



June 2011 Capital Markets Review

INDEX	PERIOD ENDING JUNE 30, 2011					
	QTR	YTD	1 YR RETURN	3 YR RETURN	5 YR RETURN	10 YR RETURN
BROAD MARKET EQUITY						
S&P 500 Index	0.10%	6.02%	30.69%	3.34%	2.94%	2.72%
Russell 1000 Index	0.12%	6.37%	31.94%	3.68%	3.30%	3.21%
Russell 2000 Index	(1.61%)	6.21%	37.41%	7.77%	4.08%	6.27%
Russell 2000 Growth Index	(0.59%)	8.60%	43.50%	8.35%	5.79%	4.63%
Russell 2000 Value Index	(2.65%)	3.77%	31.35%	7.09%	2.24%	7.53%
NON-US DEVELOPED MARKETS EQUITY						
MSCI World Ex U.S.	0.86%	4.72%	30.33%	(1.56%)	2.02%	6.13%
EMERGING MARKETS EQUITY						
MSCI Emerging Markets Index	(2.11%)	(0.45%)	24.86%	1.78%	8.93%	13.51%
FIXED INCOME						
90 Day U.S. Treasury Bills	0.01%	0.04%	0.12%	0.29%	1.83%	2.04%
REAL ASSETS / NATURAL RESOURCES						
Dow Jones U.S. Select REIT	3.97%	10.93%	34.95%	4.72%	1.67%	10.53%
S&P North American Natural Resources Index	(6.34%)	5.62%	44.29%	(3.41%)	7.35%	11.42%

Commentary

- ❖ After a first quarter with very strong performance that continued into April, the U.S. equity market saw a sharp reversal in early May that lasted until the middle of June, as growing concerns about the economic recovery in the U.S. and the sovereign debt crisis in Europe led investors away from risky assets. However, the quarter ended with a very strong rally in the last week of June, as investors reacted positively to better-than-expected economic data in the U.S.
- ❖ Value stocks underperformed growth stocks in the second quarter in all market capitalization segments. Over the three-year period that ended in June, however, small cap stocks outperformed large cap stocks by 4.1 percent on an annualized basis.
- ❖ The developed international equity markets returned 1.6 percent in the quarter with returns in continental Europe and the UK leading the Asian markets. Performance across Developed Europe was marginally positive despite the ongoing fiscal concerns and significant negative market results in Greece. Developed Asia sold off nearly 3 percent with Japan and Australia posting the largest negative returns in the region for the quarter.
- ❖ The combined Emerging Markets trailed their developed counterparts as the Latin American and Eastern European regions each experienced losses greater than 5 percent for the quarter. China and India both posted losses amid continued inflation pressure and their respective governments' measures to control growth.
- ❖ Investors shifted toward the safety of high-quality Treasuries, agency mortgages and corporate securities in the quarter, resulting in positive returns in these segments of the

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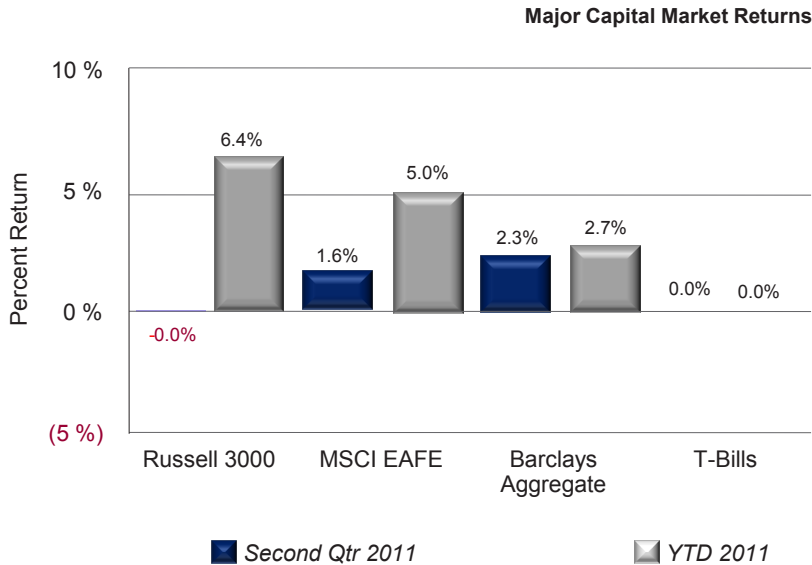
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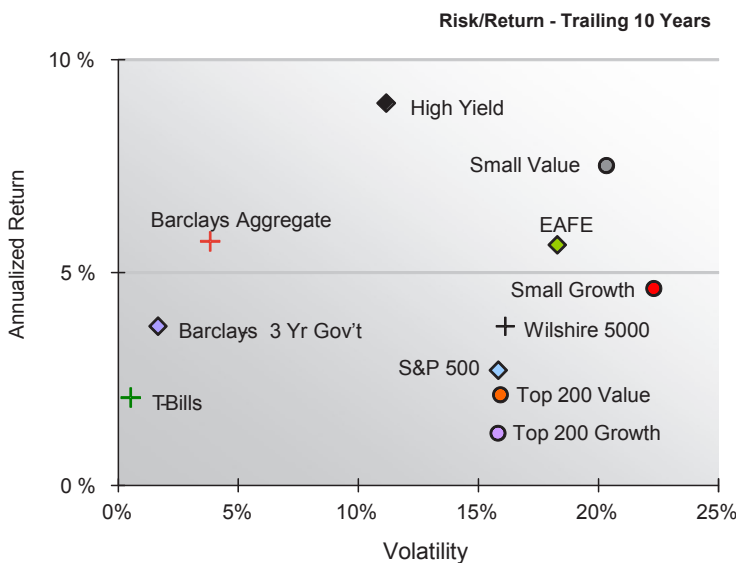
investment consulting.

fixed income market. Longer maturity Treasuries generated the best return despite numerous headwinds for U.S. government debt, including the pending conclusion of the Fed's latest round of monetary easing (QE2), a continued impasse over the government debt ceiling, and a lowered outlook on U.S. debt by Standard & Poor's.

- ❖ High yield bonds earned a positive return in the quarter, but trailed their higher-quality counterparts as increased risk aversion limited gains in this segment of the market. Investment grade and high corporate yield debt continued to receive support from better corporate earnings, stronger balance sheets, and lower expected downgrades and defaults.
- ❖ Government bonds outside of the U.S. remained positive in local currency terms, although European issues were negatively impacted by increased concerns of defaults by Greece, Ireland, and Portugal. In U.S. dollar terms, however, non-U.S. government bond returns were lifted by the lower value of the U.S. dollar in the period.



Note: Note: The following indices represent the returns of the asset classes within the above chart: U.S. Stocks – Russell 3000, Non-U.S. Stocks – MSCI EAFE, Fixed Income – Barclays Aggregate, and U.S. Treasury Bills



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