FINANCIAL CONCEPTS INC
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Executive Compensation ▪ Succession ▪ Wealth Transfer Planning

M WEALTH PERSPECTIVE

October 2013

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.

September 2013 Capital Markets Review

INDEX			PERIOD ENDING SEPTEMBER 30, 2013			
BROAD MARKET EQUITY	QTR	YTD	1 YR RETURN	3 YR RETURN	5 YR RETURN	10 YR RETURN
S&P 500 Index	5.25%	19.79%	19.34%	16.27%	10.02%	7.57%
Russell 1000 Index	6.02%	20.76%	20.91%	16.64%	10.53%	7.98%
Russell 2000 Index	10.21%	27.69%	30.06%	18.29%	11.15%	9.64%
Russell 2000 Growth Index	12.80%	32.48%	33.07%	19.96%	13.17%	9.85%
Russell 2000 Value Index	7.59%	23.07%	27.04%	16.57%	9.13%	9.29%
NON-U.S. DEVELOPED MARKETS EQUITY						
MSCI World Ex U.S.	11.31%	14.66%	21.45%	7.89%	6.12%	8.18%
EMERGING MARKETS EQUITY						
MSCI Emerging Markets Index	5.77%	-4.35%	0.98%	-0.33%	7.22%	12.80%
FIXED INCOME						
90 Day U.S. Treasury Bills	0.01%	0.05%	0.07%	0.08%	0.12%	1.67%
REAL ASSETS / NATURAL RESOURCES						
Dow Jones U.S. Select REIT	-3.15%	2.33%	4.70%	12.09%	5.30%	9.29%
S&P North American Natural Resources Index	8.64%	10.67%	7.25%	8.32%	4.85%	12.55%

Commentary

- The U.S. equity market returned 6.4% in the third quarter supported by a better-than expected second quarter GDP estimate, an improvement in new home sales, and softer language from the Federal Reserve regarding the tapering of monetary stimulus. The withdrawal of Larry Summers for consideration as the next Fed Chair, and the prospect that stimulus proponent Janet Yellin is the likely candidate for the position, also reassured market participants. The market experienced a brief pullback in August, however, as investors responded to news of chemical attacks by the Assad regime in Syria, and a possible U.S. military response. Selling occurred again in late September in reaction to the pending debt ceiling debate, looming government shutdown, and the related clash in Congress over the Affordable Care Act.
- Small-cap stocks significantly outperformed mid- and large-cap issues in the quarter as the prospects for economic growth and favorable earnings prompted higher valuations.
- Growth stocks outperformed value issues by a wide margin as investors shifted away from higher dividend yield value stocks with concerns for rising interest rates. A favorable earnings season in the second quarter also provided support for growth.
- The international equity markets generated a 10.1% return for the quarter, in U.S. dollar terms, led by strong results in the developed markets. A weaker U.S. dollar in the period added to the results of dollar-based investors. Europe was the top performing region (+13.7% U.S.D) as the OECD signaled stronger growth in the region. The developed Asian markets returned 6.0% on a U.S. dollar basis, as Japanese Prime Minister Abe's agenda for economic growth advanced with popular support in the region. The emerging markets recovered a portion of losses from the previous two quarters, but underperformed

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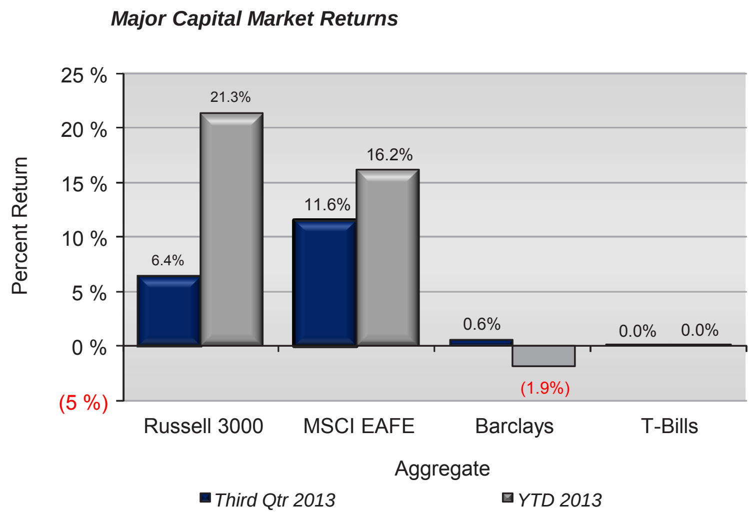
their developed market counterparts. Emerging Europe was the top performing region, influenced by the strong results of their developed European counterparts.

- The investment grade U.S. fixed income market generated a 0.6% return in the quarter, led by the credit and mortgage sectors. Government bonds earned slightly positive returns despite a modest increase in the benchmark 10-year yield in the quarter. High yield bonds posted a 2.3% return in the quarter, although the lowest quality segment of the market declined by 5.0%. Non-U.S. government bonds outperformed their U.S. counterparts by 4.0 percentage points in U.S. dollar terms. Emerging market bonds trailed their developed counterparts, but marginally outperformed U.S. government bonds.

- Mixed signals from the Federal Reserve—regarding the timing and the pace of the tapering of monetary stimulus—caused interest rate volatility to spike in the quarter. The rate on the 10-year treasury peaked at 2.98% in the period, but subsequently retreated to 2.62% by the end of the quarter. The yield curve ended the quarter steeper, however, resulting in longer-term Treasuries declining by more than 2.0%.



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

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

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