



## September 2011 Capital Markets Review

INDEX	PERIOD ENDING SEPTEMBER 30, 2011					
	QTR	YTD	1 YR RETURN	3 YR RETURN	5 YR RETURN	10 YR RETURN
<b>BROAD MARKET EQUITY</b>						
S&P 500 Index	(13.87%)	(8.68%)	1.14%	1.23%	(1.18%)	2.82%
Russell 1000 Index	(14.68%)	(9.25%)	0.91%	1.61%	(0.91%)	3.28%
Russell 2000 Index	(21.87%)	(17.02%)	(3.53%)	(0.37%)	(1.02%)	6.12%
Russell 2000 Growth Index	(22.25%)	(15.57%)	(1.12%)	2.07%	0.96%	5.45%
Russell 2000 Value Index	(21.48%)	(18.51%)	(5.99%)	(2.78%)	(3.08%)	6.47%
<b>NON-US DEVELOPED MARKETS EQUITY</b>						
MSCI World Ex U.S.	(19.01%)	(15.19%)	(9.11%)	(0.88%)	(2.90%)	5.50%
<b>EMERGING MARKETS EQUITY</b>						
MSCI Emerging Markets Index	(23.19%)	(23.53%)	(18.14%)	3.81%	2.50%	13.35%
<b>FIXED INCOME</b>						
90 Day U.S. Treasury Bills	0.01%	0.05%	0.09%	0.15%	1.57%	1.96%
<b>REAL ASSETS / NATURAL RESOURCES</b>						
Dow Jones U.S. Select REIT	(14.54%)	(5.20%)	1.87%	(2.16%)	(3.18%)	9.08%
S&P North American Natural Resources Index	(23.22%)	(18.90%)	(1.63%)	(0.65%)	3.18%	10.10%

### Commentary

- ❖ Equity markets around the world had their worst quarter since the end of 2008, as investors reacted negatively to the sovereign debt problems in Europe, the budget stalemate in the U.S., and poor economic data in most developed countries and in some large emerging countries such as China. The broad U.S. market lost over 15 percent.
- ❖ In U.S. dollar terms, the overall performance in other developed markets was even worse, but that performance differential with the U.S. was entirely due to currency fluctuations. In local currency, developed markets as a whole performed on par with the U.S. As in most of the past few quarters, there was much dispersion in performance at the individual country level. Greece, which remains at the center of Europe's sovereign-debt woes, was by far the worst performer. At the other end of the spectrum, Japan—whose dollar-denominated returns greatly benefited from the strength of the yen—and New Zealand were the top performers. The U.S. dollar gained ground against most major currencies except the yen, which hurt the dollar-denominated returns of developed market equities.
- ❖ In U.S. dollar terms, emerging markets had sharply negative returns and trailed developed markets. In local currency, however, emerging markets as a whole had similar performance to developed markets. As in developed markets, there was much dispersion in the performance of different emerging markets. Peru and some of the smaller emerging markets in Asia did relatively well. On the other hand, Russia and other European markets were among the worst performers. The U.S. dollar also gained ground against the main emerging market currencies, which contributed negatively to the dollar-denominated returns of emerging market equities.

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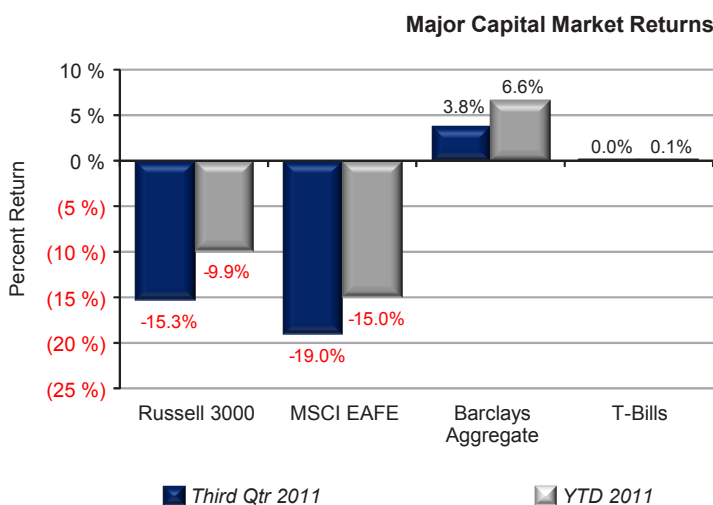
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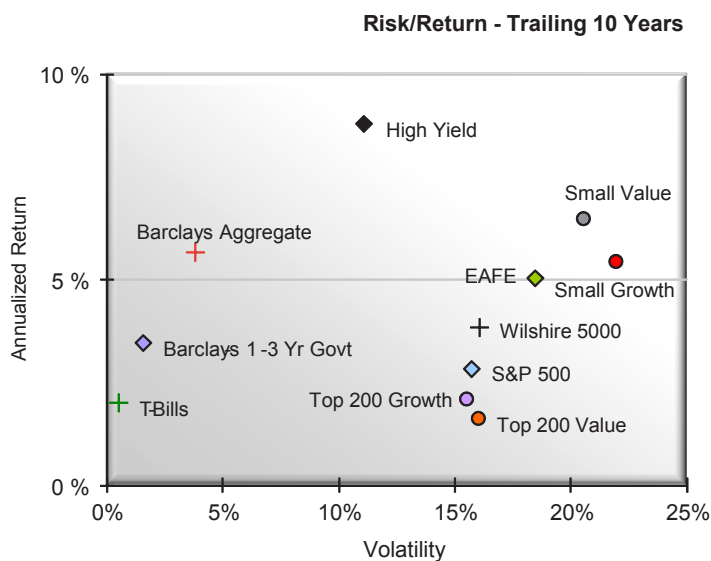
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- ❖ Value stocks had mixed performance relative to growth stocks. In the U.S., small value outperformed small growth, but large value greatly underperformed large growth. In other developed markets, value stocks trailed growth stocks across all market capitalization segments. In emerging markets, value outperformed growth across all market capitalization segments. Along the market capitalization dimension, small caps greatly underperformed large caps in the U.S. and in emerging markets, but not in developed markets outside the U.S.
- ❖ Most fixed income securities had excellent returns, especially short-term U.S. government securities, which greatly benefited from the flight to quality, and inflation-protected securities.
- ❖ Real estate securities had poor returns but good performance relative to other equity asset classes.



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



## For More Information

For more information on the services offered by M Wealth, please contact:

JoNell Hermanson  
503.414.7310  
jonell.hermanson@mfin.com

Erik Bjorvik  
503.414.7656  
erik.bjorvik@mfin.com

Andrew Brigham  
307.733.3759  
andrew.brigham@mfin.com

Luan Dollens  
503.414.7544  
luan.dollens@mfin.com

Michael Skourtes  
503.414.7572  
michael.skourtes@mfin.com

Bryce Stadick  
503.414.7598  
bryce.stadick@mfin.com

Amy Ellingson  
503.414.7698  
amy.ellingson@mfin.com

or visit the M Wealth website at:

[www.mfinwealth.com](http://www.mfinwealth.com)

M Financial Wealth Management  
1125 NW Couch Street, Suite 900  
Portland, OR 97209  
800.508.1820  
[www.mfinwealth.com](http://www.mfinwealth.com)