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Quarterly Commentary
April 2003

We are pleased with the performance of your accounts for the first quarter despite the market's volatility due to economic uncertainty and the Iraqi conflict. We hope that none of you were overly impacted by these events and that you and your loved ones are well.

We have met with many of you over the past few months and for those we have not we would like to take this opportunity to share with you our investment philosophy along with some thoughts about the current environment and the opportunities it has created.

Golub Group Investment Philosophy

Our primary objective is growth of capital and minimization of risk. Our discipline seeks to produce a consistent and reasonable rate of return over a long period of time. We look for good businesses that are trading at a 20-30% discount to our estimate of intrinsic value.

We pay strict attention to valuation and look for businesses that have predictable and growing earnings and/or dividends. We look to buy leading companies with superior management teams when the rest of Wall Street has turned their backs on them. We typically look for businesses that are trading at a discount to their growth rates, are well capitalized, pay above average dividends, have high return on equity, and are not overly leveraged. Most businesses that we purchase have at least a 10-year history of profitability, growth rates in excess of 10%, and returns on equity of 15% or greater.

Once we have identified and purchased these businesses we place them into a well-diversified portfolio. A typical portfolio contains 25-30 businesses representing numerous industries and market capitalization. After the portfolio is constructed we regularly monitor and evaluate the businesses in order to ensure that they are performing up to our expectations. A business is a candidate for sale if a fundamental change in the business occurs, such as an earnings disappointment, if it reaches our target price, if it becomes too large a percent of the portfolio, or a more attractive opportunity arises.

We never have short-term expectations but are willing to admit our mistakes quickly if made. Over the long-term we believe that this discipline will provide superior returns with a relatively low degree of risk for our clients.



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As we have discussed in past quarterly commentaries, interest rates are at 40-year lows, the economy is stabilizing, inflation is low, oil and gold prices are dropping, and corporate earnings are improving. Interest rates and earnings are the two primary factors that drive stock valuations. With many of the uncertainties surrounding the Iraq War gone, a large weight has been lifted from the shoulders of the market. Amazingly, as of March 31, there was a record \$5.3 trillion of cash in savings accounts and bond and retail money market funds accounting for 51% of the \$10.4 trillion market value of all U.S. stocks. This is an all-time high. This money is earning an unacceptable return. Fear has been preventing people from buying stocks. However, in order for investors to take care of their futures, they must move into an asset class that will provide them with a reasonable return. Much of the risk in stocks has been reduced over the past three years as the market has corrected its excesses. We believe that current valuations in the stock market will allow capital appreciation. Furthermore, the dividends for many of the stocks that we have positioned in your portfolios exceed money market rates by a large margin. As fear subsides and money flows back into the market, we believe it will continue to move into high quality, high dividend paying businesses such as those now held in your accounts.

If you have any questions or would like to get together to further discuss our investment discipline and process please give us a call. We look forward to hearing from you in the future.

With best regards,

The Golub Group

Disclaimer: All opinions presented in this commentary are strictly those of the Golub Group. You should not construe any implied or expressed conclusions presented as a promise of future returns.

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