

## June 2014 Capital Markets Review

FINANCIAL CONCEPTS INC provides sophisticated insurance and wealth management services to families, business owners, corporate executives, professionals, and other successful high income and high net worth individuals. Our team of professionals utilizes a customized process of defining, understanding, researching, evaluating, and informing our clients of innovative and uniquely integrated solutions tailored to their diverse financial goals. Our desire is to help make the otherwise complex, more understandable as it applies to your unique situation.

INDEX	PERIOD ENDING JUNE 30, 2014					
U.S. EQUITY MARKETS	QTR	YTD	1 YR RETURN	3 YR RETURN	5 YR RETURN	10 YR RETURN
S&P 500 Index	5.23%	7.14%	24.61%	16.59%	18.83%	7.78%
Russell 3000	4.87%	6.94%	25.22%	16.46%	19.33%	8.23%
Russell 1000	5.12%	7.27%	25.35%	16.63%	19.25%	8.19%
Russell 1000 Value	5.10%	8.28%	23.81%	16.92%	19.23%	8.03%
Russell 2000	2.05%	3.19%	23.64%	14.57%	20.21%	8.70%
Russell 2000 Value	2.38%	4.20%	22.54%	14.65%	19.88%	8.24%
NON-U.S. EQUITY MARKETS						
MSCI ACWI Ex US	4.62%	5.40%	23.83%	7.58%	11.67%	7.18%
MSCI Emerging Markets	6.60%	6.14%	14.31%	-0.39%	9.24%	11.94%
FIXED INCOME						
Barclays Aggregate Bond	2.05%	3.93%	4.37%	3.67%	4.85%	4.93%
Barclays Municipal Bond 3 Year	0.71%	1.04%	2.42%	1.83%	2.45%	3.17%
Barclays US TIPS	3.81%	5.83%	4.44%	3.55%	5.55%	5.25%
REAL ASSETS/NATURAL RESOURCES						
DJ US Select REIT	7.15%	18.24%	13.27%	11.39%	23.76%	9.41%
S&P North American Natural Resources	13.37%	16.43%	33.14%	6.73%	14.76%	12.01%

### Commentary

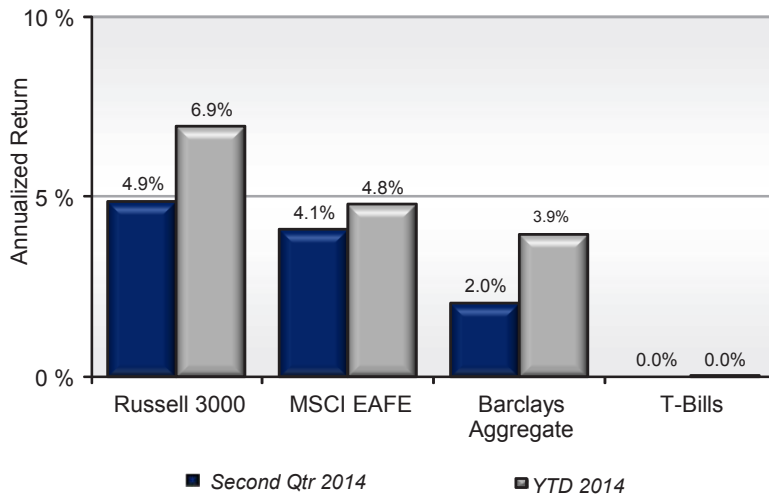
- ❖ The U.S. equity market posted its eighth consecutive quarterly gain, returning 4.9% in the second quarter. The bellwether Dow Jones Industrial Average advanced into record territory, ending the period slightly below 17,000. Investors looked past a revised lower first quarter GDP reading, attributing those results to harsh winter weather, and reacted to more promising second quarter data. Improved existing home sales, better than expected corporate earnings, and a healthy uptick in merger, acquisition and IPO activities all supported valuations in the period.
- ❖ Large-cap stocks outperformed small-cap issues by 3.2 percentage points in the quarter, expanding the year-to-date performance advantage to nearly 4.0 percentage points. In addition to recent investor preference for lower-beta, higher quality stocks, the large-cap segment's higher allocation to energy issues and lower allocation to financial issues contributed to the performance differential for the quarter. Value and growth stocks, on a broad basis, performed in line for the quarter. Among small-cap issues, value provided a premium over growth.
- ❖ The investment grade U.S. fixed income market posted a 2.0% return in the quarter as interest rate concerns moderated in the period. While the Federal Reserve's program for tapering monthly bond purchases continued as planned, Fed Chair Janet Yellen reiterated that the policy for short-term interest rates would likely remain accommodative through 2015. Longer duration securities outperformed shorter duration issues in the period, while most spread sectors along the maturity curve outperformed comparable



Treasuries. Long-term TIPS and emerging market bonds (in US dollar terms) were the top performing market segments, each returning more than 5% in the quarter.

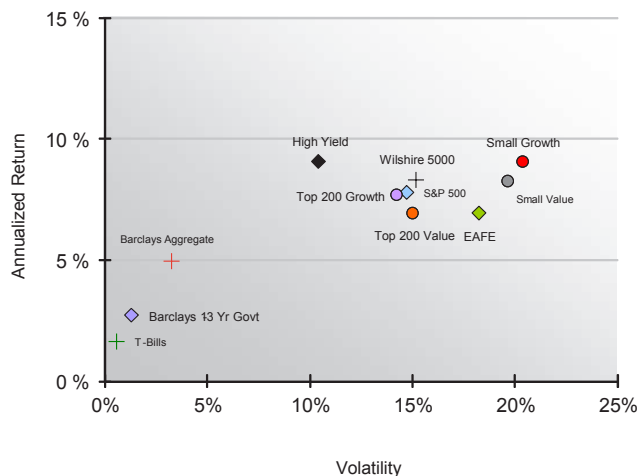
- ❖ U.S. TIPS outperformed their nominal Treasury counterparts as inflation expectations increased. Long-term U.S. TIPS performed near the top of all fixed income markets in the quarter, returning 6.4%. The breakeven inflation rate implied in 10-year US TIPS ended the quarter at 2.26%, up from 2.13% at the end of the prior quarter. The latest realized CPI reading was 2.1%, up from 1.5% at the end of the prior quarter.
- ❖ The international equity markets kept pace with the U.S., returning 5.0% in the quarter. Results within the emerging markets led the way as investors capitalized on attractive valuations following the prior-quarter sell off. Within developed Europe, investors were encouraged by the European Central Bank's decision to set the overnight reserve deposit rate to -0.10% in order to promote lending and economic stimulus. Japanese exports improved in the quarter, despite a stronger yen, while better expectations for business spending reassured investors in the region. The dollar ended the quarter marginally lower versus a basket of major currencies, resulting in a 1.0 percentage point advantage for U.S. dollar based investors in the broad international equity markets.

**Major Capital Market Returns**



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

**Risk/Return - Trailing 10 Years**



Source of statistics not otherwise specifically cited within this newsletter: Strategic Capital Investment Advisors

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