

March 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.

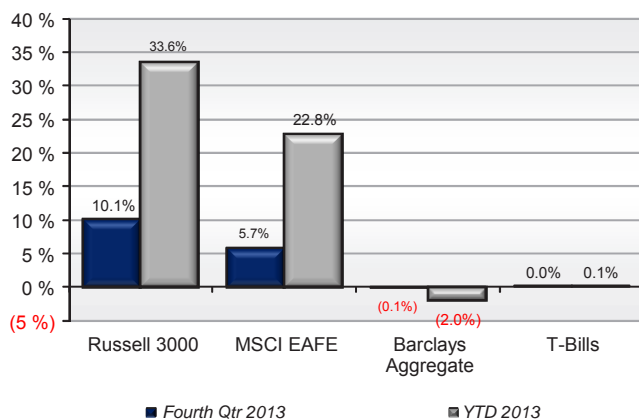
INDEX			PERIOD ENDING MARCH 31, 2014			
U.S. EQUITY MARKETS	QTR	YTD	1 YR RETURN	3 YR RETURN	5 YR RETURN	10 YR RETURN
S&P 500 Index	1.81%	1.81%	21.86%	14.66%	21.16%	7.42%
Russell 3000	1.97%	1.97%	22.61%	14.61%	21.93%	7.86%
Russell 1000	2.05%	2.05%	22.41%	14.75%	21.73%	7.80%
Russell 1000 Value	3.02%	3.02%	21.57%	14.80%	21.75%	7.58%
Russell 2000	1.12%	1.12%	24.90%	13.18%	24.31%	8.53%
Russell 2000 Value	1.78%	1.78%	22.65%	12.74%	23.33%	8.07%
NON-U.S. EQUITY MARKETS						
MSCI ACWI Ex US	0.75%	0.75%	16.46%	6.27%	15.88%	6.71%
MSCI Emerging Markets	-0.43%	-0.43%	-1.43%	-2.86%	14.48%	10.11%
FIXED INCOME						
Barclays Aggregate Bond	1.84%	1.84%	-0.10%	3.75%	4.80%	4.46%
Barclays Municipal Bond 3 Year	3.32%	3.32%	0.39%	5.79%	5.71%	4.45%
Barclays US TIPS	1.95%	1.95%	-6.49%	3.50%	4.91%	4.53%
REAL ASSETS/NATURAL RESOURCES						
DJ US Select REIT	10.35%	10.35%	4.35%	10.27%	28.92%	8.05%
S&P North American Natural Resources	2.70%	2.70%	11.63%	0.15%	15.73%	11.10%

Commentary

- ❖ The U.S. equity market generated its seventh straight positive quarterly return, advancing 2.0% in the first quarter, although accompanied by a heightened level of volatility. The quarter started off on a weak note as investors responded to softer economic data, valuation concerns and continued emerging market volatility. The trend reversed for the remainder of the quarter, however, with stocks advancing near record highs on a more accommodative tone from the Federal Reserve, favorable corporate earnings, and a surge in IPOs, mergers, and acquisitions.
- ❖ The international equity markets posted a modest 0.5% return in the quarter as strong results within developed Europe were offset by weak performance in Japan and the emerging markets. The developed international equity markets posted a 0.7% return in the quarter, in U.S. dollar terms, as favorable performance in Continental Europe and Asia ex-Japan offset negative results within Japan and the U.K.. The 3.5% return within Continental Europe was supported by expectations of further stimulative measures by the European Central Bank following weaker-than-expected inflation data. The peripheral countries, as a group, outperformed Core Europe with Italy, Ireland and Portugal each posting local currency returns between 10.0% to 15.0%. Germany declined 0.4% on a local currency basis in the quarter as the prospect of economic sanctions on Russia caused unease over the possible economic impact of a retaliatory cut in the supply of Russian oil to Germany. The U.S. dollar was little changed versus the Euro in the quarter and had a minimal impact on the differential between U.S. dollar and Euro based returns.

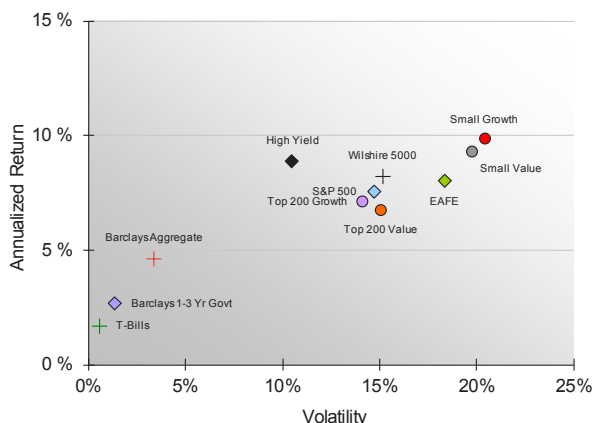
- ❖ The emerging markets extended their sell off in the quarter, although a rebound in March limited the quarterly loss to only 0.4%. Unrest in the Ukraine, and Crimean region's ultimate decision to secede and join Russia, dominated headlines in the quarter and elevated volatility in the emerging markets. Continued concerns over slower economic growth in China also weighed on emerging market results in the quarter. Significantly discounted valuations, however, lured investors back into the emerging markets in March, limiting the quarterly loss to 0.4%. Results within developed Europe were supported by expectations of further stimulative measures by the European Central Bank following weaker than expected inflation data. Stocks in Japan declined 5.5% in the quarter as investors priced in a potential negative economic impact from a pending 3.0% consumption tax increase.
- ❖ Long-term Treasury securities rallied in the quarter with the yields on 10- and 30-year bonds declining 0.3 and 0.4 percentage points, respectively. Milder economic data prompted language from the Federal Reserve signifying that the target Federal Fund's Rate would remain unchanged for a considerable period after the conclusion of quantitative easing, which is not expected until 2015. A flight to safety in January also supported the long-bond's rise for the quarter. Short and intermediate Treasury yields were little changed in the period.
- ❖ U.S. TIPS posted positive results in the quarter, but lagged their nominal Treasury counterparts. The breakeven inflation rate implied in 10-year TIPS declined to 2.13% at the end of the quarter from 2.24% at the end of 2013. The latest realized CPI reading was 1.1%, down from 1.5% at the end of 2013.

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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