



2929 Campus Drive
Suite 145
San Mateo, CA 94403
Phone: (650) 212-2240
Fax: (650) 212-2249
www.golubgroup.com

Quarterly Commentary
April 4, 2005

We hope your new year is off to a happy and healthy start. After ending 2004 on a strong note, investors took a breather in the first quarter to consolidate their gains. That trend played out against the backdrop of higher energy prices, rising short-term interest rates, a weaker dollar, and growing concern over the budget and trade deficits weighing on the U.S. economy. For the first quarter, the DJIA slipped 2.6%, the NASDAQ dropped 8.1%, and the S&P 500, our primary benchmark, lost 2.6%. While we are never pleased with negative performance of any kind, we take comfort in noting that most all of your portfolios outperformed the broader market indices this quarter.

As investment managers, we continually strive to purchase underpriced assets for our clients. Fortunately, the recent market environment – which we believe incorporates an overly negative sentiment – has allowed us to add to positions in the high quality investments that you already own. We are also pleased the market has discounted many other securities, providing us with several new investment opportunities. The outperformance of many of your portfolios in a “down” quarter such as this one comes as the result of our acute attention to valuation and our ability to identify undervalued assets.

Not ironically, one of the primary sources of concern for the broader markets – higher energy prices – has had a salutary effect on our portfolios. The high prices we all pay at the pump are translating into record profits for the major oil companies in which we’ve invested. And we believe this may be only the beginning of persistently “high” oil prices. We will continue to invest in energy stocks as long as this dynamic persists, and valuations remain relatively low.

The strength in energy stocks was rare this quarter; most other industry sectors turned in a negative performance. Still, we believe your portfolios are well-positioned, in that we maintain our long-term focus on high-quality businesses trading under their intrinsic values. Furthermore, our commitment to stocks paying considerable dividends remains steadfast. Corporate cash levels remain at high levels, and continued caution from shareholder-friendly company managements suggests more dividend increases are in the offing.



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Of course, many market watchers and so-called Wall Street experts might take issue with our emphasis on income-paying securities, given the current interest rate environment. These pundits have been playing the role of Chicken Little, crying that the proverbial sky is falling as interest rates have recently risen. We don't dispute the recent increase in short-term rates – the Federal Reserve can be thanked in part for that. However, we still firmly believe that long-term rates – which most affect your portfolios – will remain low, since inflation (the primary component of interest rates) will remain low in this hyper-competitive, global economy in which we live.

As a corollary to this philosophy, we are also relatively unconcerned about recent weakness in the U.S. dollar, since global investors still generally prefer dollar-denominated assets to their closest competitors: those that are denominated in euros or yen. The U.S. economy, while on stable footing, is by no means gaining speed as much of Wall Street would have you believe. Instead, we conclude we are in for several years of slow and stable growth. This is precisely the environment that argues for investing in large, well-capitalized companies with stocks paying stable, and frequently increasing, dividends.

Thanks in large part to your support as clients, we continue to grow our business. As we gather more financial assets, we are also gathering more “human assets” to serve you. Our newest team member is Tim Rich, who joins the Golub Group as an Analyst. He will focus on company and industry research, fundamental security analysis, and portfolio construction and review. Tim recently earned his MBA at the UCLA-Anderson School of Management, and he spent the five years prior to Anderson as a Vice President at Thomson Financial. He began his career as an analyst and lobbyist in Washington, DC, after graduating with honors from Duke University.

Included with this commentary are your quarterly performance figures, management fee invoice(s), and a copy of your portfolio allocation as of 3/31/05. As always, we invite you to visit us online at www.golubgroup.com; login names and initial passwords have been created and sent to you to access your account(s). However, if you need assistance accessing your accounts online, please do not hesitate to call us. Lastly, we take as the utmost compliment the ability to serve your friends and colleagues as we have served you. We appreciate your support and wish you a wonderful Spring.

With Warm Regards,

All of us at 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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