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Quarterly Commentary

July 1, 2003

The second quarter witnessed a significant positive change in the direction of the equity markets and we are pleased with the results of your portfolios. The S&P 500 rose +15.39% and the Dow Jones added +12.94%. Several noteworthy catalysts drove this performance:

- The conflict in Iraq, while not completely resolved, was effectively dealt with, removing much of the uncertainty that has acted as an overhang that added volatility and resistance to the markets.
- Interest rates dropped to 50-year lows.
- The Bush administration's tax cuts in the form of dividend tax relief created a much more investor friendly environment.

Our strategy of purchasing quality, dividend paying businesses at attractive valuations has proved prudent and we are even more convinced that this strategy will provide solid returns going forward. Such businesses, by generating strong excess cash flow, have several options when they make their capital allocation decisions. They can invest in their business, strengthen their balance sheets by paying down debt, repurchase stock, or redeploy their capital back to shareholders in the form of a cash dividend.

Money has begun and will continue to flow to businesses that provide attractive current yields and offer upside capital appreciation potential. Taking advantage of recent dividend tax cuts, many of our holdings have increased their dividend payouts. We expect this trend to accelerate as evidenced by recent dividend increases by several of our holdings, including Washington Mutual, Bank One, and General Growth Properties. Most notably, Citigroup raised their dividend 75% to \$1.40, bringing the current yield to just over 3%. With federal fund rates at 1% and the ten-year treasury yielding just 3.9%, this is a very attractive relative valuation. Adding to this attractiveness, the Bush tax cut placed a cap of 15% on dividend income down from a maximum of 38.6%. On an after tax basis, the higher Citigroup dividend effectively increases the payout by more than 135% for those in the top tax bracket.

We continue to focus on risk management and the preservation of capital gains. Our discipline attempts to purchase businesses that are at a minimum 20% discount to our estimate of intrinsic value. The good news is, despite strong recent gains in the market, we hold attractively valued businesses and continue to add undervalued new businesses to your portfolios. While we, like everyone else, are unable to predict the future direction of the market, nor do we try to guess, we are encouraged by recent economic data that point to stabilization and initial signs of strengthening in the economic outlook for the second half of 2003 and beyond.



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As many of you can appreciate, The Golub Group continues to look to grow our business while taking care of our greatest asset, our clients. If you know of someone you believe would find our services valuable, we would look forward to taking care of them with that same level of attention and care. Joe Martin has taken on the role of driving new business and he would love to hear about or from referrals who could benefit from our guidance and assistance in helping them achieve their investment objectives.

We hope everyone is enjoying the summer months and, as always, if you have any questions or would like to arrange a meeting to review or update us on your financial goals please get in touch. We look forward to hearing and visiting with 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.

P r o f e s s i o n a l P o r t f o l i o M a n a g e m e n t