GHP Investment Advisors, Inc.

Quarterly NEWS

Fourth Quarter 2008

A Year-End Letter from Brian Friedman

Dear Investor,

January 2, 2009 marks my 10th anniversary with GHP Investment Advisors, Inc. (GHPIA). This past decade was one of the most volatile on record for all categories of investments including bonds, stocks, real estate and commodities.

My first year with GHPIA coincided with the final year of the dot.com bubble. Many of our clients will recall that we avoided significant exposure to internet and technology stocks during this period. To some this seemed foolish as the bubble reached ever higher heights. The subsequent crash and recovery, however, vindicated our conservatism.

One of the principles that guided our thinking (and continues to guide our decisions) during the bubble years was a disciplined focus on stock valuation ratios such as Price-to-Earnings (P/E), Price-to-Book Value (P/BV) or Price-to-Cash Flow (P/CF). The very high level of these ratios in 1999 helped us steer clear of internet and technology stocks and tilt our portfolios toward small cap stocks.

Of course, avoiding the internet bubble and other overvalued stocks did not prevent losses during the crash. This was particularly true in the aftermath of the September 11, 2001 terrorist attacks and the accounting scandals swirling around Enron, Worldcom and several other companies in 2001 and 2002. Similar to the current crisis, investors lost confidence in the very basic foundations of our financial system such as audited financial statements and mechanisms of corporate governance.

Although our portfolios declined during the 2000–2002 crash, their recoveries were robust as confidence in the financial markets was gradually restored. In other words, GHPIA portfolios recovered nicely despite the fact that internet and technology stocks never recovered. The long-term fundamentals of the stock market remained intact despite lost investor confidence in the short run.

Confidence in 2000–2002 was not restored automatically. Two elements were critical to financial and economic recovery during this period. The first was a gradual realization that only a small minority of public companies gamed the financial reporting system. To put it simply, there were only a few Enrons and Worldcoms, not a stock market filled with them. Secondly, Congress passed the Sarbanes–Oxley law regulating the accounting profession, corporate governance and corporate financial reporting. These two factors allowed investors to restore their gaze upon the basic fundamentals of investing such as earnings and balance sheets.

In the aftermath of the internet bubble's collapse, the economy turned downward. The Federal Reserve pushed short-term interest rates to very low levels. Alan Greenspan was concerned that a combination of a declining economy and low investor confidence would lead to a liquidity squeeze and deflation. To prevent this dire scenario the Fed lowered interest rates from 6.5% in 2000 to 1% by 2003 and held it at very low levels until late 2005.

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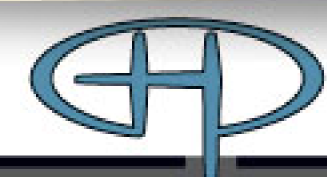


Rather than experiencing a dearth of liquidity, the Fed created a liquidity bubble. This time the funds were channeled into real estate and commodities rather than technology investments. Once again we stuck to our risk disciplines. As valuations in the real estate and commodity areas rose, we reduced our exposure to these investments. Moreover, we follow a policy of avoiding significant leverage in our portfolios or investing in highly leveraged companies and sectors. We believe leverage multiplies investment returns during good times, but can lead to devastation in bad times (as it is now). Using leverage to try to "time" the economy or the market is a very risky investment strategy due to the inherent unpredictability of economic cycles. Moreover, leverage is easy to obtain in good times, but difficult to unwind in bad times. Lehman Brothers, Bear Stearns, AIG, Citigroup and Goldman Sachs should have known this very simple principle, but short-term greed clouded their judgment.

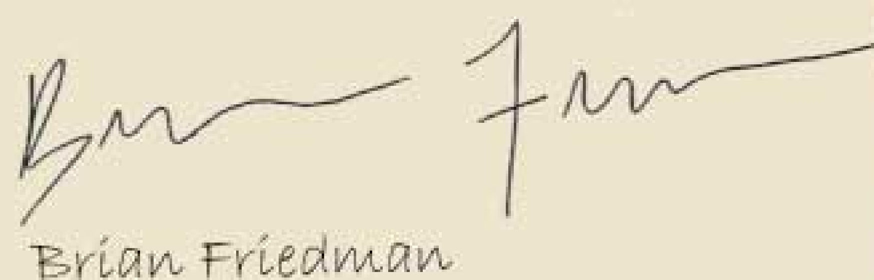
Despite our continued focus on risk factors such as valuation, leverage, operating risks, economic risks and other potential pitfalls in an investment portfolio, our client equity portfolios nonetheless declined during the broad based market debacle in October and November. We believe that this period of time will prove similar to our experience during the last crash from 2000 through 2002. Sure, our portfolios declined, but our portfolios are invested in areas with solid fundamentals and recoverable losses. We are not exposed in any significant way to the recent bubble areas such as real estate, commodities or highly leveraged financial institutions. These bubble sectors are unlikely to recover their losses as confidence is restored. In some cases, losses may continue even as other sectors recover.

Another similarity with the last crash will likely be the factors that lead to restored investor confidence. First, only a small fraction of financial institutions incurred large short-term liabilities that they invested in low quality, long-term assets. Our analysis of bank balance sheets indicates that most of the banking system will prove sound as the dust settles from this bank panic. Similar to the widespread fear regarding corporate accounting in the wake of the Enron and Worldcom scandals, only a small percentage of financial institutions will prove guilty of excessive leverage and lending stupidity. Second, the government will step in to regulate the abuses without destroying the system. This has always been the case with the long history of financial market regulation in the United States and I believe it will prove to be the case once again. Finally, the economy will get through the current recession (despite its severity) setting the stage for continued recovery, just as it did in 2001 and 2002.

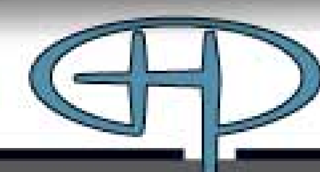
My entire career with GHP Investment Advisors has been devoted to improving our ability to analyze risk. We will continue to study and learn from recent market events to further refine our ability to analyze and manage risk. Despite this effort, however, it will continue to be a truism that the biggest risks will often be the unpredictable things we cannot know, rather than the much smaller number of things we can know and predict. This is an inherent characteristic of the future. It is unknowable until we get there. That is why investing always requires an element of faith.

We continue to believe that the future long-term trajectory of the American and global economies is toward continued growth. We believe that the current recession is just that–a recession, not the decline of the American empire, not the comeuppance of the American consumer, nor the humbling of the American financial elite. We certainly believe that recessions reign in excess, but that is true of every recession not just this one. We think that when 2009 comes to a close we will have seen significant improvements in the financial markets, the economy and everyone's mood.

Happy New Year!



Brian Friedman



Meet our new team members

In Spring 2008, the GHP Investment Advisors, Inc. team expanded to include three new employees: Mike Sullivan, Greg Nikolayevsky, and Chris Saliba. It is our pleasure to introduce these new team members and explain their roles.

Mike Sullivan joined GHPIA in April, 2008 as an Equities Trader and Junior Financial Planner and reports to Carin Wagner. Prior to this, Mike worked at Compass Brokerage as a Junior Broker. He brings eight years of investment experience to GHPIA. Mike earned his BA in Political Science from Colorado State University and has recently completed his Certified Financial Planner coursework from Boston University. He holds the Series 65 license.

Greg Nikolayevsky joined GHPIA in May, 2008 as an Investment Operations Analyst and Equities Trader. He reports to Carin Wagner. Greg has three years of experience in financial services and investments. Prior to GHPIA, Greg worked in equity compensation at Fidelity Investments as a member of Fidelity Stock Plan Services in Boston. Greg earned his MBA from Boston University in 2007, and a BS in Business Administration - Finance from the University of Colorado in 2003. Greg also holds the Series 65 license.

Chris Saliba joined GHPIA in May, 2008 as a Client Liaison and reports to Sommer Vincent. Chris is responsible for opening new accounts, handling money movements and other account related requests, and arranging portfolio reviews with Brian and Carin. Previous to his work here, Chris worked at RBC Wealth Management. Chris earned his BS in Business Administration - Finance from the University of Colorado in 2007. He holds the Series 65 license.

As for the rest of our team, our responsibilities have remained largely the same. Bob Hochstadt and Steve Levey are both involved in the financial planning process and business development. We are often able to leverage their CPA knowledge and expertise. In addition to running the firm, Brian Friedman oversees the investment process, including security selection and analysis. He also spends time with clients reviewing their portfolios. David May is responsible for managing the fixed income portfolios and compliance activities. Carin Wagner manages the trading team, the financial planning process, and also reviews portfolios with clients. Sommer Vincent oversees client relations and is responsible for gaining further insight into the lives of our clients.

It is our belief that the more you know about each of us and the roles we play, the easier it will be for you to connect with the right person when you have a particular question or issue. We also believe that in order to provide true wealth management we need a complete understanding of all that affects you financially. We gather this information during the financial planning process and throughout our relationship with you, but intend to make this a regular update. Over the course of 2009, please expect Sommer to reach out to each of you to gather pertinent financial information, such as balance sheet, tax, and income data, so that we are properly equipped to manage your portfolios.

Market Summary

Returns by Index

Index	Q4 2008	YTD
DJIA Total Return*	-18.39%	-31.93%
NASDAQ	-24.27%	-40.54%
S&P 500*	-21.94%	-36.99%
S&P 500/Citigroup Growth	-20.24%	-34.92%
S&P 500/Citigroup Value	-23.83%	-39.22%
S&P MidCap 400/Citigroup Growth	-26.01%	-37.61%
S&P MidCap 400/Citigroup Value	-25.13%	-34.88%
S&P SmallCap 600/Citigroup Growth	-25.91%	-32.95%
S&P SmallCap 600/Citigroup Value	-24.52%	-29.51%

DJIA & NASDAQ: Dow Jones Industrial Total Return & NASDAQ Composite. Provided by Thompson Financial Company as of 12/31/08

S&P Returns: Standard & Poors (January 2, 2009) Standard & Poor's Reports December 2008 Index Returns. Press Release.

**Dividends Reinvested.*

Market Summary

Key Financial Ratios for Domestic Asset Classes

Asset Class	2008:Q4 P/E	Benchmark	Over/Under Valuation	2008:Q4 P/B	Benchmark	Over/Under Valuation
Large-Cap Growth Stocks	12.34	27.0	-54.3%	2.48	5.7	-56.5%
Large-Cap Value Stocks	24.62	20.2	21.9%	1.37	2.5	-45.2%
Mid-Cap Growth Stocks	12.18	24.8	-50.9%	1.80	4.5	-60.0%
Mid-Cap Value Stocks	20.98	19.1	9.8%	1.14	2.2	-48.2%
Small-Cap Growth Stocks	14.55	23.2	-37.3%	1.61	3.5	-54.0%
Small-Cap Value Stocks	75.08	18.2	312.5%	1.04	2.1	-50.5%

**Please note that the P/E data reported above are based on "as reported" earnings information rather than "operating" earnings. "As reported" earnings include one time write-offs whereas "operating" earnings reflect the profitability of a company as a going concern. We believe P/E's based on operating earnings are a better long-term valuation indicator, but Standard and Poor's does not report this information for the style indexes used in our calculations. Amid economic recession, declining earnings impact price-related ratios and "as reported" earnings can be significantly lower than "operating" earnings (particularly in the Value segment of the market) due to large write-offs. As a result, the P/E ratios listed above are higher than they would be using "operating" earnings for the denominator. To address this issue we have included Price to Book Value (P/B) data, which are less affected by the impact of declining earnings and large write-offs.*

GHP Investment Advisors, Inc. benchmarks are based on proprietary discounted cash flow models. P/E and P/B data provided by Bloomberg L.P. as of 01/08/09.

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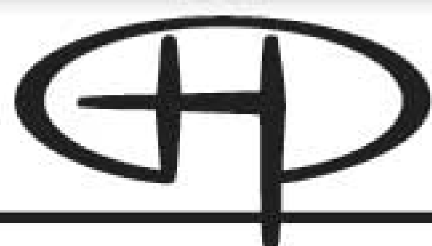

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