The Measure of the Market

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Proctor & Gamble have held their own during this difficult time. Higher quality firms such as GE, that are substantially exposed to the financial markets, have declined but not nearly as much as less diversified financial firms.

In this environment, we will look for opportunities to add quality firms in the consumer staples sector as well as health care and technology. A contrarian impulse may cause us to consider attractively priced shares in the maligned retail and financial sectors.

For growth, we believe the stocks of the emerging markets of Asia and Latin America remain very attractive. There is a secular growth story in economies like Brazil and India that shows no sign of abating. In addition to investing directly in the stocks of these markets, we believe firms based in the developed markets that sell equipment to support the mining and agricultural growth in these markets are also attractive.

Inflation, Recession and Stocks

Recent readings showing higher levels of inflation have understandably caused concern among investors. There has been a significant upward shift in core inflation over the past several months. If this trend were to become entrenched, it would have negative implications for stocks and bonds. There are solid reasons to believe this uptick in inflation will be temporary. Changes in the rate of inflation tend to lag the economic conditions that created them. So the recent increase in overall and core inflation reflects the strong 4% + GDP growth recorded in the third quarter of 2007. The current environment features falling home prices, tight credit and impending recession. Wage growth has remained modest. These are not typically associated with inflation.

We continue to be concerned that as our policy makers continue to inject massive amounts of liquidity into the economy after every asset bubble bursts, they will set the conditions for a structurally higher level of inflation down the road. In our opinion, however, that time is not now. We realize our relatively optimistic view on inflation could be wrong and so remain vigilant and sensitive to information that contradicts this outlook.

For more information and a complete outlook from Altavista Wealth Management, please contact Kyle Boyd at kboyd@altavistawealth.com or by phone at 828.684.2600.

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Asset deployment and allocation

Trust administration and fiduciary services

Financial planning

Family office services

Third party services for legal and accounting practices

Altavista staff

Five Great Years

Dan Akers, Managing Principal

This issue of the "Higher View" gives us an opportunity to note Altavista's fifth anniversary. Altavista began operations in February 2003. The spring of 2008 finds us in great shape, growing and grateful to our clients and professional colleagues. In our last newsletter, we were pleased to announce that Ned Zorigian, a veteran trust executive with 30 years experience, had joined us as President of Altavista Trust. We are equally pleased this year to announce the appointment of another senior member of our Wealth Management team, Jacqui Friedrich, CFP®, who joins our firm as a Financial Advisor and our Director of Financial Planning. Jacqui brings fifteen years of financial planning and investment experience to her position at Altavista. Please read a short article about Jacqui on page two in this newsletter.

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The Measure of the Market

Kyle Boyd, Managing Principal

Our long time clients know that we place great store in valuation, whether an asset or class of assets is cheap or dear, to guide us when selecting investments for our clients. Considering the wild swings endured by the stock market over the past few weeks and months, it is a good time to review the current state of the U.S. market.

Several reliable indicators are telling us that the broad stock market is selling at attractive prices. They are: 1. The earnings yield of the S&P 500 vs. Treasury Yields. 2. Tobin's Q or the current price of the S&P 500 compared to its replacement cost. 3. The dividend yield of stocks compared with the yield on investment grade corporate bonds.

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ALTAVISTA WEALTH MANAGEMENT, INC.

Meet Jacqui Friedrich

We are very pleased to introduce Jacqui Friedrich, CFP®, who has joined us as a Financial Advisor and as Altavista's Director of Financial Planning. Her responsibilities include oversight of the financial planning activities of the firm, in addition to her role as a portfolio manager and a senior client relationship manager. Jacqui's extensive professional experience renders her particularly well suited to excel in this very important role. Jacqui's 20 year career has been entirely within the financial services business. During her early years, she performed every job and task critical to the smooth functioning of a wealth management firm.

Starting twenty years ago, in an administrative role at a leading investment, insurance and employee benefits firm, she quickly rose in responsibility eventually serving as a Portfolio Manager and coordinator of financial planning at Boys Arnold & Co, an established Asheville-based boutique investment firm. During this time she earned her Certified Financial Planner designation. She was the first woman to hold such a senior position at this very traditional firm. After a decade with Boys Arnold, Jacqui joined Starks Financial, a leading local financial planning and investment firm founded by Dawn Starks, a pioneering Asheville based advisor and a close personal friend of Jacqui's.

In late 2006, Altavista commenced a search for a partnership track, senior investment professional to fill the roles now assumed by Jacqui. When discussing the requirements of the position, we would talk about finding someone who had substantial skills in the varied areas of investments, financial planning, operations and trading, and finish the discussion with something like "you know, someone like Jacqui Friedrich." We were pleased that we were able to fill this important job with someone very much like Jacqui Friedrich.

Jacqui's colleagues at Starks Financial were very supportive of her decision to join Altavista and she remains close to her friends there.

Jacqui is very involved in her profession. She co-founded the Financial Planning Association of Western North Carolina. She also serves the national Financial Planning Association on several councils and committees and is a frequent lecturer at their events. Jacqui serves on the Professional Advisory Committee of the Community Foundation of Western North Carolina and is very involved in the Asheville community. We hope many of you will have the opportunity to meet and work with Jacqui over the next few months.

Jacqui Friedrich
Altavista's Director
of Financial Planning

< Altavista Wealth Management, Inc. Group

Five Great Years

(continued from page 1)

Jacqui and Ned, with their considerable credentials, experience and reputation, are exactly the kind of professionals we hoped to attract when we started Altavista. It was our aim to build a firm that would attract and retain leading professionals in the disciplines of investments, fiduciary services, financial planning and client service; professionals who would collaborate for the benefit and care of our clientele's assets. In our experience, the best wealth management firms are organized in this fashion. The fact that these two respected professionals have joined our group validates our approach so far. The professionals at Altavista average over twenty years of experience and increasing responsibility in their chosen field of expertise.

For the five of us who joined together to form the firm in 2003, this has been the most rewarding professional experience of our lives. During these five years, we have grown from start up to over $200,000,000 in assets under management. We are pleased with our steady growth, but know that a Wealth Management firm's success lies more in the investment progress and peace of mind enjoyed by its clients as it does in the asset growth of the firm.

It would be difficult for us to overstate our gratitude to the charter clients who joined our firm at its inception. Whatever success we have had is due to the trust and faith that those clients and those who have joined us since have placed in us. Along with our clients, we so appreciate the professional community of lawyers, accountants and philanthropic specialists located in Asheville, Hendersonville, Charlotte and all across the Carolinas who have been supportive of our efforts. From our inception, our goal was to establish a high quality, locally based investment firm, which combined the service of an advisor-owned boutique firm with the sophisticated investment offerings and fiduciary services generally offered by larger investment houses. Thanks to our clients and allied professionals we have succeeded in that goal so far.

Reflecting on the success of the past five years is satisfying; however, it is eclipsed by our enthusiasm for what Altavista will be in the future. We look forward to the deepening of the relationships we enjoy with our clients and the partnerships we value with our professional colleagues.

The Measure of the Market

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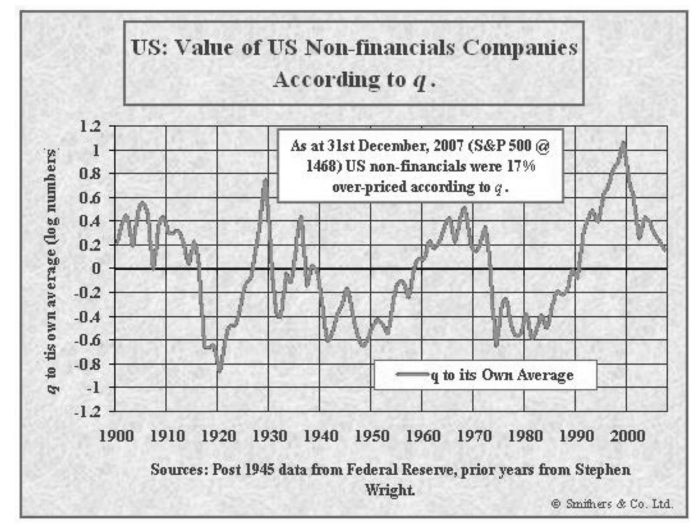
These measures are at levels last reached in late 2002, which was a decent buying opportunity for U.S. stocks. Tobin's Q, among the most conservative of these indicators, shows the market was priced about 20% higher than its replacement cost as of December 31st. This is its lowest reading in about five years. These attractive numbers alone do not signal to us that investors should jump feet first into the market.

One "fly in the ointment" is the relative cheeriness of institutional investors. In the past unambiguous "buy" signals have often coincided with bearishness among institutional strategists. This seems counterintuitive, but extreme pessimism coupled with good valuation has been a reliable indicator of a market prepared to go higher. Faced with the combination of favorable valuation and ambiguous readings on the economy and investor sentiment, we believe a strategy of selectively accumulating stocks during this period of market weakness makes sense.

Also, we do not buy the stock market; we buy individual stocks and believe that some types of stocks are better than others during extraordinary times such as these. Problems in the market since last August have centered on a dysfunctional credit market. Consequently we are paying even more heed to an observation we made in the fall of 2005. At that time, we indicated in times when credit is easy to come by, companies with great balance sheets and conservative financial management are not appreciated as much as



Tobin's Q has moved into a neutral valuation range from the rich valuation of the last few years

when the credit market becomes more miserly. When that liquidity is withdrawn, it will be the financially strong companies that have the ability to thrive. Warren Buffet made this point more eloquently than we could when he observed some years ago, "You never know who is wearing a bathing suit until the tide goes out." Well, in the past six months the tide has gone out, justifying our focus on higher quality firms.

Highly leveraged companies, particularly banks (even high quality ones) have taken it on the chin. Companies with solid finances such as Berkshire Hathaway, Johnson& Johnson, Wal-Mart, Pepsico and