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Quarterly Commentary
July 7, 2004

Reading the headlines in the financial press and media these days, you cannot help but get the sense that the uncertainty regarding inflation, rising interest rates and higher oil prices has unnerved our financial markets and shed doubt over our economy's recovery prospects. Fear abounds these days, whether it is over the above issues, the outsourcing abroad of our nation's jobs, or the threat of terrorist attacks. Despite all of this fear and negative sentiment, we believe that it is most beneficial and appropriate to focus on actual results, which have been quite positive.

For the quarter, the stock market behaved as markets do in response to varying perceptions of financial, economic, and political conditions. The S&P 500 returned 1.29% and is ahead 2.60% year-to-date. The DJIA returned a positive .75%, while falling -.18% year-to-date, and the NASDAQ rose 2.69%, bringing its year-to-date return to 2.21%. We are pleased that in general your portfolios are outperforming the markets year-to-date. Although these figures are helpful for comparison purposes, we spend very little of our time looking at the market and encourage you to do the same. Instead, we focus on evaluating the quality and valuation of the individual businesses that you own. In most cases, your portfolio's hold six of the ten most profitable 2003 Fortune 500 companies (XOM, C, GE, MSFT, SBC, BRKB) and according to a recent Institutional Investor magazine survey, seven of your businesses employ the best CEOs in their industry (CL, XOM, AFL, AXP, HCA, PFE, and MSFT). We believe we own some of the best businesses in the world that will continue to do well for the long-term.

As for the economy, the U.S. added 947,000 jobs over the last three months, the best stretch since the spring of 2000. First quarter GDP grew at 3.9% and is expected to grow at 4.5-5% for the year, the best gain since 1984, and S&P 500 earnings are projected to reach an all-time high and grow 20% above 2003 earnings. Despite these positives, a tremendous amount of cash still remains on the sidelines earning unacceptably low rates of return. It remains our belief that much of this money will return to the market into the types of high quality, blue-chip, dividend-paying securities commonly held in your portfolios.

During the last quarter, we requested each of you fill out an investment questionnaire and risk tolerance survey and we thank those of you who have returned them to us. Using these, we will be drafting investment policy statements for each of you that outline your

risk tolerance, return objectives, cash-flow requirements and any special considerations of which you make us aware. If you have not completed these forms, please do so. You can download them from our website at www.golubgroup.com or contact Joe Martin and he will be happy to assist you.

You will notice two other items accompanying this commentary and your management fee invoice(s). Included are year-to-date performance figures (as of 6/30/04) which we will provide going forward and instructions for accessing your accounts online at www.golubgroup.com. We thought you would appreciate both and invite you to call us with any questions.

We would also like to introduce you to the latest member of the Golub Group, Claire Silverman. Claire is a graduate of the University of California at Davis and works closely with Joe in taking care of our clients.

Please keep in mind that we always appreciate your referrals and look forward to meeting with anyone that you feel would benefit from a relationship with us.

We hope you all have a wonderful summer and we look forward to hearing from you in the future.

With Best Wishes,

The Golub Group

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