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Year End Commentary  
January 2, 2004

Happy New Year! We hope that you had an enjoyable holiday season and we wish you all the best in the New Year. We are pleased that the market was able to break its three-year losing streak and post impressive gains. The NASDAQ composite index surged 50%, its third-best annual performance ever, the S&P 500 rose 26.4% and the DJIA climbed 25.3%. Your portfolios registered strong positive performance and, we believe they are very well positioned for 2004.

After such robust gains in the market, it is only logical to question the outlook for 2004. Have we gone too far too fast? As most of you know, we believe it is futile to try to predict how the market will fair. Instead, we maintain our focus on finding and owning high quality businesses at attractive valuations. However, it is hard to ignore recent positive economic news and corporate earnings growth. The latest reading of GDP growth was an annualized 8.2%, the fastest quarterly growth in 20 years. Corporate earnings are expected to have grown 16.9% in 2003 according to Thompson First Call. This would be a growth rate last seen in 1999. Last week's jobless claims fell to a three-year low and suggested that the U.S. economy will add jobs for a fifth straight month. The Fed has indicated that they are in no hurry to raise interest rates from current low levels and inflation remains in check. All of this is positive for the market. More importantly, Wall Street remains wary of last year's robust gains and the bears are starting to growl their latest favorite euphemism, "speculative bubble". While this may be true for certain segments of the market, namely the technology sector, which we feel remains overvalued, we continue to see areas of opportunity and undervaluation. We will be more concerned when most of the bears have turned bullish, and we can no longer find good businesses trading at attractive valuations.

As many of you know, a primary motivation for establishing the Golub Group as an independent entity was to offer better customer service via the technology platform offered by Charles Schwab. We are pleased to point you to our new website at [www.golubgroup.com](http://www.golubgroup.com). We are currently working on integrating our portfolio management software into the site which will give you access to your account positions and asset allocation. You will notice the need for an ID and password, which we plan to provide to you during the first quarter.

Please notice in the "Our Approach" section under Investment Process there are two questionnaires regarding risk tolerance and your relevant financial situation. Please take

the time to fill these out and return them to us. This will allow us to have a better understanding of your objectives and will assist us in formulating an investment policy statement for each of you that will serve as a guideline for how your accounts will be managed. We look forward to meeting with you all this year to discuss your objectives and work with you to develop these policy statements.

We are also planning an Open House at our new home in San Mateo for early March. Be on the lookout for an invitation towards the end of February.

We are excited about the prospects for the New Year and look forward to building on our commitment to better serve you. As always, don't hesitate to contact us on any aspect of our relationship.

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.*