M Financial Wealth Management™

M WEALTH PERSPECTIVE

June 2009

Taking the Long-Term View

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

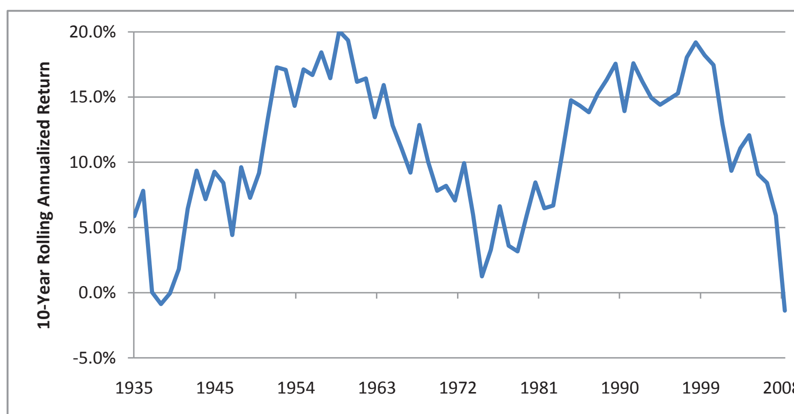
To help Member Firms grow their wealth management businesses, M Wealth offers everything from component solutions and value-added wealth services to turnkey asset management and investment consulting.

US Equity Performance Cycles

The annualized return for U.S. equities for the 10-year period ending December 31, 2008 was -1.4% — the worst 10-year stretch for U.S. equity investors since 1926. Previously, the worst 10-year annualized performance periods for U.S. stocks ended in 1935 (-0.9%) and in 1974 (1.2%). Additionally, between 1928 and 2009, there have been 14 recessions in the United States (including the Great Depression). The past 13 economic downturns (not including our present circumstance) have lasted, on average, a total of 13 months.

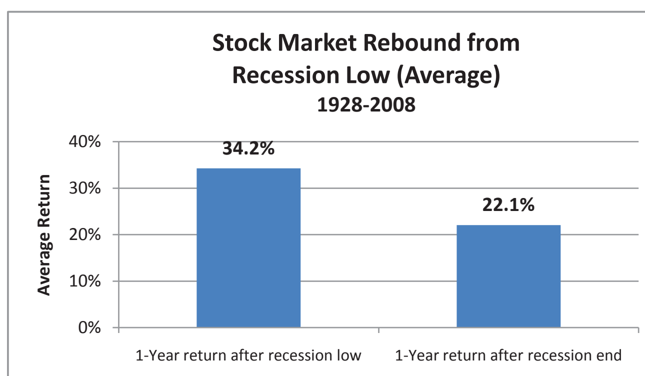
Historically, following these periods of poor performance, U.S. stocks, as measured by the S&P 500 Index, rebounded. See Exhibit 1; and some of the most compelling returns have arrived during the latter part of recessions. On average, the market rebounded nearly 18% between the stock market bottom during the recession and the end of the economic downturn. The market resurgence also began, on average, nearly four months prior to the end of the recession. To illustrate how quickly and pronounced the market has rebounded in past recessionary environments, annualizing the market rebound performance during the recession to the end of the downturn yielded an annualized rate of 58%. See Exhibit 2. We realize that past performance is not a guarantee of future results, but we think an understanding of market history can be instructive.

Exhibit 1: 10 Year Rolling Annualized Return for U.S. Equities (1926-2008)



Source: FactSet, as of 12/31/2008. Past performance is not a guarantee of future results. Rolling periods represent a series of overlapping, smaller time periods within a single, longer-term time period. A hypothetical example is the 20-year time period from 12/31/82 through 12/31/02. This long-term period consists of 16 smaller five-year "rolling" segments. The first segment is the five-year period from 12/31/82 to 12/31/87. The next rolling segment is the five-year period from 12/31/83 to 12/31/88, and so on.

Exhibit 2: Stock Market Rebound from Recession Low (Average) 1928-2008



Source: Brandes Institute, based on data from Morningstar Direct, as of 12/31/08.

Also consider how, on average, market timing would have diminished returns in the past. For the first year of the stock market recovery, the average subsequent 1-year returns were 34.2%. However, for an investor who missed the first four months of recovery, the average subsequent 1-year returns fell to 22.1%.

We recognize discomfort tends to accompany market declines, especially when economies are in the midst of recessions. However, for investors who have implemented disciplined, long-term investment plans, we believe it is wise to examine how markets have responded during recessions. The data from the last 80 years suggests that the forward-looking markets have historically tended to reward investors who kept a long-term perspective amid economic adversity.

The Cost of Throwing in the Towel

For investors who decide to get out of the market and go to cash, history has demonstrated that swift market recoveries could make sitting on cash a costly move. The chart below shows every decline in the Dow Jones Industrial Average (DJIA) greater than 20% since 1960:

Period	Market Decline	DJIA Change 1 Year After Decline	DJIA Change 2 Years After Decline (Cumulative)
Dec. 1961-June 1962	-27.1%	32.3%	55.1%
Feb. 1966-May 1970	-36.6%	43.6%	53.9%
Jan. 1973-Dec. 1974	-45.1%	42.2%	66.5%
Sep. 1976-Feb. 1978	-26.9%	9.0%	15.1%
Aug. 1987-Oct. 1987	-36.1%	22.9%	54.3%
July 1990-Oct. 1990	-21.2%	26.2%	32.6%
Jan. 2000-Mar. 2003	-35.8%	34.6%	43.2%
Average	**-32.7%**	**29.4%**	**45.8%**
Oct. 2007-Feb. 2009	-50.1%	?	?

		Average Return After 1 Year	Average Return After 2 Years (Cumulative)
3 Month T-Bills at 2.6%** Jan. 1960-Feb. 2009		2.6%	5.2%

Sources: Dow Jones; FactSet; as of 2/28/2009.

At M Wealth, we do not believe anyone is able to successfully anticipate every change in the markets over time, nor do we believe that it is necessary to do so. We instead apply a highly detailed process that enables us to address risk in advance of market conditions like those of recent time. M Wealth employs a process of risk management that includes a commitment to diversification, a focus on investing only in compensated forms of risk, and a systematic approach to minimize investment expenses.

To learn more about the M Wealth process, please join us for our sixth M Wealth College, July 15, in Portland. The College is an excellent opportunity to explore the science behind M Wealth's investment philosophy, and gain the tools to access our unique asset liability wealth management process.

To view an agenda and register for M Wealth College, please visit:

https://members.mfin.com/2009ForumCollege.nsf/Overview_College

For More Information

For more information on the services offered by M Wealth, please contact:

JoNell Hermanson
503.414.7310
jonell.hermanson@mfin.com

Erik Bjorvik
503.414.7656
erik.bjorvik@mfin.com

Luan Dollens
503.414.7544
luan.dollens@mfin.com

Michael Skourtes
503.414.7572
michael.skourtes@mfin.com

Amy Barnwell
503.414.7698
amy.barnwell@mfin.com

Spencer Provow
503.414.7498
spencer.provow@mfin.com

or visit the M Wealth website at:

www.mfinwealth.com

M Financial Wealth Management
1125 NW Couch Street, Suite 900
Portland, OR 97209
800.508.1820
www.mfinwealth.com