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Investment Adviser

4TH QUARTER 2008

MITCHELL MCLEOD PUGH & WILLIAMS
INVESTMENT ADVISER

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S&P Sector Performance (YTD 12/31)	
Consumer Discretionary	*-34.73%*
Consumer Staples	*-17.66%*
Energy	*-35.93%*
Financials	*-56.95%*
Health Care	*-24.48%*
Industrials	*-41.52%*
Information Technology	*-43.68%*
Materials	*-47.05%*
Telecom Services	*-33.62%*
Utilities	*-31.55%*

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

Points of Interest:

- Each of the ten economic sectors of the Standard & Poor's 500 Index were in negative territory for the year 2008. This is in contrast to the last bear market (2000 to 2002) where the Consumer Staples sector posted positive returns and several other sectors significantly outperformed the overall market.
- Through September 2008, hedge fund closings had increased by 70% over the previous year.
- The best year on record for the Dow Jones Industrial Average was a positive 81.7% return in 1915. The worst year was 1931 with a negative return of 52.7%.

CAUTIOUS OPTIMISM FOR 2009

There is little doubt that investors around the world were glad to see 2008 draw to a close. The closely watched Dow Jones Industrial Average finished the year down almost 32%, it's worst year since 1931. The broader S&P 500 stock index suffered even more - down 37%. The well documented crisis in the credit markets spilled over into equities resulting in an investor flight to quality and safety. The best performing economic sector was that of Consumer Staples, and even it was down almost 18%. Unlike typical bear markets, other than U.S. Treasuries there was nowhere for investors to hide . We are clearly in the midst of a severe global recession, and capital markets continue to trade just slightly above their November lows. Is there any reason for optimism? Based on the following, we believe the answer is yes. First, significant effort is being focused on the housing market. Low interest rates, the possibility of additional tax credits, and the congressional backing of Freddie Mac and Fannie Mae all are intended to reign in falling home values. Second, the Obama administration is quickly moving forward with a massive fiscal stimulus plan that may reach $1 trillion. The initial impact of the plan could be seen as early as this spring. Finally, central banks around the world have moved in unison toward very aggressive monetary policies. The amount of liquidity being pumped into financial markets cannot be ignored. Neither can the $8.85 trillion currently "on the sidelines" and being held by investors in liquid accounts. These funds will be available to fuel a rebound once an economic catalyst presents itself. It may not be until later in the year, but we are confident that such a catalyst will eventually appear.

Capital Markets	*YTD*	*QTR*	*2007*	*5YR*
S&P 500 (903)	-37.00%	-21.94%	5.49%	-2.19%
S&P500 / Citi Growth	-34.92%	-20.24%	9.13%	-3.13%
S&P500 / Citi Value	-39.22%	-23.83%	1.99%	-1.31%
S&P 400 (538)	-36.23%	-25.55%	7.98%	-0.08%
Dow Jones Industrials (8,776)	-31.93%	-18.39%	8.89%	-1.12%
NASDAQ (1,577)	-40.54%	-24.61%	9.81%	-4.67%
MSCI EAFE (Foreign)	-43.38%	-19.95%	11.17%	1.66%
LB Interm Govt/ Credit	5.08%	4.85%	7.39%	4.21%
3 Month Treasury Bill	1.51%	0.10%	4.77%	3.21%

YTD 12/31; Source: Morningstar Principia. Returns are total returns. 5yr return is annualized

MISCELLANEOUS

2008 Form 1099—Charles Schwab has notified its clients that their 2008 Form 1099 information will be mailed in mid -February. The Emergency Economic Stabilization Act of 2008 extended the required mailing date from January 31 to February 15. This may help to lessen the number of corrected 1099s that have to be sent out by Schwab subsequent to that extended date.

Required Minimum Distribution (RMD)- The Worker, Retiree, and Employer Recovery Act of 2008 was signed into law on December 23. This law grants a temporary waiver of the required minimum distribution from retirement accounts for 2009. The waiver applies to individual retirement accounts (IRAs) and employer provided contribution plans (QRPs, Keoghs, Individual 401 (k)s , and 403(b)(7)s).