



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

Quarterly Commentary
October 7, 2004

We hope that all of you had a wonderful summer and were able to spend it with the people that you care most about. In September, the Golub Group was able to do just that as we got together with our staff and their families for our first annual corporate retreat. We spent a fun-filled weekend at the Highland Ranch, a dude ranch located in Philo, California in the Alexander Valley. If any of you are looking for the perfect getaway, we highly recommend giving Jim and Susie Gaines, the proprietors, a call (www.highlandranch.com).

As for the markets, during the third quarter the S&P 500 fell -2.3% and is basically flat, up .24%, for the first nine months of the year. The DJIA returned -3.4% for the quarter, bringing its year-to-date return to -3.57%. The NASDAQ fell 7.37%, for the quarter, for a year-to-date return of -5.32%. Despite the market's negative year-to-date returns, almost all of your portfolios have been positive. We are extremely proud of this.

We recently had the pleasure of sitting down for an interview with The Wall Street Transcript, a 41-year old publication that conducts and publishes interviews with analysts, money managers, and CEO's of both public and private companies. During the interview, we were asked what investment advice we would give to their readers who were about to enter the market. We would like to share with you a condensed version of our response.

It is our belief that the average investor and Wall Street, in particular, are mistaken in their assumption that we are heading back to a high-interest rate, high-inflationary environment. Emerging economies and technology-driven productivity gains are creating a highly competitive global economy. Look at China, whose GDP is approximately \$1.4 trillion dollars or nearly 4% of the global \$38 trillion GDP, yet they are consuming nearly 300 million tons of steel per year (a whopping 32% of the world's global steel consumption). They are building out their infrastructure to bring on new productive facilities. Competition leads to lower prices or low inflation. Since interest rates are a function of inflation, we believe that interest rates will remain low for a sustained period of time which is counter to the conventional thinking that rates are headed higher. If inflation and interest rates do remain low, investors are going to be challenged to find investment yields that earn satisfactory returns. We contend that real estate is overvalued and that bond yields are low, leaving equities as the most attractive area for investment. In particular, we believe that high-quality, blue-chip, dividend-paying companies (such as

those in your portfolios) will have to attract significant investment capital as fear subsides and money flows for many years to come to where it can earn the best risk-adjusted rate of return.

We plan to share the interview with you in its entirety once it is published and would hope that you pass it along to everyone that you know who may benefit from learning more about our advisory services. In reading the interview, you will hear from the newest member of the Golub Group, Kurt Hoefler. Kurt, a sixteen-year Wall Street veteran, joined us in August as a portfolio manager and research analyst. Kurt, a Chartered Financial Analyst, is a graduate of Stanford University, who also attained his MBA from the Anderson School of Business at UCLA. We are looking forward to having you meet him in the near future. As most of you know from our blast email, we were also fortunate this quarter to have recruited one of Wall Street's great research talents to our team, Manny Goldman...on an exclusive consulting basis.

Included with this commentary are your year-to-date performance figures (as of 9/30/04) and management fee invoice(s). Last quarter we sent out instructions allowing online access to your accounts at www.golubgroup.com. As always, please send us referrals and call us if you have any questions.

We hope that you all enjoy the Fall and look forward to hearing from you in the near future.

With Best Wishes,

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.