FINANCIAL CONCEPTS INC
A MEMBER FIRM OF M FINANCIAL GROUP
Executive Compensation ■ Succession ■ Wealth Transfer Planning

M Holdings Securities, Inc.™

Q4 2017

Quarterly Economic News

October–December 2017

Index	Qtr	1 Yr Return	5 Yr Return	10 Yr Return
Barclays U.S. Aggregate Index	0.39%	3.54%	2.10%	4.01%
MSCI AC World Ex US Net Total Return	5.00%	27.19%	6.80%	1.84%
Russell 2000 Total Return	3.34%	14.65%	14.12%	8.71%
S&P 500 Composite Total Return	6.64%	21.83%	15.79%	8.50%

Capital Markets Overview

The U.S. equity market advanced 6.3% in the fourth quarter, marking the ninth consecutive quarterly gain. U.S. equities returned 2.2% in October due to continued strong corporate earnings and favorable macroeconomic data. The increasing likelihood of the Trump administration's tax reform plans being adopted supported the positive sentiment through November, as the market gained 3.0% in the month. The anticipated tax reform became reality in December after Congress passed the most significant change to the U.S. tax code in decades. The pro-growth reforms, including cutting the corporate tax rate by 14 percentage points, supported investor confidence as the market sustained its rally through December.

The value of the U.S. dollar fell against most other currencies as the favorable global growth outlook led several central banks to begin reducing monetary stimulus. The price of oil rose more than 20% in the quarter as OPEC and some non-OPEC countries agreed to extend production cuts through 2018. The rise in commodity prices led to favorable returns in many commodity-based Latin American countries. Emerging Markets overall posted a 7.4% return in the quarter as the weaker U.S. dollar was also supportive for equity prices. Japan returned 8.5% in the quarter after the re-election of Prime Minister Shinzo Abe provided clarity on the continuation of economic policy.

GDP (Lagging Indicator)

Q3 2017 (Third Estimate)

Increased at an annual rate of 3.2%.

Existing Home Sales

Through November 2017

Increased 5.6%. Economic growth, strong stock market, and job gains fueling demand.

Unemployment Rate

Through December 2017

4.1% (seasonally adjusted).

Consumer Price Index

November 2017

Increased 0.4% (seasonally adjusted).

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U.S. Equity Market

All capitalization segments of the market posted positive results in the quarter and 1-year period, with large-cap stocks outperforming both the mid- and small-cap segments of the market. Growth stocks outperformed Value stocks by 2.5% in the quarter due to strong performance in the Consumer Discretionary and Technology sectors. The Consumer Discretionary sector was the top performing sector in the quarter. Early indications of a strong holiday shopping season, and the passing of the tax bill in December boosted investor confidence. Amazon and Home Depot, which account for 21% of the sector, were the biggest contributors to the sector's performance in the period. The Technology sector continued its strong performance to finish out the year, driven by robust earnings and steady consumer demand. An increase in interest rates in December sent Utilities stocks down more than 5%, as the sector is typically more sensitive to changes in interest rates because of its higher dividend yield. Energy had the weakest performance for the 1-year period due to concerns of an oversupply of oil earlier in the year. Despite a rebound in oil prices and performance over the second-half of the year, the sector finished down 2.4% in 2017.

U.S. Fixed Income Market

U.S. Government issues were flat during the quarter. The Federal Reserve raised rates in December, which was the third rate increase in 2017. The target range for short-term interest rates is 1.25% - 1.50%. A flattening yield curve has resulted in long-term government bonds returning 8.5% for the year and short- and intermediate-term bonds experiencing more modest returns. The 10-year Treasury ended the quarter at 2.40%. TIPS experienced a positive 1.3% return for the quarter due to increasing inflation expectations. The breakeven inflation rate implied in 10-year U.S. TIPS ended the quarter at 1.96%, versus 1.84% at the end of the prior quarter. The realized annual CPI was 2.2% through November 2017. Investment-grade credits posted a positive 1.0% return for the quarter, outpacing government issues, due to strong company fundamentals and high demand.

Municipal bonds advanced 0.8%, partly due to strong investor demands stemming from the recently passed tax reform. High yield municipal bonds posted a 1.8% return for the quarter.

> ***"Giving should be entered into in just the same way as investing. Giving is investing."***
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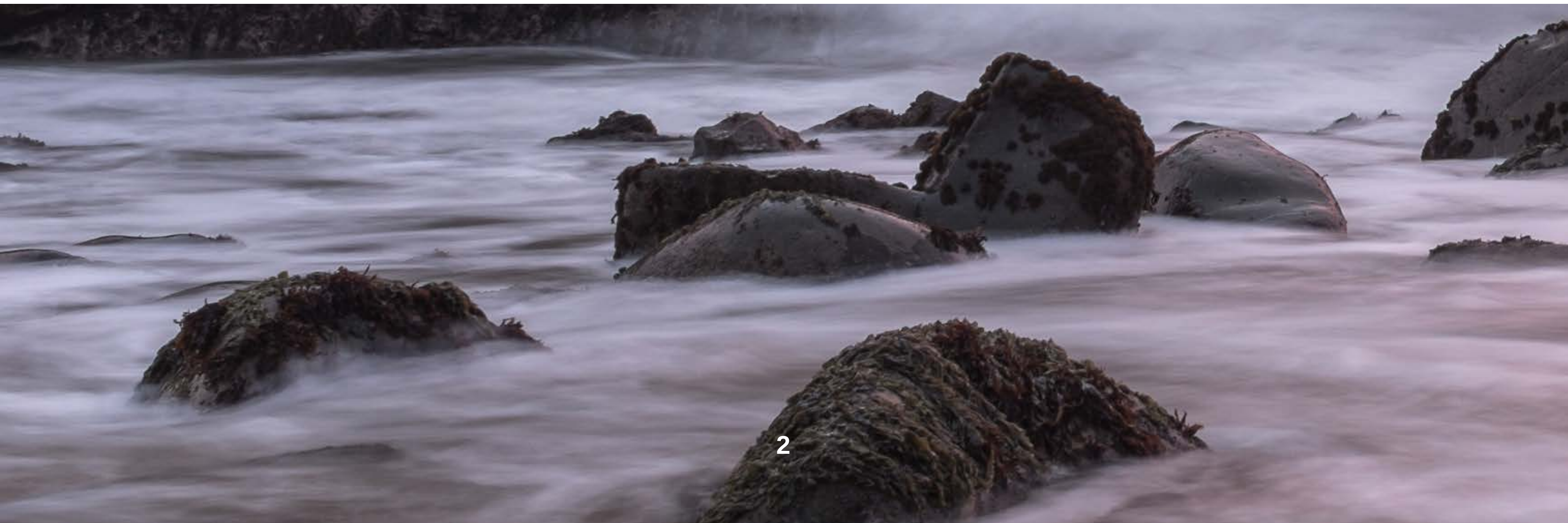
> —John D. Rockefeller



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

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The Barclays U.S. Aggregate Bond Index is a market capitalization-weighted index of investment-grade, fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of at least one year. The MSCI All Country World Exclude U.S. Net Total Return is a commonly used measure of common stock total return performance of 22 of 23 Developed Markets countries excluding the U.S. The Russell 2000 Total Return Index is a commonly used measure of small capitalization stocks. The S&P 500 Total Return is a commonly used measure of common stock performance of 500 leading companies in leading industries of the U.S. economy. All referenced indices are unmanaged and not available for direct investment. Past performance is not a guarantee of future results. The information and opinions expressed herein are for general and educational purposes only. Nothing contained in this newsletter is intended to constitute legal, tax, accounting, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. Information obtained from third party sources are believed to be reliable but not guaranteed. M Holdings Securities, Inc. makes no representation regarding the accuracy or completeness of information provided herein. All opinions and views constitute our judgments as of the date of writing and are subject to change at any time without notice.

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