Mitchell McLeod Pugh & Williams
Investment Adviser

2ND QUARTER 2009

MITCHELL MCLEOD PUGH & WILLIAMS
INVESTMENT ADVISER

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S&P Sector Performance (YTD 06/30)	
Consumer Discretionary	*7.52%*
Consumer Staples	*-3.44%*
Energy	*-3.24%*
Financials	*-4.76%*
Health Care	*-0.96%*
Industrials	*-7.68%*
Information Technology	*24.08%*
Materials	*12.28%*
Telecom Services	*-6.73%*
Utilities	*-4.08%*

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

Points of Interest:

- Through June 2009, forty four banks have failed this year in the United States. That is more than the banks that have failed in the last six years combined but is still only 1/2 of 1% of all insured banks in the country (FDIC).
- As of mid-June, assets in money market funds totaled $3.68 trillion. This is down from the $3.9 trillion that were held in these accounts when the S&P 500 bottomed in early March. That is a difference of $220 billion, much of which has flowed back into stocks and non-governmental bonds (Investment Company Institute).

RELIEF RALLY OR RECOVERY?

Capital Markets	*YTD*	*QTR*	*2008*	*5YR*
S&P 500 (919)	3.16%	15.93%	-37.00%	-2.24%
S&P 500 / Citi Growth	7.52%	14.60%	-34.92%	-2.24%
S&P 500 / Citi Value	-1.41%	17.51%	-39.22%	-2.40%
S&P 400 (578)	8.47%	18.75%	-36.23%	0.36%
Dow Jones Industrials (8,447)	-2.01%	11.96%	31.93%	-1.68%
NASDAQ (1,835)	16.36%	20.05%	-40.54%	-2.17%
MSCI EAFE (Foreign)	7.95%	25.43%	-43.38%	2.31%
Barcap Intr Govt / Credit	1.62%	1.67%	5.08%	4.57%
3 Month Treasury Bill	0.10%	0.05%	1.51%	3.13%

YTD 06/30; Source: Morningstar Principia. Returns are total returns. 5yr return is annualized

Capital markets across the world rallied strongly in the second quarter. Driven by renewed investor confidence and a greater appetite for risk, the S&P 500 posted its largest quarterly gain since 1998, and the corporate credit area led fixed income returns. As fears of a collapse in the credit and banking systems subsided and as the occurrence of a second "Great Depression" seemed less likely, investors began to take on more risk. As the quarter unfolded, indicators began to show signs of the economy's bottoming. While we have yet to exit the recession, its symptoms have become less severe. In anticipation of an eventual recovery, the "flight to quality" experienced earlier in the year began to reverse itself. The question now is whether this is a sustainable rebound or merely a relief rally in a still troubled environment. Clearly there is no shortage of concerns that could extend the recession and delay a recovery. Unemployment and job losses need to show continued improvement, consumer confidence and spending need to return, manufacturing and housing markets need to stabilize, banks must begin lending again, and inflationary fiscal policies must be avoided. Of these concerns, perhaps the most critical to our long term economic health is the extent to which massive governmental stimuli may cause inflationary pressures in the future. In a capitalistic system, downturns occur as part of the economic cycle and are generally necessary if business and financial markets are to remain healthy. The sharp rally in the U.S. stock market since March 9th causes us to believe that we are in a transition phase from recession to recovery. Although there is no immediate cause and effect, capital markets typically anticipate the future condition of the economy.

MISCELLANEOUS

♦We hope that you have an opportunity to read a recent article featured in the June issue of *Business Alabama.* The article features quotes and insight from Rick Mitchell and Doug McLeod of our firm and focuses on the fiduciary responsibility assumed by business owners who provide qualified retirement plans (401(k) plans) to their employees.

♦Despite events in the capital markets over the last 18 months, our firm has been fortunate in its continued growth of assets under management and under advisement (approximately- $293 million and $15 million, respectively, as of 6/30/09). Most of this growth has been the result of referrals from existing clients. The greatest compliment that we can receive is a personal referral of a friend, a family member or business associate.