Mitchell McLeod Pugh & Williams
Investment Adviser

3RD QUARTER 2008

MITCHELL MCLEOD PUGH & WILLIAMS
INVESTMENT ADVISER

Volume 3, Issue 4
October 15, 2008

S&P Sector Performance (YTD 09/30)	
Consumer Discretionary	*-14.75%*
Consumer Staples	*-4.76%*
Energy	*-18.85%*
Financials	*-30.96%*
Health Care	*-13.47%*
Industrials	*-22.38%*
Information Technology	*-23.91%*
Materials	*-22.78%*
Telecom Services	*-31.66%*
Utilities	*-22.26%*

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

Points of Interest:

- According to *Forbes*, U.S. households have approximately $7.4 trillion being held in money market funds, checking and savings accounts and another $4.1 trillion in U. S. Treasuries and other bonds. Combined, this is almost enough capital to buy every company in the Wilshire 5000 index.
- MarketWatch.com reports that insider buying by executives was more bullish in September than any time since the end of the bear market in 2002.

CRISIS OF CREDIT & CONFIDENCE

Capital Markets	*YTD*	*QTR*	*2007*	*5YR*
S&P 500 (1,165)	-19.29%	-8.37%	5.49%	5.17%
S&P500 / Citi Growth	-18.40%	-11.24%	9.13%	3.27%
S&P500 / Citi Value	-20.21%	-4.97%	1.99%	7.11%
S&P 400 (727)	-14.34%	-10.87%	7.98%	8.65%
Dow Jones Industrials (10,851)	-16.59%	-3.71%	8.89%	5.60%
NASDAQ (2,092)	-21.49%	-9.19%	9.81%	3.11%
MSCI EAFE (Foreign)	-29.27%	-20.56%	11.17%	9.69%
LB Interm Govt/ Credit	0.22%	-1.19%	7.39%	3.25%
3 Month Treasury Bill	1.41%	0.42%	4.77%	3.24%

YTD 09/30; Source: Morningstar Principia. Returns are total returns. 5yr return is annualized

During the last sixty days, we have experienced a series of unprecedented events that have shaken the confidence of financial markets around the world. The seemingly well contained U.S. housing and financial downturn of the past year accelerated into a crisis during the 3rd quarter. By September 30, this crisis had resulted in the government take-over of Fannie Mae, Freddie Mac and AIG, the bankruptcy of Lehman Brothers, the seizure of Washington Mutual, and the forced sale of Merrill Lynch and Wachovia. As credit markets around the world became frozen, fear began to dictate the direction of markets. Many investors and institutions liquidated entire asset classes, including cash held in money market accounts, in an overall flight to safety. Comparisons for the resulting market impact, if there are any, require one to look back several generations. The questions of how to react and whether it is "different" this time are on the minds of all investors. We believe that these are completely rational questions, but for which there are no absolute answers. These events have been different in some ways, but so have the events of any other financial crisis throughout our history. It is how one reacts during a time of fear and uncertainty that ultimately determines the financial impact of that crisis. In our view, adherence to the basic tenets of long term investing, appropriate asset allocation and diversification are crucial in times such as these. This crisis has focused the attention and resources of governments and central banks around the world. A flood of liquidity (and hopefully confidence) is being pumped into the market. While we may not be able to avert a recession, financial markets may have already discounted that event as well as the overall crisis.

ACTIONS IN TURBULENT TIMES

A growing area of study is that of human investment psychology. It is an attempt to discover more about the human mind and our emotions as they relate to investment decisions. The importance of this type of study is evidenced by the fact that recent experiences tend to dominate investors decisions. This leads to being overly aggressive in a rising market and too conservative when markets are under pressure. With this in mind, we are currently focused on three actions to improve clients' long term results. First, review and confirm the appropriate asset allocations as they relate to investment horizon. Second, rebalance accounts according to these targets, while attempting to take advantage of price weaknesses in the market. Finally, review all taxable accounts for tax loss opportunities.