, **Nexans**, and opened new positions in **Rolls Royce** (civil and defense aerospace) and **John Wood** (oil & gas services). We also introduced high-quality defensive stocks such as **Danisco** (food ingredients and enzymes), **Coviden** (medical technology) and **Nufarm** (generic crop science chemicals).

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 06/30/09

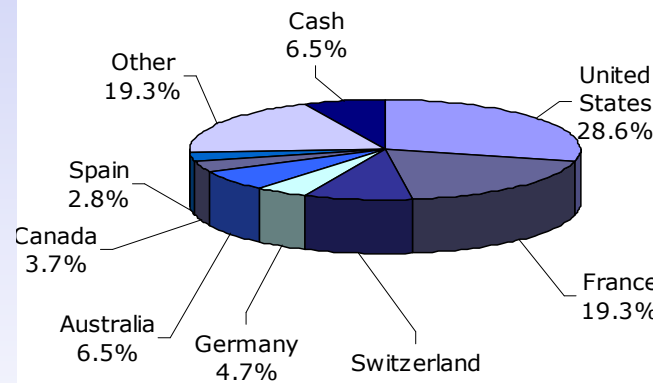
ROCHE HLDGS AG	3.1%
BUCYRUS INTL INC	3.0%
XTO ENERGY INC	2.8%
THALES	2.8%
TELEFONICA SA	2.8%
THERMO FISHER	2.7%
CME GROUP INC	2.6%
SCHINDLER PTG CERT	2.4%
UNITED TECHNOLOGIES	2.4%
SCHNEIDER ELECTRIC	2.4%

Source GPMS

Characteristics as of 06/30/09

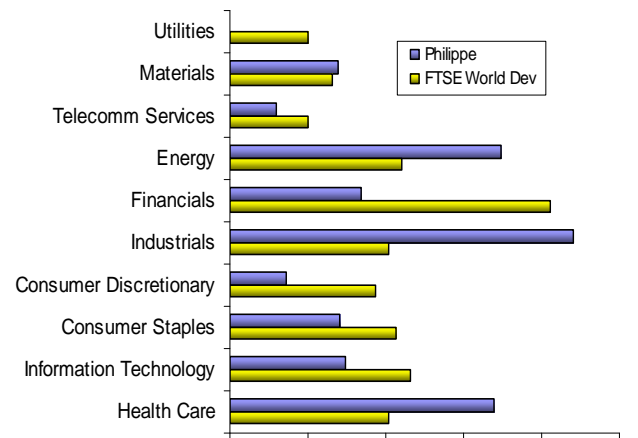
	Philippe	FTSE All World Developed
Weighted Avg Market Cap	\$ 32,086 MM	\$ 54,130 MM
Median Market Cap	\$ 12,638 MM	\$ 4,641 MM
Holdings	56	1,907

Geographical Breakdown as of 06/30/09



Source GPMS

Sector Breakdown as of 06/30/09



Source GPMS

Composite Performance as of 06/30/09

Quarter	Philippe Return (Gross)	FTSE A.W. Dev.
YTD	22.50	21.38
1 year	(28.75)	(28.34)
3 years	(4.29)	(7.13)
Since Inception	1.92	1.30

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

Source: GPMS

FIRM NEWS**□ Philippe European Small Cap Equity LLC is merged into Philippe International Equities LLC**

At the end of June, 2009, we merged the two LLCs; Philippe European Small Cap, managed by Soditic CBIP LLP, and Philippe International, managed by Béatrice Philippe and Michel Raud. The International LLC will continue to be managed in the same style and with the same management team. (Please see page 2 for information on this product.) The European fund had become quite small and we determined that our clients' interests would be best served by investing in the more broadly diversified, larger fund.

Our sincere appreciation goes to the skilled management team at Soditic CBIP -- Consuelo Brooke, Gariesh Sharma and Johann Ropers. This team delivered strong portfolio performance for our clients for many years.

Please direct any questions to Lenore Thornton at Philippe Investment Management in New York.

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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 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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