



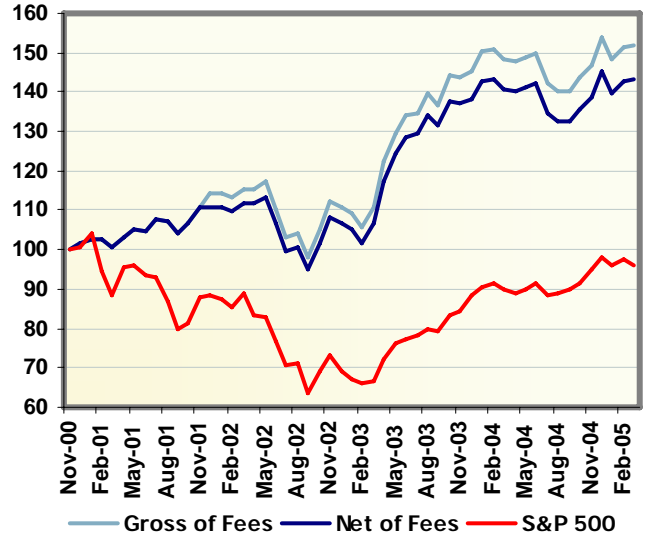
PANTHEON
INVESTMENTS

EQUITY PROFILE

PORTFOLIO MANAGER: TAGUE R. GOODHUE, CFA

HIGHLIGHTS THROUGH MARCH 31ST, 2004¹:

- ▶ Year to date Pantheon is -1.0% gross of fees and -1.2% net of fees versus -2.2% for the S&P 500. Since inception Pantheon is +43.3% net versus -3.9% for the S&P.
- ▶ Since inception in November 2000, a \$1 million account managed by Pantheon would have grown to \$1,432,965 net of fees versus \$960,825 for the S&P 500, a difference of \$472,139.
- ▶ Pantheon's alpha is 1.05 and its beta is 0.56 utilizing a standard monthly regression with the S&P 500. Risk, as defined by standard deviation, is 73% of the S&P 500.
- ▶ In months when the market's returns were positive, Pantheon's returns averaged 90% of the market's return; during negative months, Pantheon's returns averaged only 42% of the market's declines.



PERFORMANCE*

	<u>Pantheon (%)</u>		<u>S&P 500 (%)</u>	<u>Net Difference (%)</u>
** Returns Annualized	Gross of fees / Net of fees			
Growth of \$1,000,000 since inception...	\$1,520,982	\$1,432,965	\$960,825	\$472,139
Since Inception: 11/30/00 – 03/31/05	52.1%	43.3%	-3.9%	47.2%
Calendar 2001: 12/31/00 – 12/31/01**	12.2%	10.1%	-11.9%	22.0%
Calendar 2002: 12/31/01 – 12/31/02**	-3.2%	-3.7%	-22.1%	18.4%
Calendar 2003: 12/31/03 – 12/31/03**	31.5%	29.6%	28.6%	1.0%
Calendar 2004: 12/31/03 – 12/31/04**	5.7%	5.0%	10.8%	-5.8%
Calendar 2004: 12/31/04 – 03/31/05**	-1.0%	-1.2%	-2.2%	1.0%

STATISTICS

Risk (Standard Deviation):	3.34	4.54	73%
Average Return in Up Months	2.78	3.07	90%
Average Return in Down Months	-1.83	-4.33	42%
Alpha&Beta Annualized Turnover	α 1.05 β 0.56	12%	

DISCLOSURE

1*Pantheon Investments, LLC performance data represents all actual, fully discretionary managed Investment Advisory accounts using our "Core Equity" style currently managed by Pantheon Investments, LLC. The column headed Gross of Fees shows performance before deduction of management fees and the column headed Net of Fees shows performance after deduction of management fees. The results portrayed reflect the reinvestment of dividends and other earnings. Material market or economic conditions may adversely impact performance. Actual results of an individual account may be materially different from the performance shown herein because of differences in inception date, transaction and related costs, restrictions, fees and other factors. Source of all charts and graphs is Pantheon Investments, LLC. Portfolio characteristics are derived using current available data from independent research sources that are believed to be accurate. Past performance is no guarantee of future success. Other clients of Pantheon with different investment objectives may hold different securities. Any industries or securities listed above should not be considered a recommendation to purchase or sell. The reader should not assume that investments in the specific securities or industries identified above were or will be profitable.

2004 Year End Review

The fourth quarter proved profitable to both Pantheon and the markets, but we were unable to make up for the third quarter's substandard results. Consequently, Pantheon experienced its first year under-performing the market, generating a 5.0% return versus the S&P 500's 10.9% and the Dow's 5.3%. Since inception in November 2000, Pantheon is now up 45.1% net of fees versus down 1.7% for the S&P 500.

Security selection was strong again this year, however sector allocation disappointed. The vast majority of our underperformance can be attributed to our concentration in healthcare. Given the world's rapidly aging population and heightened need for healthcare services, I am more than willing to suffer what I believe will be a short-term contraction in multiples amidst long-term revenue growth. Few industries have the increasing aggregate demand and capacity limitations that healthcare will witness over the coming decade. Therefore I believe that patience in owning this sector will be well rewarded.

Sometime during the past year I wrote that our portfolio was "defensively aggressive" implying that we had concentrations in industries and securities that would likely perform well in a challenging economic environment. While I still believe this to be true, I must admit that I underestimated our portfolio's negative correlation to oil prices. I believed that in a sluggish hiring environment, more individuals would be compelled to "value shop" principally at our discount retailers; instead the economic hardship resulting from higher gasoline prices reduced shoppers' disposable income creating a challenging environment for the sector. Additionally higher energy costs challenged our materials companies due to their increased cost of goods sold which could not be offset through productivity or price increases. Although I believe that much of oil's increase was due to speculation rather than fundamentals, I am closely monitoring the situation to ensure that the portfolio does not face this headwind in the long-term.

Needless to say, I am mildly disappointed with our results in 2004. The fact that the majority of disappointment is related to inferior performance in the healthcare sector gives me optimism regarding this coming year's performance.

A Word on Investing and Catalysts

True investment success results from identifying companies that will grow economic profits over the long-term thereby allowing tax-efficient compounding of wealth. Speculation is the art of profiting from short-term price swings. Both activities may prove highly profitable; however transaction costs and taxes necessitate a high hurdle to overcome when speculating. As clients know, Pantheon views itself as an investor: our portfolio's average turnover of only 10% with 95% of those transactions receiving preferential long-term tax treatment bears this out.

With the explosion in hedge funds over the last four years, I believe that the markets have become much more short-term oriented leading to increased volatility to company-specific news. The one word that now dominates Wall Street and hedge fund research is "catalyst". Companies are now selected as much for a near term catalyst that will drive the stock price higher as for long-term operating fundamentals. The herd has their ears pricked constantly to sounds of prey or danger. While I believe that diligence requires hard assessments of facts, I also remember those few times as a child being left home alone: my senses were highly alert and every creak in the house sent my heart pounding. Emotions now seem to be driving investment decisions more than contemplative wisdom. While this can create short-term pain for a value conscious investor, it can also bring about opportunities.

Consequently, the turnover of our portfolio may increase marginally as capital is deployed to selectively take advantage to market over-reactions to company-specific news. I will not allow quality to suffer, but if the herd sprints to wooded areas for protection when the triggering action is a false signal I will be glad to eat a full meal alone.

Investment Outlook

For the past three years I have predicted that the U.S. economy would muddle through the decade: think a trans-continental 747 jet with one engine down flying into an expected headwind. If all goes well, we make land; another mishap here or there, survival becomes the rule. Fortunately, the past three years have been better than our navigator could have wished for and we are further across the ocean than many would have forecasted. We are, however, not over land and still in danger. Fuel has been spent and the weather has been good. What does fate hold in store as we all breathe easier? I truly wish I knew so all of us could retire to paradise before the story unfolds. Instead, like the flight crew, Pantheon must look at the data to formulate a forecast and adopt a prudent course of action.

Long-term clients understand my apprehensions regarding the U.S. economy. Since the technology bubble burst, our flight crew comprised of our Government and Federal Reserve has done all in its power to deliver fuel to our remaining engines. The President and Congress have cut taxes and increased government spending dramatically and paid for it with borrowings funded by China and Japan. The Fed has cut interest rates to near depression-era levels encouraging personal debt to grow to historical highs to support our consumption of everything needed and unneeded. The result is that the U.S. continues to consume two-thirds of the goods and services produced worldwide while producing only one-third. However, we have averted a crash landing.

Fortunately our flight crew is aware of our predicament and is trying to restore global balance. Consequently the U.S. has allowed the dollar to depreciate against world currencies and is jawboning depreciation against Asian currencies as well. Our goal is to end the mercantilist desires of other countries by precipitating a shift from foreigners' desire to save to consume and increasing U.S. citizens' desire to save. A lower dollar will reduce America's record trade deficit by inflating the cost of imports and by increasing our exports via lower prices. It's like evoking tailwinds by supplying more fuel; if it works great, but there is no guarantee of cooperation. To date our greatest long-term threat in China refuses to cooperate and continues to peg their currency to the dollar.

Accordingly, I believe that 2005 will be more difficult than last year because we have already spent so much fuel. Tax cuts are over, government spending is unlikely to increase, and interest rates are rising modestly. Consumption will therefore be limited to wage growth which should be better as payrolls continue their moderate expansion. I expect growth in the 2% - 3% range which will allow the Fed to quit raising rates by this summer. Modest growth will be accompanied by modest hikes in interest rates and modest inflation due to global capacity. The risk in my opinion is still biased toward consumption falling more than anticipated. I am still therefore a believer in holding a defensively aggressive portfolio and I am also more than willing to increase our allocation to cash or cash substitutes should data imply a more turbulent flight ahead.

I wish each and every one a healthy and prosperous New Year. Thank you for the privilege of serving you and the trust you have afforded Pantheon Investments.