Mitchell McLeod Pugh & Williams
Investment Adviser

# 1st Quarter 2008

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| S&P Sector Performance (YTD 03/31) | |
|---|---|
| *Consumer Discretionary* | *-6.25%* |
| *Consumer Staples* | *-2.78%* |
| *Energy* | *-7.53%* |
| *Financials* | *-14.67%* |
| *Health Care* | *-11.94%* |
| *Industrials* | *-4.47%* |
| *Information Technology* | *-15.37%* |
| *Materials* | *-3.55%* |
| *Telecom Services* | *-14.55%* |
| *Utilities* | *-10.68%* |

Source: Standard & Poor's. Returns are price change only

**Points of Interest:**

- There have been ten U.S. recessions since 1947 with an average length of ten months each. If we are actually in a recession and if it began in the fourth quarter of last year, it could already be half over.
- Gold has been a tempting alternative for investors, recently closing at an all time high. If, however, an investor had purchased $10,000 of gold bullion in 1980 (last record high) and held it until now, he would have approximately $10,600 in value. Compare this to the $279,000 he would have had if he had made a similar investment in the S&P 500 Index. This is according to information from *Money* and *Morningstar.*

## A First quarter market decline

| *Capital Markets* | *YTD* | *QTD* | *2007* | *5YR* |
|---|---|---|---|---|
| S&P 500 (1,323) | -9.45% | -9.45% | 5.49% | 11.32% |
| S&P500 / Citi Growth | -9.92% | -9.92% | 9.13% | 8.74% |
| S&P500 / Citi Value | -8.95% | -8.95% | 1.99% | 14.04% |
| S&P 400 (780) | -8.85% | -8.85% | 7.98% | 15.10% |
| Dow Jones Industrials (12,263) | -7.01% | -7.01% | 8.89% | 11.45% |
| NASDAQ (2,279) | -14.07% | -14.07% | 9.81% | 11.19% |
| MSCI EAFE (Foreign) | -8.91% | -8.91% | 11.17% | 21.40% |
| LB Interm Govt/ Credit | 3.00% | 3.00% | 7.39% | 4.37% |
| 3 Month Treasury Bill | 0.56% | 0.56% | 4.77% | 3.17% |

Source: Morningstar Principia. Returns are total returns. The 5yr return is annualized

Continuing with the year end decline in 2007, the U.S. stock market began 2008 with its worst quarter in six years. All economic sectors, even the traditionally defensive areas, posted negative returns through March 31. Fixed income investors were not completely protected either. Holders of government and high quality corporate bonds experienced positive returns, but some areas of the municipal bond market saw price declines resulting from problems within the bond insurance industry. As has been well documented, current market conditions are directly related to the credit crisis that began last summer. This expanding crisis in both credit and investor confidence has brought down a venerable financial institution in Bear Stearns and moved our economy to (or past) the brink of recession. As bleak as things appear, there are some positive points to consider. First, despite the bad news, the markets have held up fairly well. The Federal Reserve has acted with innovation. Job losses have been light, inventories are low and corporate balance sheets are sound. This is a much better position than the one from which we entered our two most recent recessions. Also, much of the "bad news" has likely been priced into the market already. After a transitional second quarter, markets could benefit from three factors in the second half of the year. First, earnings expectations are now so low that any positive surprise could act as a catalyst upward. Second, fiscal stimulus from tax rebate checks will be received beginning in May. Finally, the full impact of recent interest rate cuts have yet to be felt. This typically comes nine months or more from the initial reduction (Sept '07). It is quite possible that this combination of events will reward the disciplined investor.

## We have a new address

We are excited to announce that at the end of the month our firm will be moving. We have recently purchased and are currently doing renovations to the former home of the Sullivan-St. Clair Advertising Agency (more recently known as Red Square). The midtown address, which is located close to our current location, is 2610 Dauphin Street. This is in a small cul-de-sac just across from Ruby Tuesday's. While our address is changing, all of our other contact information including our P.O. box, telephone numbers, fax and e-mail will remain the same. Clients of MMPW will soon be receiving all of this information in a formal announcement regarding our move. We should be settled in by the first of May. We hope that you will come by and see our new office.