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A Significant Milestone

As we celebrate our first anniversary, gratitude is the order of the day

This space is normally reserved for an article on investments, estate planning or some other financial topic from one of our managing principals. However, this quarter, as we celebrate our one-year anniversary, we are taking the opportunity to give thanks to the clients, communities and professionals that have made this first year a successful one.

As we have shared with most of you, Altavista was a firm in the making for almost 15 years. During this time, our eventual principals and shareholders discussed and planned the "perfect investment firm" often while working together at some really fine investment and trust institutions. Your support has been responsible for the realization of our professional aspiration—to create a small, high-quality, full-service, locally



*(Standing from left) Managing Principals Kyle Boyd, Dan Akers and Greg Jones
(Seated from left) Director of Client Services Barbara Orr and Director of Administration and Operations Christine Nelson*

owned investment and trust firm; one that has been built around service to our clients, not around the sale of products or devotion to a proprietary investment approach. We are so grateful to the clients from eight states who followed us to what was in the beginning a startup operation. We have been humbled and gratified by the acceptance of our firm among the professionals in our home communities of Asheville, Hendersonville and Charlotte.

Think globally, act locally, invest with us. We have always believed that a

firm does not have to be big to provide sophisticated investment and fiduciary services. By the same premise, we believe a small firm need not be limited to a narrow view of investments bounded by its own stock buy list. We believe attractive investment prospects are increasingly global and that our clients deserve a chance to participate in the world of opportunity that is revealed when you cast a wide net and pay close attention to risk.

We have put together an open-architecture investment process that combines internally managed strategies with best-of-breed sub-advisors and managers who uncover opportunities in the U.S. and abroad. Our global view extends to fixed-income investments, real estate and other tangible investment opportunities as well as to stocks. We consider all of these potential investments when designing your investment

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Online Resource

Through a secure login, clients can access current information on all of your accounts.

Clients have a secure, multifaceted tool at www.altavistawealth.com

The Altavista web site is a comprehensive resource. Each morning, a full reporting sequence including the previous day's closing prices is available to our clients. Through a secure login, you can access current information on all of your accounts—from a basic statement of holdings, realized and unrealized gain/loss reports, transactions and 12-month income activity to investment performance data through the last calendar quarter. This allows you to track activity between monthly custodial statements.

Our research provides easy access to quotes, market overviews, industry news and stock and mutual fund research. You can also set email alerts to notify you of “watch list” activities.

The web site can also track all of your web-accessible financial information—including assets that are not under the Altavista umbrella. To activate this capability, you simply create a private login on our site that lets you aggregate information such as checking accounts, mortgage balances, education savings accounts and even insurance accounts. This provides a complete



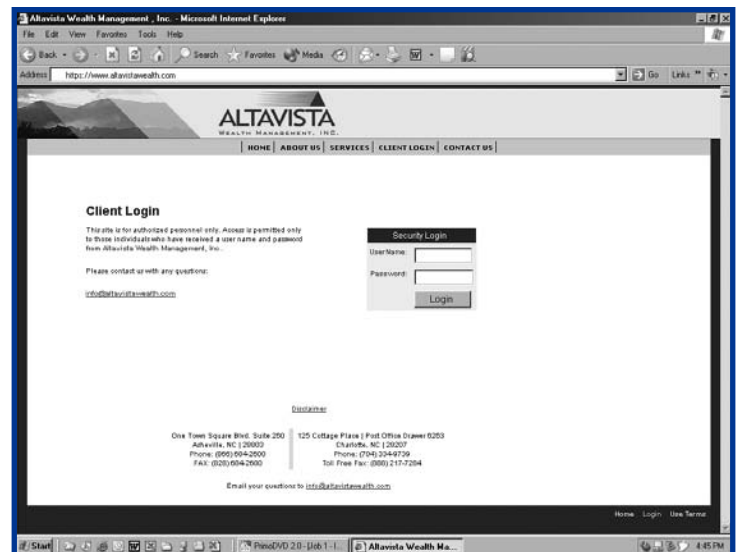
CHRISTINE NELSON
Director of Administration and Operations

snapshot of your financial picture and is a convenient tool for managing personal finances, making it easy to gather tax-related

information for accountants.

The aggregation feature of our web site also lets you scan and store legal documents such as wills, trusts, financial plans and insurance policies—providing a valuable organizational tool for keeping legal professionals apprised of your situation.

To find out more about Altavista's online capabilities, go to www.altavistawealth.com and look around. To get a temporary password allowing you to see all of the site's features, call us at 828-684-2600 or toll-free 866-684-2600, or email info@altavistawealth.com.



Please note: Effective April 1, 2004, Altavista Wealth Management, LLC converted from a Limited Liability Company to a C Corporation. The company is now Altavista Wealth Management, Inc.

Looking Ahead

Happy ending falling into place, but at a price

The extraordinary tale of boom, bust and recovery during the past few years seemed headed at times for an unconventional plot twist and a negative conclusion. But alas, this chapter of our economic story has a happy ending.

Our hero, the resilient U.S. economy, is battling back from the body blows of the tech bust, corporate greed and al Qaeda. In fact, the economy delivered a rebounding stock market and gushing corporate profits last year.

The problem is, workers have been waiting anxiously for jobs that pay a living wage. Our hero appears to be indifferent to their concerns. But wait! The economy has delivered on that front, too. The April jobs report showed 788,000 jobs were created in the first four months of the year, disproving naysayers' contentions.

Still, these good times were purchased at a price. The government has become a profligate spender and Fed policy has encouraged individuals to do the same. This has supported the consumer economy but comes with consequences. Policy makers will have less flexibility during the next economic downturn because of high household and government debt. These conditions place government



KYLE BOYD
Managing Principal

and institutions as stakeholders in a more inflationary environment as we start a new chapter in our story.

What's next for stocks.

Prepare for what's next by remembering that a recovering economy does not always herald a shimmering stock market. The stock market rally, already a bit long in the tooth, is likely to grind higher as indicated in our outlook last quarter, but with increased price volatility.

The shift from more speculative holdings like tech and retailing stocks toward more reliable stores of value in consumer staples and health care is likely to continue. In general, profits should continue to be excellent, expected to be up more than 20 percent from first quarter 2003. While this will support stock prices, we expect revenues to be up

eight percent year-over-year compared to 11 percent in fourth quarter 2003. This type of revenue deceleration may justify an emphasis on less speculative stocks. Quality dividend-paying securities seem prepared to outperform the market as a whole.

Small-cap and foreign shares. Expected higher interest rates will end the small-cap sector's performance lead in coming months. It would be appropriate in the near term to take some small-cap profits off the table.

Our negative outlook for the dollar and the recovery of Japan's economy continue to drive our recommendation that clients continue exposure in developed and emerging foreign markets.

Bonds and fixed income. The outlook for longer-dated, higher-quality bonds is negative. A whiff of inflation and less accommodative Fed policy is in the offing, so we believe maturities should be kept short. Long-term treasuries are still the most at-risk, as indicated by the dramatic increase in bond yields since the jobs report. Also, the purchase of U.S. government bonds by foreign governments has been a powerful support for bond prices. This is likely to abate in the near term, providing more negative pressure on bond prices.

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*A more
inflationary
environment
exists as we
start the next
chapter of our
economy's
story.*





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Looking Ahead *continued*

Real estate and alternative investments. Real estate investment trusts (REITs) were surprisingly strong in 2003. In fact, they have corrected in price in anticipation of higher interest rates. Although we will eventually add to REIT positions, market aversion to higher interest rates will keep us on the sidelines for now in this sector.

Commodities and materials have pulled back. However, we expect the fundamental

backdrop to be favorable for continued strong performance over the next year or so in these sectors. In particular, OPEC production cuts will likely keep the price of oil relatively high. Strong demand triggered by a recovering global economy, a rising Chinese economy and low inventories will provide further support to petroleum prices.

Summary. No area of the market seems dramatically under-priced right now.

In reviewing portfolios, we're balancing our investments away from stocks we consider attractively priced but lagging. This is a reliable way to manage the risk inherent in the capital markets, and it is at the heart of our asset allocation process.

For more on our Investment Services call 828-684-2600 or toll-free 866-684-2600, or visit www.altavistawealth.com.

A Significant Milestone *continued from cover*

program at our firm.

Your investments are managed by the owners of our firm who, by design, are accountable only to you—not to management in some distant city or an idiosyncratic devotion to one narrow segment of the U.S. stock market.

A View About You.

Our firm's name, Altavista,

infers "A Higher View" and alludes to our top-down approach to investing. However, it could just as easily describe our process, one that is organized to solve your financial problems whether they relate to estate planning, investment planning, fiduciary administration, organizing a family office

or looking out for a friend or client. Working closely with family attorneys and accountants, we fashion plans that work in the context of your tax and planning concerns. In the end, being of service and accountable to you is our highest calling.

We thank you for your trust in us.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), or be suitable for your portfolio. Due to various factors, including changing market conditions, the content of this newsletter may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from Altavista Wealth Management, Inc. To the extent that a reader has any questions regarding the applicability of any specific issue discussed herein to his or her individual situation, he or she is encouraged to consult with the professional advisor of his or her choosing. Unless otherwise noted, all contents of this newsletter ©2004 Altavista Wealth Management, Inc., all rights reserved.

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