



September 2009 Capital Markets Review

M Wealth provides Member Firms with exceptional fee-based wealth management solutions for their clients.

To help Member Firms grow their wealth management businesses, M Wealth offers everything from component solutions and value-added wealth services to turnkey asset management and investment consulting.

INDEX	PERIOD ENDING SEPTEMBER 30, 2009					
	QTR	YTD	1 YR RETURN	3 YR RETURN	5 YR RETURN	10 YR RETURN
BROAD MARKET EQUITY						
S&P 500 Index	15.61%	19.26%	(6.91%)	(5.43%)	1.02%	(0.15%)
Russell 1000 Index	16.07%	21.08%	(6.14%)	(5.10%)	1.49%	0.41%
Russell 2000 Index	19.28%	22.43%	(9.55%)	(4.57%)	2.41%	4.88%
Russell 2000 Growth Index	15.95%	29.12%	(6.32%)	(2.60%)	2.91%	1.10%
Russell 2000 Value Index	22.71%	16.36%	(12.61%)	(6.65%)	1.78%	8.05%
NON-US DEVELOPED MARKETS EQUITY						
MSCI World Ex US	19.36%	30.49%	2.89%	(3.03%)	6.53%	3.00%
EMERGING MARKETS EQUITY						
MSCI Emerging Markets Index	20.07%	61.20%	16.15%	5.51%	14.52%	8.86%
FIXED INCOME						
90 Day US Treasury Bills	0.04%	0.15%	0.24%	2.56%	3.05%	3.01%
REAL ASSETS / COMMODITIES						
Wilshire REIT Index	35.44%	17.65%	(29.35%)	(13.74%)	1.15%	9.72%

Commentary

- ❖ Not even September could stop this fast-forward bull market. Historically, September is notorious as the worst month for stocks, which have lost on average more than 1% during the month. But this stock market, as represented by the S&P 500 Index, raced ahead by 3.73% in the month – the seventh straight month of gains. Altogether, the S&P 500 has soared about 56% since the market bottom on March 9 and is up 19.26% for the year-to-date.
- ❖ The broad US equity market returned 16% during the quarter as investors shrugged off lingering negative economic data and eyed an eventual return to economic and corporate earnings growth. Investors favored value stocks in the period, particularly among mid- and small-capitalization names, as valuations among growth stocks reached levels more in line with earnings growth expectations. A number of deep value stocks, however, continued to display attractive valuations. For the year-to-date period, growth stocks maintained a premium to value stocks based on the stronger demand in the second quarter for companies with higher-quality and more predictable earnings growth.
- ❖ International equity markets posted an impressive gain for the quarter, returning nearly 20% and boosting year-to-date results to just short of 30%. Investors remained encouraged by a global commitment from the G-20 nations to maintain economic stimulus until stabilization is secured. Emerging markets performed in line with their developed counterparts for the quarter as fund flows into non-US markets remained strong.

For More Information

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- ❖ The tone to the US fixed income markets remained positive during the quarter due to the effectiveness of a number of the government's stimulus measures aimed at returning the mortgage and credit markets to more normal operations. While initial discussions regarding exit strategies from several of the programs have already begun, some investors remain cautious of the impact of the government's near-term wholesale withdrawal. Heavy demand for high-yield and emerging market debt continued throughout the quarter as investors continued to search for attractive yields over Treasury securities. Similar to last quarter, the lowest quality segment of the high-yield credit market was the strongest performing market segment for the third quarter, returning nearly 35% and elevating year-to-date results above 100%.
- ❖ The maintenance of near zero short-term interest rates by the Fed, along with speculation that other currencies may be considered as a base for oil trading, continued to put pressure on the dollar during the third quarter. The dollar weakness translated into strong demand for gold, which traded upwards of \$1,000 per ounce during the period. Oil ended the quarter just below \$71, down from \$72 at the close of the previous quarter, with volatile price swings over the period as investors weighed the long-term supply picture versus the near-term drop in demand accompanying the soft economy.

