Mitchell McLeod Pugh & Williams
Investment Adviser

4TH QUARTER 2006

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S&P Sector Performance (YTD 12/31)	
Consumer Discretionary	*17.23%*
Consumer Staples	*11.76%*
Energy	*22.22%*
Financials	*16.16%*
Health Care	*5.78%*
Industrials	*11.02%*
Information Technology	*7.70%*
Materials	*15.73%*
Telecom Services	*32.13%*
Utilities	*16.87%*

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

Special points of interest:

- Crude oil prices have fallen some 33% since their record high in July 2006. Approximately 15% of that decline has been since year end. Any cost savings passed on to the consumer helps to provide additional discretionary income and serves as a cushion for the U.S. economy - particularly for those consumers feeling the pinch from Adjustable Rate Mortgages.
- According to the *Wall Street Journal*, some 25% of S&P 500 profits come from overseas, approximately double the amount from 20 years ago. These overseas profits could help corporate earnings if the U.S. dollar weakens in response to higher foreign rates. Profits in foreign currencies would continue to benefit from the translation into dollars on domestic financial statements.

MARKETS END 2006 ON A STRONG NOTE

Capital Markets	*YTD*	*QTD*	*2005*	*5YR*
S&P 500 (1418)	15.79%	6.70%	4.91%	6.19%
S&P500 / Citi Growth	11.01%	5.65%	1.14%	1.88%
S&P500 / Citi Value	20.80%	7.73%	8.71%	10.43%
S&P 400 (804)	10.32%	6.99%	12.56%	10.89%
Dow Jones Industrials	19.05%	7.39%	1.72%	6.81%
NASDAQ (2415)	9.52%	6.95%	1.37%	4.37%
MSCI EAFE (Foreign)	26.34%	10.35%	13.54%	14.98%
LB Interm Govt/ Credit	4.08%	1.03%	1.58%	4.53%
3 Month Treasury Bill	5.07%	1.29%	3.34%	2.50%

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

Financial markets ended 2006 with a solid rally and produced a fourth consecutive year of gains for investors. This is no doubt a surprise to some, based on the consensus forecasts that were being made as 2005 came to a close. In the pundits' defense, there were plenty of reasons to be cautious as 2006 began. The housing sector was showing signs of weakness, consumers were beginning to spend less, energy prices were climbing, geopolitical concerns remained, and a new Federal Reserve Chairman was coming into office. In response to these factors, the financial markets seemed to search for direction in the first half of the year. Finally in May, after the Federal Reserve extended its streak of rate increases to sixteen, stock investors began to sell. The correction was short lived, however, lasting about 60 days. In midsummer, the data began to indicate a slowing, but still expanding economy. This gave hope to the possibility of a "soft landing" scenario. Energy prices peaked and began to fall (helping inflation data) and the Fed paused at 5.25%. Equity markets responded favorably and reversed course again. This resulted in positive momentum in the 3rd quarter and a series of milestones in the 4th. For fixed income investors, 2006 produced modest returns after increased volatility and a yield curve inversion in the second half of the year.

Outlook - Is a fifth consecutive year of positive equity returns likely at this point? There are always factors that could prevent its occurrence (weaker corporate profits, geopolitical risk, or lingering questions about the housing market). As demonstrated last year, however, our economy is a powerful force and it remains healthy as we begin the new year.

2006 YEAR END TAX INFORMATION AND PERFORMANCE REMINDER

For clients of MMPW, you will be receiving your year end reports along with this newsletter. Please note that this information is only a history of the account *since it has been under the management of MMPW.* From a tax information standpoint, you and / or your accountant may rely on these reports along with the year end report provided by the custodian of your account. Or, you may wish to contact your previous adviser (or authorize us to do so) for any relevant 2006 information prior to our firm's involvement. In terms of performance, the summary information contained within our year end reports is *only for the period of time that your account has been under our management (a period subsequent to the inception date of our firm, January 20, 2006).* Please contact us with any questions.