Mitchell McLeod Pugh & Williams
Investment Adviser

2ND QUARTER 2007

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MITCHELL MCLEOD PUGH & WILLIAMS
INVESTMENT ADVISER

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S&P Sector Performance (YTD 6/30)

Consumer Discretionary	*2.41%*
Consumer Staples	*3.74%*
Energy	*16.28%*
Financials	*-2.00%*
Health Care	*5.22%*
Industrials	*9.88%*
Information Technology	*8.96%*
Materials	*15.48%*
Telecom Services	*13.57%*
Utilities	*7.24%*

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

Points of Interest:

- According to *Standard and Poor's,* corporate earnings are forecast to report a 5.7% increase for the second quarter of 2007. While this is lower than the fourteen consecutive quarters of double digit growth recorded from Q2 of 2004 through Q3 of 2006, it represents an orderly downturn in the earnings cycle. As of now, double digit growth is anticipated to return in the fourth quarter of this year.
- The S&P 500 index is fifty years old this year. There are only 86 of the original 500 companies that remain in the index today.

AN ECONOMIC AND MARKET REBOUND

Capital Markets	***YTD***	***QTD***	***2006***	***5YR***
S&P 500 (1,503)	6.96%	6.28%	15.79%	10.71%
S&P500 / Citi Growth	6.53%	6.63%	11.01%	8.38%
S&P500 / Citi Value	7.37%	5.95%	20.80%	13.07%
S&P 400 (896)	11.98%	5.84%	10.32%	14.17%
Dow Jones Industrials	8.76%	9.11%	19.05%	10.19%
NASDAQ (2,603)	7.78%	7.50%	9.52%	12.21%
MSCI EAFE (Foreign)	10.74%	6.40%	26.34%	17.73%
LB Interm Govt/ Credit	1.44%	-0.15%	4.08%	4.15%
3 Month Treasury Bill	2.59%	1.26%	5.07%	2.84%

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

The second quarter of 2007 produced solid equity returns, higher interest rates, and a continuation of the volatility exhibited earlier in the year. The factors driving these results also contributed to a measured level of uncertainty facing our markets for the balance of 2007. The U.S. economy grew at it's slowest pace in four years (0.6%) during the first three months of this year. As the second quarter began, many were predicting that the sharp contraction in manufacturing and the drag of the declining housing market would finally derail an aging U.S. expansion. However, this did not occur. In fact, inventories began to build, consumer spending continued to show strength, and exports continued to grow. It is now felt that the economic slowdown in the first quarter will be the low point for the year. Predictions of a rate cut by the Federal Reserve may have faded, but at least inflation expectations remain tame. These developments were viewed positively by the equity markets. With large cap stocks leading the way, the market reached record highs in early June before giving way to interest rate driven volatility. The rise in interest rates resulted from several factors, including continued concern over sub-prime lending and the heretofore mentioned rebound in both domestic and global growth. The yield of the 10yr U.S. Treasury rose sharply from 4.7% to about 5.3%, a five year high, before ending the quarter at 5.0%. Intermediate term fixed income investments ended the quarter down slightly from March. As we look ahead, the economy should continue to grow at a measured pace. If the rise in interest rates serves to restrain inflationary pressures, there is reason for optimism for the rest of the year.

WE HAVE A NEW WEB-SITE

We encourage you to take a look at our new web-site found at **www.mmpwadviser.com.**

The site presents various topics of interest regarding our firm. You will find a general profile of our company and shareholders. Also there is a review of our investment management process, beginning with the setting of objectives and development of a strategy. This is followed by a detailed review of how we manage equities, bonds, and mutual funds alike. It outlines the process by which we chose the investments used in client accounts. Finally you will find a news and "of interest" section, along with a link to the Charles Schwab web site. We are excited to have this site up and running and hope you will find it both helpful and informative. Let us know how you like it!