



December 2009 Capital Markets Review

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.

INDEX	PERIOD ENDING SEPTEMBER 30, 2009					
	QTR	YTD	1 YR RETURN	3 YR RETURN	5 YR RETURN	10 YR RETURN
BROAD MARKET EQUITY						
S&P 500 Index	6.04%	26.46%	26.46%	(5.63%)	0.42%	(0.95%)
Russell 1000 Index	6.07%	28.43%	28.43%	(5.36%)	0.79%	(0.49%)
Russell 2000 Index	3.88%	27.17%	27.17%	(6.07%)	0.51%	3.51%
Russell 2000 Growth Index	4.14%	34.47%	34.47%	(4.00%)	0.87%	(1.37%)
Russell 2000 Value Index	3.63%	20.58%	20.58%	(8.22%)	(0.01%)	8.27%
NON-US DEVELOPED MARKETS EQUITY						
MSCI World Ex US	2.44%	33.67%	33.67%	(5.34%)	4.07%	1.63%
EMERGING MARKETS EQUITY						
MSCI Emerging Markets Index	8.25%	74.50%	74.50%	2.73%	12.79%	7.29%
FIXED INCOME						
90 Day US Treasury Bills	0.02%	0.16%	0.16%	2.13%	2.95%	2.88%
REAL ASSETS / COMMODITIES						
Wilshire REIT Index	9.18%	28.46%	28.46%	(13.65%)	(0.07%)	10.67%

Commentary

- ❖ The US equity market ended 2009 on a strong note posting a fourth quarter return of 5.8%, raising the full year result to 28.3%. Investors reacted favorably to signs of a modestly improving economy and also took advantage of what may have been the last leg of clearly discernible equity undervaluations in the midst of a muted outlook for consumer spending and profit growth over the next 6 to 12 months. Equity market volatility retreated toward historical averages during the quarter, evidence of continuing calm and rationality among market participants.
- ❖ Developed International equity markets earned a 2.2% return in the quarter but trailed their US counterparts. Investor concerns over the feasibility of continued economic stimulus in Japan and parts of developed Europe contributed to the performance differential versus US equities. The return premium of developed international stocks over US equities for the 12 month period in 2009, in US dollar terms, is attributable to the weakening dollar versus most major currencies for the year. In local currency terms, US equities outpaced developed international equities in 2009.
- ❖ Despite the default of a subsidiary of state-owned Dubai World, emerging market equity investors continued to clamor for riskier assets and drove prices higher in the quarter. Stronger commodity prices and signs of an improving global economy supported higher valuations across many emerging market countries. For the quarter and one-year period, emerging market equities represented the top performing asset class.

For More Information

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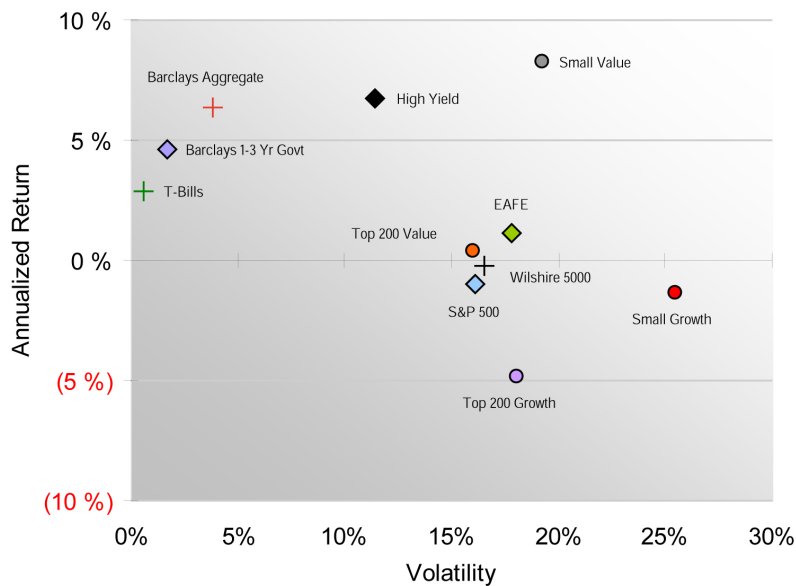
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- ❖ The US fixed income markets posted mixed results for the quarter as favorable returns among investment-grade corporate and high-yield credits were offset by losses across intermediate- and long-term Treasury issues. Indications from the Federal Reserve that the economy is improving, and the pending expiration of a number of government asset purchase programs, resulted in rates moving higher at the intermediate and long end of the Treasury curve. Continued improvement in corporate balance sheets, however, supported higher investment-grade bond valuations in the quarter, while high-yield issues maintained their favorable performance momentum from the previous two quarters.
- ❖ The value of the US dollar ended the quarter higher relative to a basket of major currencies as a rally in December offset declines in October and November. Gold, which continued to be treated as a dollar hedge by many investors, appreciated during the first two months of the quarter as the dollar continued to sell off, but corrected in December in reaction to the dollar rebound. The price of spot gold ended the year above \$1,000 for a one year gain of 25%. Ongoing tension in the Middle East, along with the start of the winter heating season, sent oil and natural gas prices higher for the quarter, with crude oil ending the year just shy of \$80 per barrel.



International Equity Returns

