Philippe

INVESTMENT MANAGEMENT

QUARTERLY NEWS

Spotlight

The following is an interview of Béatrice Philippe that was conducted by Philippe Haddon and printed in "Citywire" on July 29th, 2009.

Ms. Philippe is President and Co-CIO of Philippe Investment Management.

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Don't be Caught Out by Rapid Recovery

Veteran global equity manager Béatrice Philippe thinks investors may be surprised by the speed of the economic recovery when it arrives.

'We think the surprise might be in the third or fourth quarter of this year or the first quarter of next year, when the recovery is stronger than anticipated,' she says. 'If there is to be a surprise, I think it is more likely to be that people have underestimated the recovery than the other way around.'

'There's a lot of cash around and people are wanting an opportunity to get back in the market. I am reasonably optimistic. So far, looking at the Q2 earnings in the U.S., 80% of those reporting have been better than the market expected. The question is whether this trend will continue in Q3.'

The New York-based CIO and president of Philippe Investment Management (PIM) joined the family firm in the early seventies, and thinks the similarities between then and now are striking.

'Starting in fund management in 1973 was a sobering experience; the market was down almost every day for two years,' she said. 'It was the time of the first oil shock and people were saying it was the end of the U.S.. At that time, my father said that as long as you focus on strong companies that will survive the tough period you will be fine, as prices are ridiculous. This period reminds of that one – you just have to focus on quality companies at attractive prices and buy them for the long term. One just needs solid nerves and patience.'

Philippe's firm's funds, including the PIM Global Opportunities fund she co-manages, are currently playing several themes that are connected to emerging market growth.

Energy is the largest theme in that fund, but she is also keen on the prospects for infrastructure development in emerging markets and in the U.S.. She is also looking at how the healthcare space can benefit from the ageing population in the West. Defense and security, scarce resources and global brands are other themes she emphasizes.

Her top holdings in the global fund include healthcare firm **Roche**, which she thinks is currently well positioned to benefit from the swine flu pandemic. Her other largest bets are in mining machinery firm **Bucyrus International** and energy firm **XTO Energy**.

Despite being stuck in the doldrums, the U.S. consumer is far from dead and buried, Philippe thinks. 'U.S. consumers will trade down, but they still just love to consume,' she says. 'It might be (budget retailer) **Target** instead of **Tiffany & Co**, but they will still consume.'

Although she is optimistic – she says 'if you are not reasonably optimistic in this business you might as well go and do something else' – she is disturbed by the re-emergence of excessive bank bonuses.

'The financial system is stabilizing, but I just hope that the banks have learned their lesson and we don't go back to where we were,' she says. 'The bonuses announced at Goldman Sachs recently looks like they are acting as if nothing has happened. That worries me.'

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*The U.S. dollar return of Philippe Global Opportunities for one year ending Sept. was +3.1%; the FTSE All World index declined 1% in the same period.**

** Please see Performance Disclosures, Page 6.*

To view the complete article published on "Citywire", go to:

http://www.citywire.co.uk/selector/-/news/fund-manager-interviews/content.aspx?ID=351300.

INSIDE THIS ISSUE

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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PHILIPPE INTERNATIONAL OPPORTUNITIES

Philippe

Portfolio Managers' Commentary

The chairman of the U.S. Federal Reserve declared that the recession has probably ended, prompting economists to increase their assumptions for world GDP growth to 3.1% for 2010. Banks have repaid government loans faster than expected, interest rates remain low, oil prices have stabilized at levels that are sufficient to spur exploration, but reasonable enough to preserve final demand, and stimulus packages are progressively finding their way through local economies. On the surface, the ingredients are now in place for a normal recovery. As French philosopher Michel Serres put it: "the crisis?... a mere wrinkle on the surface of the sea".

In the third quarter, sectors sensitive to the economic cycle posted the highest returns: banks (+30%), semiconductors (+29%), insurance (+28%) and capital goods (+21%). Defensive sectors underperformed the market, including food retail (+11%), utilities (+15%) and telecom services (+16%).

The Philippe portfolio benefited from the strong rebound in economically sensitive stocks such as **Nexans** (cables), **Swatch** (watches), **Groupe Stéria** (IT services), and **Schneider Electric** (electricity distribution and automation management). However, our defensive positions, including **Danisco** (food ingredients and enzymes), **Nufarm** (crop protection), **Telefonica** (telecom) and **Bayer** (healthcare) also ranked among the largest contributors to the quarterly performance.

Outlook and Investment strategy:

Reconsidering the Michel Serres' metaphor quoted above, some investors are more worried by the sea itself than the wrinkle on the surface: A sea of mounting budget deficits, ballooning public and private debt, unfunded pension obligations and costly healthcare systems. Paul Volcker, former Chairman of the U.S. Federal Reserve and now an adviser to President Obama, believes it would be wiser for the U.S. to navigate on a calm sea that enables households to strengthen their balance sheets and allows governments to bring budget deficits down.

The markets have been in a transition phase since the excess pessimism in March. We cannot predict how strong the economic recovery will be, thus we remain focused on investing in companies with undisputed market leadership in sectors where growth prospects have not been altered by the recent crisis. We still find high-quality companies trading at attractive multiples. We have been able to take profits on a number of positions and invest the proceeds into new stocks offering significant upside potential. We opened a new position in **Teva** (generic drugs), **Novo Nordisk** (diabetes treatment), and **Coca-Cola Femsa** (beverages). Demanding valuations led us to divest from **Rational**, **Linde** and **GDF Suez** and, in the energy sector, we transferred the position in **ENI** (integrated oil and gas) into **Galp Energia** (Portugal) gaining exposure to Brazilian offshore oil fields.

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
Howard Chin, Associate Portfolio Manager & Analyst	13

Top Ten Holdings as of 09/30/09

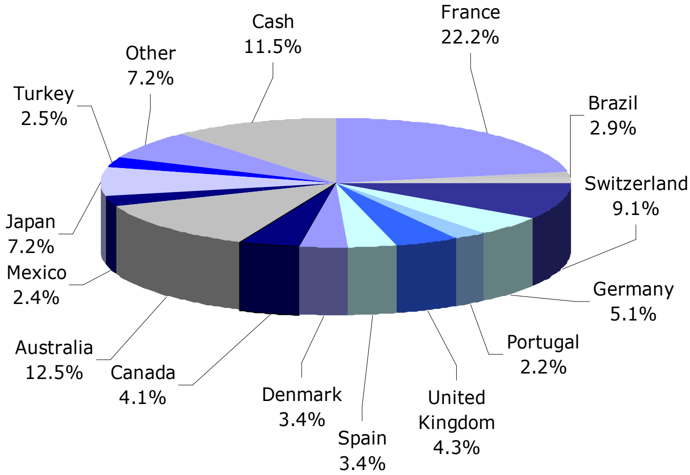
TELEFONICA SA :	3.4 %
NEXANS :	3.1 %
PETROBRAS SP ADR PRF :	2.9 %
BHP BILLITON LTD :	2.7 %
COCA COLA ICECEK :	2.5 %
ROCHE HLDGS AG :	2.5 %
WOOD GROUP JOHN :	2.5 %
NUFARM :	2.4 %
COCA-COLA FEMSA :	2.4 %
ENCANA CORP :	2.4 %

Source GPMS

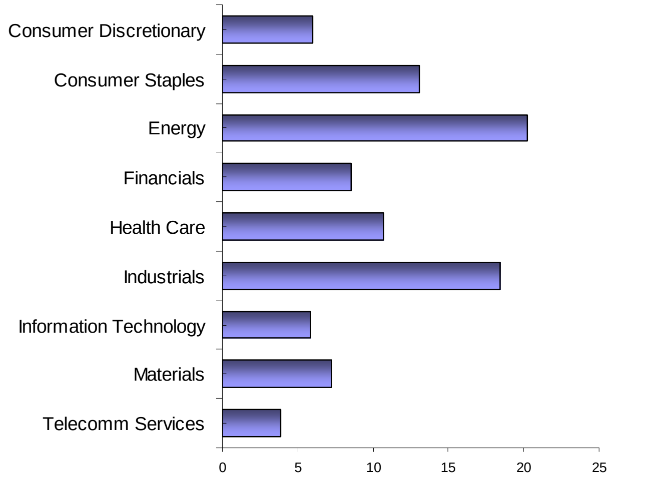
Characteristics as of 09/30/09

	Philippe	FT World x US
Weighted Avg Market Cap	$ 36,602 MM	$ 47,251 MM
Median Market Cap	$ 8,814 MM	$ 4,948 MM
Holdings	46	1,269

Geographical Breakdown as of 09/30/09



Sector Breakdown as of 09/30/09



Source GPMS

Composite Performance as of 09/30/09

	Philippe Return	MSCI EAFE	MSCI EAFE Growth
Quarter	19.00	19.47	16.78
YTD	30.42	28.97	24.19
1 year	5.80	3.23	(0.78)
3 years	0.23	(3.59)	(3.21)
5 years	7.54	6.07	5.74
Since Inception	1.49	2.87	1.25

Returns are gross of fees. Periods greater than one year are annualized.
Inception date: January 1, 2001.
Please see Performance Disclosures, Page 6.

Source GPMS

Philippe

PHILIPPE U.S.

Portfolio Managers' Commentary

We enter the 4th quarter with a sense of relief, but also with a cautious optimism. Global monetary and fiscal policies remain accommodative while inflation expectations remain low, which fuels our optimism; however, this optimism is offset by a lack of credit creation and continued consumer deleveraging in the U.S.

Deleveraging of the consumer balance sheet will be a multi-year phenomenon, and credit demand will likely stay depressed for a long period of time. Credit for householders has been shrinking for the last 6 months. However, the balance sheets of corporates (excluding financial companies) is relatively healthy as compared to past economic cycles. The balance sheets of these companies hold a significant amount of cash with manageable debt service. We began to see the use of this cash in the announcements of several large transactions during the quarter. Not only are corporations making aggressive moves in this environment, but also sovereign wealth funds are taking strategic stakes in commodity assets all through the world, specifically, the China Investment Corporation.

We believe that managements will become more aggressive in pursuing acquisitions as final demand remains weak resulting in anemic top-line growth. Such mergers can provide opportunities to streamline costs, achieve economies of scale with supply chains and provide greater leverage on pricing as an offset to a deflationary environment, and lead to greater profits down the road. We believe the likely acquirers in this environment will be large corporations with healthy balance sheets and the ability to access capital, while the targets will be smaller cap companies that may be constrained by the capital markets, and/or looking for a global partner.

During the quarter, we initiated new positions in **Fairfax Financial, Yum! Brands** and **Femsa**. FairFax is a property and casualty insurance company that is well-positioned to benefit from a strengthening of insurance markets, while its expanded portfolio of equity investments could provide a material boost to book value in the coming years. Yum! Brands is a fast food company (KFC, Pizza Hut, and Taco Bell) with 60% of profits coming from abroad and an attractive franchise in China. Femsa is a major Mexican convenience store operator, brewer, bottler and distributor with a large franchise for Coca-Cola products via Coca-Cola Femsa. It has double-digit revenue and earnings growth. We also added to our position in **Covance**, a major toxicology company with stable revenues and structural growth as pharmaceutical companies deleverage their operating structure.

U.S. Equity Management Team

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

Characteristics as of 09/30/09

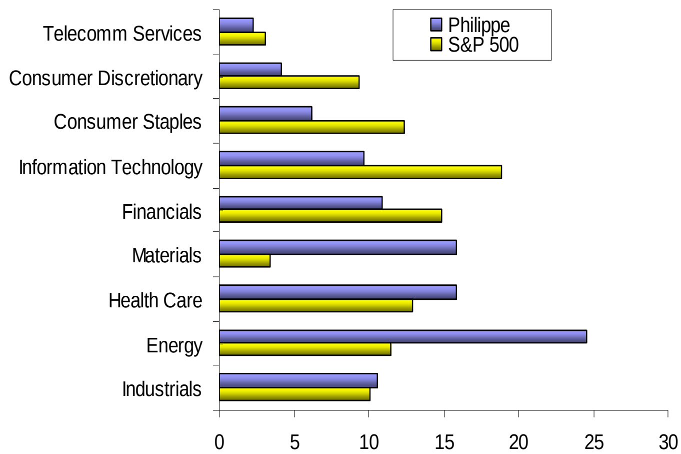
	Philippe	S&P 500
Weighted avg Mkt Cap	$ 28,909 MM	$ 77,817 MM
Median Mkt Cap	$ 8,336 MM	$ 8,170 MM
Holdings	54	500

Top Ten Holdings as of 09/30/09

PRAXAIR INC COM USD0.01	3.4%
THERMO FISHER	2.9%
CISCO SYSTEMS INC	2.8%
HENRY SCHEIN CORP COM	2.6%
EXXON MOBIL CORP	2.5%
AIR PRODS & CHEMS	2.4%
LIFE TECH CORP	2.4%
AVNET	2.3%
WESTERN UNION COMP COM	2.3%
WILLIAMS COS	2.3%

Source GPMS

Sector Breakdown as of 09/30/09



Source GPMS

Performance as of 09/30/09

	Philippe Gross Return	S&P 500	Russell 1000
Quarter	13.54	15.61	16.07
YTD	27.38	19.26	21.08
1 year	(1.25)	(6.91)	(6.14)
3 years	0.72	(5.42)	(5.09)
5 years	3.37	1.02	1.49
Since Inception	2.14	(0.04)	0.44

Returns are gross of fees. Periods greater than one year are annualized.
Inception date: February 1, 1999.
Please see Performance Disclosures, Page 6.

Source GPMS

PHILIPPE GLOBAL GROWTH & INCOME OPPORTUNITIES

Portfolio Managers' Commentary

Our portfolio continues to benefit from the lift in the markets caused by huge liquidity and the inflow of money from low-yield Treasury investments. This benefits all asset classes, with riskier investments leading the way. Other supports are the stimulus programs of governments' fiscal initiatives (738 programs at last count by ISI) and solid growth in emerging markets resulting from infrastructure spending and growing domestic consumption. The inventory rebuild in the U.S. is providing a significant lift, which has the economic multipliers working in a positive direction again.

Questions remain about the sustainability of growth in the U.S. over the intermediate-term. Consumer savings are positive, but at about half the level needed to pay down consumer debt over a reasonable period of time. Hence the recovery is likely to be slow and more "downturn prone" than the post-WWII recessions to which we have been accustomed. Unemployment is at 9.8% on the official numbers, and broader measures of unemployment, which count shortened workweeks and workers who have given up looking for a job, are in the high teens. This will not be corrected soon by the momentum of recovery, and will weigh on consumer confidence. The housing overhang also will be a depressing factor. In the strongest cities, house prices are back to the January 2009 level. However, in the "sandy places", such as Florida, Arizona, and California, home prices are still falling which is likely to continue into 2010.

The financial/consumption shock which hit last fall has passed its most severe point, but recovery of demand back to the 2007 level is unlikely for several years. This environment is not necessarily bad for investing, with inflation constrained and liquidity plentiful. Whether the Fed will remove the liquidity as the economy recovers is a double concern – if they pull back too soon, a double-dip recession is a significant possibility; if they pull back too late, inflation will become the issue of the day.

During the month, the Fed's announcement to terminate its agency MBS program early next year prompted us to trim some of our "bond-like" holdings, **Annaly** and **Hatteras**, despite announcements of solid dividend increases. We offset those positions with new purchases of four Chinese toll road operators (**Sichuan Expressway, Anhui Expressway, Shenzhen Expressway**, and **Zhejiang Expressway**), a way to take advantage of the expansion of per capita car ownership and the improvement of traffic trends in China. We will continue to unwind some "bond-like" and other fixed income positions as we move through the end of the year, and replace them with companies with good yields and good growth. Many of these will be outside the United States, either in their corporate domicile, or in their sphere of operations.

Global Growth and Income Opportunities Management Team

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

Top Ten Holdings as of 09/30/09

MFA FINANCIAL	2.8%
ENERGY TRANSFER PTN	2.7%
FAIRFAX	2.7%
MEDCO HEALTH SOL	2.6%
BAYTEX ENERGY	2.6%
NUVEEN FR INC	2.3%
MARKET VECTORS ETF	2.2%
LOOMIS SAYLES FD I	2.1%
MICROSOFT CORP	2.1%
PLAINS ALL AMER PIPELINE	2.0%

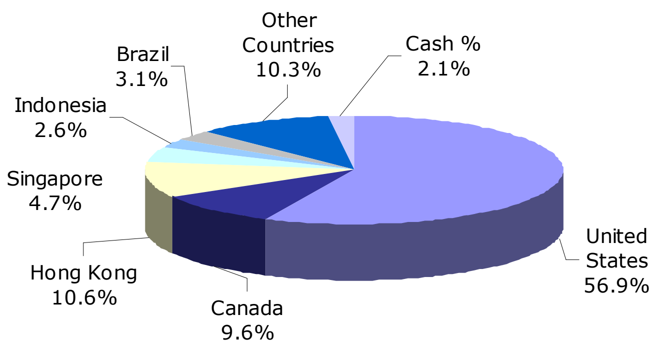
Source GPMS

Characteristics as of 09/30/09

Weighted Avg Market Cap	**$ 23,428 MM**
Median Market Cap	**$ 3,292 MM**
Holdings	**65**

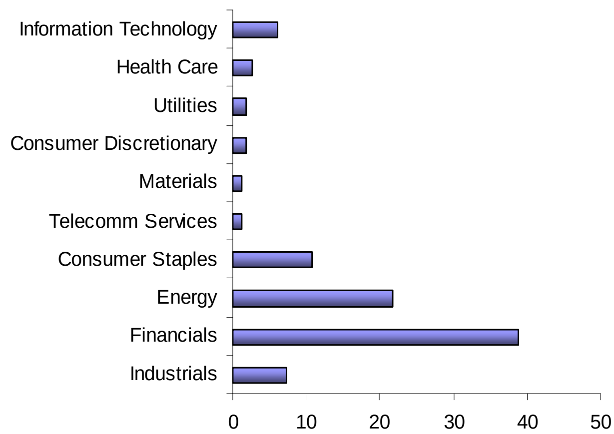
Source: Wilshire

Geographical Breakdown as of 09/30/09



Source GPMS

Sector Breakdown as of 09/30/09



Source GPMS

Composite Performance as of 09/30/09

	Philippe Return (Gross)	Merrill Lynch Global Broad	MSCI World
Quarter	**15.56**	**10.89**	**17.45**
YTD	**30.81**	**29.53**	**24.90**
1 year	**12.46**	**21.60**	**(2.29)**
Since Inception	**(3.41)**	**6.96**	**(9.08)**

Returns are gross of fees. Periods greater than one year are annualized.
Inception date: April 2, 2007
Please see Performance Disclosures, Page 6

Source: GPMS

Philippe

PHILIPPE GLOBAL OPPORTUNITIES

Portfolio Managers' Commentary

The chairman of the U.S. Federal Reserve declared that the recession has probably ended, prompting economists to increase their assumptions for world GDP growth to 3.1% for 2010. Banks have repaid government loans faster than expected, interest rates remain low, oil prices have stabilized at levels that are sufficient to spur exploration, but reasonable enough to preserve final demand, and stimulus packages are progressively finding their way through local economies. On the surface, the ingredients are now in place for a normal recovery. As French philosopher Michel Serres put it: "the crisis?... a mere wrinkle on the surface of the sea".

In the third quarter, sectors sensitive to the economic cycle posted the highest returns: banks (+29%), insurance (+26%), capital goods (+23%), semiconductors (+22%). Defensive sectors underperformed the market, including food retail (+9%), utilities (+12%) and healthcare (+12%).

The Philippe portfolio benefited from the strong rebound in economically sensitive stocks such as **Nexans** (cables), **Groupe Stéria** (IT services), and **Bucyrus** (mining equipment). However, our defensive positions, including **Danisco** (food ingredients and enzymes), **Nufarm** (crop protection), **Telefonica** (telecom) and **Roche** (healthcare) also ranked among the largest contributors to the quarterly performance.

Outlook and Investment strategy:

Reconsidering the Michel Serres' metaphor quoted above, some investors are more worried by the sea itself than the wrinkle on the surface: A sea of mounting budget deficits, ballooning public and private debt, unfunded pension obligations and costly healthcare systems. Paul Volcker, former Chairman of the U.S. Federal Reserve and now an adviser to President Obama, believes it would be wiser for the U.S. to navigate on a calm sea that enables households to strengthen their balance sheets and allows governments to bring budget deficits down.

The markets have been in a transition phase since the panic selling in March. We cannot predict how strong the economic recovery will be, thus we remain focused on investing in companies with undisputed market leadership in sectors where growth prospects have not been altered by the recent crisis. We still find high-quality companies trading at attractive multiples. We have been able to take profits on a number of positions and invest the proceeds into new stocks offering significant upside potential. We opened a new position in **Novo Nordisk** (diabetes treatment), **Agco** (agricultural equipment), **Range Resources** and **National Fuel Gas** (U.S. natural gas). Demanding valuations led us to divest from **Supermax** (medical gloves producer), **Monsanto** (crop protection) and **ENI** (integrated oil and gas).

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 09/30/09

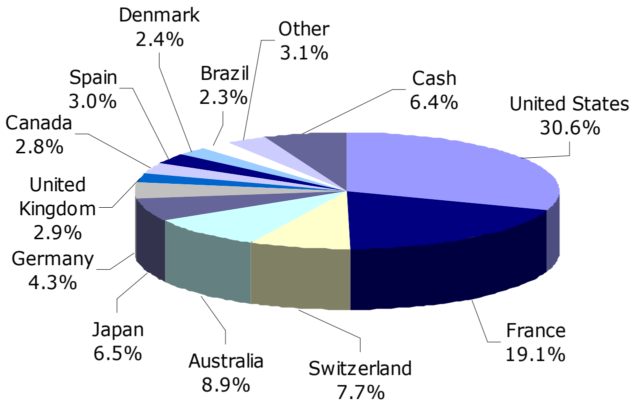
TELEFONICA SA	3.0%
ROCHE HLDGS AG	2.9%
NEXANS	2.8%
UNITED TECHNOLOGIES	2.7%
LOCKHEED MARTIN CORP	2.7%
THERMO FISHER	2.5%
NUFARM	2.3%
SCHINDLER PTG CERT	2.3%
BAYER AG	2.3%
PETROLBRAS SP ADR PRF	2.3%

Source GPMS

Characteristics as of 09/30/09

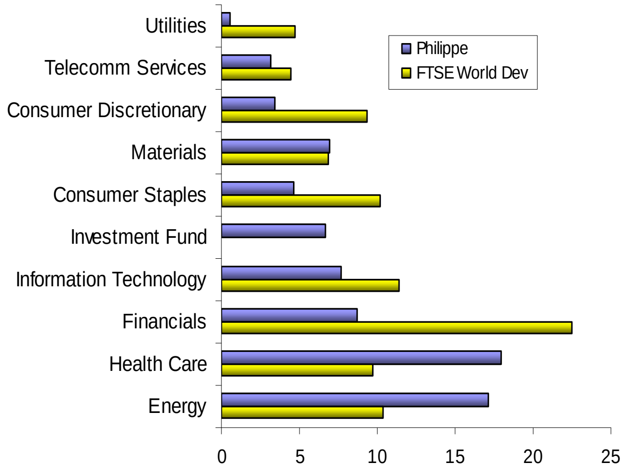
	Philippe	FTSE All World Developed
Weighted Avg Market Cap	$ 34,422 MM	$ 60,091 MM
Median Market Cap	$ 9,884 MM	$ 5,754 MM
Holdings	66	1,883

Geographical Breakdown as of 09/30/09



Source GPMS

Sector Breakdown as of 09/30/09



Source GPMS

Composite Performance as of 09/30/09

	Philippe Return (Gross)	FTSE A.W. Dev.
Quarter	**18.00**	**17.74**
YTD	**32.75**	**26.18**
1 year	**3.08**	**(0.92)**
3 years	**0.49**	**(3.45)**
Since Inception	**5.04**	**4.38**

Returns are gross of fees. Periods greater than one year are annualized. Inception date: May 31, 2004.
Please see Performance Disclosures, Page 6. Source: GPMS

PERFORMANCE DISCLOSURES

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.

This letter represents the views of the principals of Philippe Investment Management as of the date written and these views may change at any time. The information should not be construed as investment advice or a recommendation for any investment strategy. There are no guarantees that any projection, forecast or opinion expressed herein will be realized. The views presented here are based on analysis of publicly available information. The opinions of other analysts based on these data may differ.

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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