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Altavista staff

Altavista made the list.

*In just our second year, we're among
Bloomberg's Champions*

Altavista Wealth Management, Inc. has been ranked number 73 out of 450 companies included in Bloomberg Wealth Manager's fourth annual ranking of leading independent financial advisory firms. The ranking is based on the asset value of a firm's average client relationship as of December 31, 2003.

To qualify for the magazine's list, firms had to be registered investment advisors with the SEC, have minimum assets under management of at least \$50 million, offer financial planning services, and have a client base consisting of more than 50 percent individuals or high-net-worth individuals as defined by the SEC.

"We're very pleased to have been included in this prestigious ranking, particularly since we began only our second fiscal year as a company in July 2004," says Dan Akers, Altavista Managing Principal and co-founder. *(continued on page 4)*

Investing in real assets.

Kyle Boyd, Managing Principal

The economic engine of our ship of state finally seems to be hitting on all cylinders and taking us into safer, deeper waters away from the shoals of deflation. However, we are in an economic environment unlike any other in recent memory.

Investments with real worth.

In the transition between the old and new environments, investors should consider allocations to instruments with values tied to real assets. This means investments linked to the underlying intrinsic worth of an organization's holdings such as real estate, commodities and materials.

The tech-wreck, corporate corruption and 9/11 wreaked their havoc on the economy and stock market. Policy makers responded by stimulating the damaged economy with historically low interest rates and government deficit spending.

(continued on page 3)

Higher View quarterly



NEWS IN BRIEF

L. Daniel Akers Managing Principal has been licensed by the North Carolina Board of CPA examiners as a Certified Public Accountant.

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Kyle R. Boyd Managing Principal will speak in Philadelphia on November 8th on Client Relationship Management, as part of Impact 2004, Schwab Institutional's annual conference of leading investment management firms.

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Barbara Orr, Director of Client Services, and Christine Nelson, Director of Administration, are now Shareholders of the firm.

Investment Outlook

Altavista's quarterly investment commentary

A The Economy Hits an Oil Slick and Powers Through

Economic growth for the second quarter of this year has just been revised upward to 3.3%, up from the 2.8% originally stated. At the stated rate of economic growth the economy should be able to generate enough jobs to keep the employment rate stable to improving. The revised 3.3% rate, while relatively strong, is lower than the consensus number going into 2004. The chief reason in our view for the trotting but not galloping economic growth can be found in the high price of oil. The persistently high price of oil acts as a tax, which retards economic growth. The price increase has in fact done some of the work of the Fed, which has begun to ratchet up rates to cool incipient inflation. Ironically, inflation in the price of oil tends to dampen the rest of the economy, helping to keep a lid on prices in other sectors. The underlying economy is strong. Corporate profits continue to rise, albeit at a slower rate of growth, the return on capital investment is strong and personal disposable income continues to rise. These trends should support the current rate of consumer spending and quicken the purchases of capital goods by business. Continued low interest rates should also support the housing sector although some cooling off in this area would be expected

after such a torrid three-year rise in prices. If, as expected, the equilibrium price of oil drifts down closer to the \$35 to \$40 level then the economy should grow at a healthy 3.5% to 4% next year.

Stocks, Bonds and Cash

While the economic situation seems benign, the condition of the markets is less certain. We believe that stocks in general will rally upon any reading of a sustained lowering of oil prices, though after an initial bounce upside in the general level of stock prices will be limited. Within the universe of U.S. stocks, high quality dividend-paying issues should continue to outperform pure growth stories. Bond yields are low and the heavy purchase of U.S. bonds by foreigners should keep them low for a time. We believe that the yield on 10 year treasury bonds will trend upward over the next year from its current 4.2% to around 5% to 5.5%, putting pressure on bond prices. At the risk of sounding like a broken record, duration of bond portfolios should be shorter than the market.

Foreign Shares, Real Estate and Alternatives

The developed and emerging foreign markets still look attractive relative to the U.S. market. Real estate as represented in the REIT indexes has rebounded since its sell off in the spring but still offers some value and merit consideration in a diversified portfolio. The strong growth in the Chinese economy seems destined

(continued on page 4)

If stocks and bonds are going to be at a disadvantage, where can an investor look for opportunities? One answer can be asset-based investments such as commodities, material stocks, and certain types of real estate.

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Investing (continued from page 1)

These measures have worked. Since the economic trough, GDP is up over 11 percent in real terms. Corporate earnings are up over 50 percent, commodity prices are up by more than a third and the dollar has fallen more than 15 percent.

Although the stimulative policies provided economic lift, they will be an obstacle to higher prices for stocks and bonds. Gradually rising inflation and a weaker dollar (reflation) in the next few years will impede the growth of financial assets, especially bonds.

Outlook is mixed.

For the stock market as a whole, the outlook is mixed. Rising profits and improving credit will be partially offset by higher interest costs. Higher bond yields will compete with stocks for investors' attention.

The stock market may provide a return of around six to nine percent, below the historical average, while a bond will find it hard to return more than its stated interest rate (or "coupon"). Among stocks, quality dividend-paying securities probably have an advantage over growth stories.

If stocks and bonds are going to be at a disadvantage, where can an investor look for opportunities?

Consider asset-based investments.

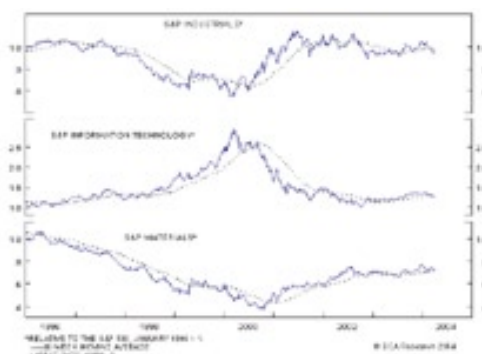
One answer can be asset-based investments such as commodities, material stocks, and certain types of real estate. These tend to perform well in reflationary times. For instance, university endowments for institutions such as Yale, and Davidson College closer to home, have prospered despite tough conditions in recent years. Thoughtful allocations to real investments such as oil, gas and other commodity-based investments such as timber and real estate have made the difference.

Until recently, investing in such asset classes was almost the exclusive province of endowments and large pension funds. Smaller investors were effectively shut out because they could not create large enough pools of money to access professional management at a reasonable cost. Today, however, certain exchange-traded funds and other vehicles have made real-value investing accessible to small investors at lower costs.

Circumstances drive decisions.

The Yale Endowment currently allocates about 20 percent of its portfolio to real-value investments. The question is, how much should an individual investor allocate to these inflation hedges? This is a function of each investor's specific circumstances.

However, for all clients who have given us asset allocation responsibilities, we are at least considering real-value investments for their portfolios.



The materials sector of the S&P 500 has outperformed the technology sector since the bursting of the tech bubble.



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List *(continued from page 1)*

Of the companies ranked within the top 100 of the Bloomberg list, Altavista and only nine others had assets under management of between \$50 million and \$99 million. All others had assets under management of at least \$100 million, topping out at more than \$4 billion.

“This ranking speaks volumes,” says Akers. “We are small enough to deliver individualized attention to each and every client’s portfolio regardless of value, and have earned the trust of clients with very high net worth who could have chosen much larger firms,” he says. “That trust has been earned by experience, and by performance.”

Outlook *(continued from page 2)*

to continue with only minor periodic setbacks, putting pressure on the price of basic materials and certain commodities. An emphasis on commodities, either through materials stocks or through managed commodity funds, should be a good diversifier in a long-term portfolio.

*The Altavista Investment Team
Fall 2004*

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, LLC. 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, LLC, all rights reserved.

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