M Financial Wealth Management™

M WEALTH PERSPECTIVE

October 2010

September 2010 Capital Markets Review

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

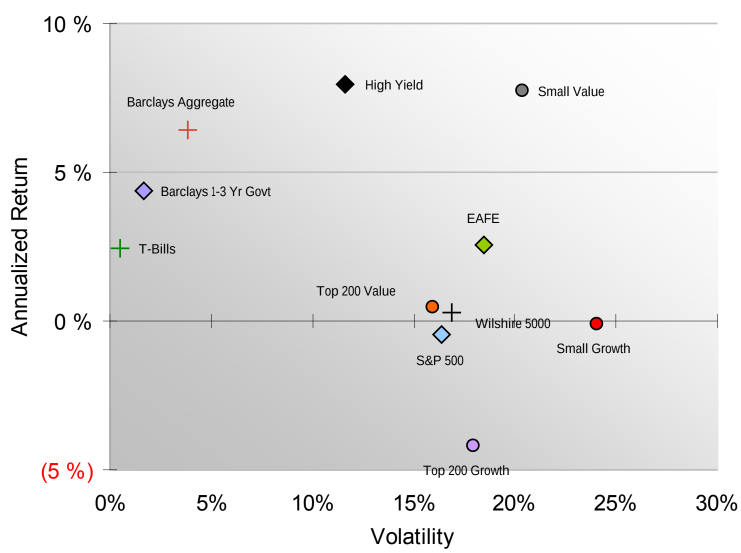
To help Member Firms grow their wealth management businesses, M Wealth offers everything from component solutions and value-added wealth services to turnkey asset management and investment consulting.

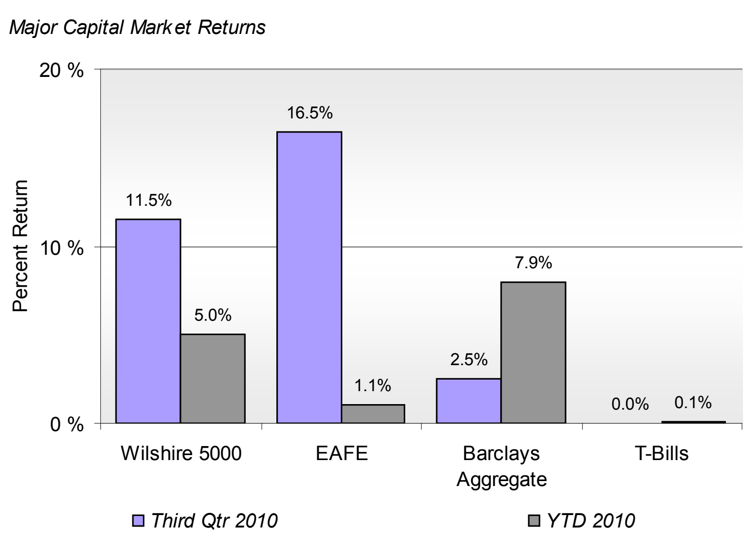
INDEX			PERIOD ENDING SEPTEMBER 30, 2010			
BROAD MARKET EQUITY	QTR	YTD	1 YR RETURN	3 YR RETURN	5 YR RETURN	10 YR RETURN
S&P 500 Index	11.29%	3.89%	10.16%	(7.16%)	0.64%	(0.43%)
Russell 1000 Index	11.55%	4.42%	10.75%	(6.79%)	0.86%	(0.21%)
Russell 2000 Index	11.29%	9.12%	13.35%	(4.29%)	1.60%	4.00%
Russell 2000 Growth Index	12.83%	10.23%	14.79%	(3.75%)	2.35%	(0.13%)
Russell 2000 Value Index	9.72%	7.92%	11.84%	(4.99%)	0.73%	7.72%
NON-US DEVELOPED MARKETS EQUITY	QTR	YTD	1 YR RETURN	3 YR RETURN	5 YR RETURN	10 YR RETURN
MSCI World Ex U.S.	16.14%	1.67%	4.14%	(8.96%)	2.42%	2.89%
EMERGING MARKETS EQUITY	QTR	YTD	1 YR RETURN	3 YR RETURN	5 YR RETURN	10 YR RETURN
MSCI Emerging Markets Index	17.16%	8.70%	17.67%	(3.72%)	10.22%	10.79%
FIXED INCOME	QTR	YTD	1 YR RETURN	3 YR RETURN	5 YR RETURN	10 YR RETURN
90 Day U.S. Treasury Bills	0.04%	0.10%	0.12%	0.90%	2.50%	2.43%
REAL ASSETS / NATURAL RESOURCES	QTR	YTD	1 YR RETURN	3 YR RETURN	5 YR RETURN	10 YR RETURN
Dow Jones U.S. Select REIT	13.22%	19.20%	30.14%	(6.98%)	1.36%	10.12%
S&P North American Natural Resources Index	12.63%	2.13%	8.87%	(5.48%)	4.24%	8.29%

Commentary

- The US equity market rebounded strongly in the third quarter. The market's movement for the quarter was accompanied by lower volatility, evidenced by a 30% decline in the CBOE Volatility Index. While economic data in the US remained a central concern during the market's loss in August, the Federal Reserve's pledge to purchase additional assets to avoid a double dip recession restored investor confidence in September. Market participants were further encouraged by corporate cash utilization to reduce debt, repurchase shares, raise dividends, increase capital expenditures, and make acquisitions.
- The developed international equity markets trailed their US counterparts on a local-currency basis during the quarter, but outperformed on a dollar-denominated basis due to the broad-based decline in the value of the US dollar. Local currency returns in developed Europe were nonetheless favorable on an absolute basis despite the lack of near-term resolution of the region's budgetary and debt burdens. Investors in Japan, however, remained concerned about the Bank of Japan's belated efforts to stimulate the country's economy.
- The US fixed income market returned 2.5% for the quarter, but trailed the other major asset classes. While valuations improved across most major segments of the market for the quarter, longer-term Treasury and agency mortgage yields increased in September as improved investor risk appetites prompted flows from these high-quality segments of the market into higher-yielding securities.
- The US stock market advanced during the third quarter as strong returns in July and September more than offset the decline in August. While investors have only expected mediocre near-term economic growth, consensus has tended toward the notion that growth will continue and that a double-dip recession is becoming less likely.

- Developed international equity markets earned exceptionally strong returns during the quarter as a concerted effort across Developed Europe to deal with the budget crises of the PIIGS regions (Portugal, Italy, Ireland, Greece, and Spain) sustained investor confidence. Ireland was the only developed European market to earn a negative return in local currency terms in the quarter as expectations surfaced that the country may need to tap a portion of the €750 billion rescue fund established by the European Union and International Monetary Fund.
- The combined Emerging Markets outperformed their developed counterparts in both local and US dollar terms for the quarter as investors continued to pay a premium for the economic decoupling of many of these countries from the developed economies.
- The aggregate fixed income market returned 2.5% for the quarter led by the performance of corporate spread product and Treasuries at the longer end of the yield curve. Increased investor risk taking toward the end of the quarter, however, translated into valuation compression for higher-quality securities as investors shifted capital to higher-yielding segments of the market.
- As a whole, the yield curve shifted lower in the quarter as continued economic concerns prompted the Federal Reserve to pledge additional asset purchases (quantitative easing) in order to stimulate the economy.





For More Information

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