



**WHM Capital Advisors
Mid-4th Quarter 2008 Client Report
Investment Commentary**

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<i>Index Performance:</i>	<i>Index</i>	<i>4th Quarter-to Date</i>	<i>YTD 08</i>	<i>12 mth</i>
<i>Dow Jones Industrial Average</i>	<i>8046.42</i>	<i>-25.84%</i>	<i>-39.34%</i>	<i>-37.13%</i>
<i>Standard & Poor's 500</i>	<i>800.03</i>	<i>-31.31%</i>	<i>-45.52%</i>	<i>-43.53%</i>
<i>Salomon Bros Govt/Corp Bond</i>	<i>1013.001</i>	<i>1.04%</i>	<i>1.21%</i>	<i>1.46%</i>

Complete WHM Capital Advisors Composite Data is available by contacting the firm.

"Trials of many kinds"

With less than 6 weeks until the end of the year, there seems to be a high level of desire to get the books closed on 2008 in hope that 2009 brings brighter news for the economy. Given the state of the world economy and financial markets, we are publishing an interim commentary for the 4th Quarter 2008 to discuss the current situation.

Even as commodity prices have fallen drastically over the last 3 months, meaning that consumers and businesses are paying less for fuel and energy, it is unlikely to have the positive effect that one might expect, or at least not to the same degree. One of the major concerns over the rapid decline in commodity prices is deflation; a situation in which prices throughout the economy fall rather than rise over time. Why is this bad? If corporations cannot grow through price increases on goods and services over time, then they are likely to stop producing those goods and services. In particular, this is economically bad if those businesses have debt funding their operations since the interest costs on debt are a flat cost that must be paid even if prices fall; meaning that companies may file bankruptcy rather than continue to produce at lower prices.

One recent indicator of deflationary risk is the split between gold and oil prices. Typically, gold prices would fall with oil since gold is a commodity that rises in price with economic risk. If oil prices fall it would tend to be good for the economy. With gold rising in spite of oil prices falling, it sends a negative signal on the economic future.

Housing continues to be a major concern as well. While falling fuel prices can help consumers, their ability to purchase goods and services has eroded along with the ability to tap home equity for spending. Homes in some markets are worth less than the mortgage and increases in defaults are sapping confidence of banks and consumers. Nationally, home prices are still at 3.25 times the median income, which is much higher than the historical average of 2.6 times. Obviously home prices have a way to go on the downside.



In spite of interest rate cuts by central banks worldwide the rates banks charge each other for interbank loans have been volatile, even as they have declined from peak levels. This volatility is another indicator of continuing perceptions of risk amongst financial institutions. The funding provided to banks by the U.S. Treasury Department has helped bank solvency, but has not been the economic stimulus some in government had hoped it would. Interestingly, financial stocks rally with every announcement of aid to companies in the financial services industry, but this cheery disposition seems to miss the long-term problem of having government ownership of financial corporations on borrowed money at taxpayer expense.

We have become increasingly concerned about the U.S. economy. Equity valuations may fall further from their current levels before we reach a point where risks have been fairly priced. We are updating client asset allocations to manage risks and will look to use cash for opportunities worldwide as they present themselves.

WHM Capital Advisors, LLC is a financial advisory and wealth strategies firm headquartered in Columbia, South Carolina, which specializes in valuing companies, designing exit strategies and managing portfolios for business owners. In addition, WHM Capital Advisors manages a select number of portfolios for high-net worth individuals, trusts, and foundations. The firm uses a diversified equity and fixed income strategy designed to meet the individual objectives of each client.

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