Mitchell McLeod Pugh & Williams
Investment Adviser

1ST QUARTER 2009

MITCHELL MCLEOD PUGH & WILLIAMS
INVESTMENT ADVISER

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S&P Sector Performance (YTD 03/31)	
Consumer Discretionary	*-8.61%*
Consumer Staples	*-11.31%*
Energy	*-12.08%*
Financials	*-29.49%*
Health Care	*-8.52%*
Industrials	*-21.77%*
Information Technology	*3.96%*
Materials	*-2.82%*
Telecom Services	*-8.47%*
Utilities	*-11.86%*

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

Points of Interest:

- Of the ten economic sectors, exactly half outperformed the overall S&P 500 index and half underperformed during the first quarter of 2009. The Information Technology sector was the top performer and the only sector with a positive return (3.96%). The Financial sector trailed all other sectors with a 29.5% decline.
- For the first time in its history, the S&P 500 index experienced a full bear market decline (20% or more) and a full bull market advance (20% or more) in a single quarter.
- Also for the first time in history, according to *Pensions & Investments*, the amount of liquid assets on the "sidelines" (MZM index) eclipsed the entire market capitalization of the Russell 3000 index.

SIGNS OF HOPE AT QUARTER END

Capital Markets	*YTD*	*QTR*	*2008*	*5YR*
S&P 500 (798)	-11.01%	-11.01%	-37.00%	-4.76%
S&P500 / Citi Growth	-6.18%	-6.18%	-34.92%	-4.53%
S&P500 / Citi Value	-16.11%	-16.11%	-39.22%	-5.18%
S&P 400 (489)	-8.66%	-8.66%	-36.23%	-2.84%
Dow Jones Industrials (7,609)	-12.48%	-12.48%	31.93%	-3.64%
NASDAQ (1,529)	-3.07%	-3.07%	-40.54%	-5.18%
MSCI EAFE (Foreign)	-13.94%	-13.94%	-43.38%	-2.18%
LB Interm Govt/ Credit	-0.05%	-0.05%	5.08%	3.70%
3 Month Treasury Bill	0.05%	0.05%	1.51%	3.17%

YTD 03/31; Source: Morningstar Principia. Returns are total returns. 5yr return is annualized

The same issues that influenced financial markets in 2008 continued to impact negatively asset returns in the first months of 2009. These issues are well documented and are directly related to illiquid and unstable credit markets, legitimate concern over the viability of our banking system, recessionary conditions both domestically and abroad, and the resulting decline in corporate earnings around the world. Consequently, the S&P 500 stock index suffered its worst January ever (down 8.4%) before falling another 10.7% in February. By the time equity markets reached twelve year lows in early March, investors had added governmental intrusion and budgetary concerns to their list of fears. At that point however; equity markets turned unexpectedly and staged an impressive rally. The S&P 500 stock index ended March with a strong 8.8% return - up approximately 20% from its intraday low on March 6th. Continued improvements in global fixed income and credit markets added to investor optimism. Actually, it was the extraordinary weakening of credit markets beginning in 2007 that foretold the current crisis. Their improvement is a tangible and positive sign. This, along with the recent rally in equities, may not be proof that the worst is behind us; but it does provide some evidence that the unprecedented global response to the crisis is beginning to have a positive impact. Many declining economic indicators are beginning to flatten, the administration's plan to deal with toxic assets has more clarity, and some flexibility is being added to accounting rules. Providing that credit markets continue to improve and confidence returns to the banking sector, we anticipate that asset values will begin to reflect an eventual economic recovery.

MISCELLANEOUS

New Regulations for Cost Basis Reporting—With the passage of the Emergency Economic Stabilization Act in October 2008, regulatory requirements for cost basis reporting have changed. Your custodian will soon be required to report cost basis to both the client and the IRS. This information is already contained on our firm's quarterly reporting.

Warren E. Buffett, *The New York Times*, Oct 17, 2008 - I can't predict the short-term movements of the stock market. I haven't the faintest idea as to whether stocks will be higher or lower a month-or a year-from now. What is likely, however, is that the market will move higher, perhaps substantially so, well before either sentiment or the economy turn up. So if you wait for the robins, spring will be over.