

September 2015 Capital Markets Review

INDEX	PERIOD ENDING SEPTEMBER 30, 2015					
	QTR	YTD	1 YR RETURN	3 YR RETURN	5 YR RETURN	10 YR RETURN
U.S. EQUITY MARKETS						
S&P 500 Index	-6.44%	-5.29%	-0.61%	12.4%	13.34%	6.8%
Russell 3000	-7.25%	-5.45%	-0.49%	12.53%	13.28%	6.92%
Russell 1000	-6.83%	-5.24%	-0.61%	12.66%	13.42%	6.95%
Russell 1000 Value	-8.39%	-8.96%	-4.42%	11.59%	12.29%	5.71%
Russell 2000	-11.92%	-7.73%	1.25%	11.02%	11.73%	6.55%
Russell 2000 Value	-10.73%	-10.06%	-1.6%	9.18%	10.17%	5.35%
NON-U.S. EQUITY MARKETS						
MSCI ACWI Ex US	-12.17%	-8.63%	-12.16%	2.34%	1.82%	3.03%
MSCI Emerging Markets	-17.9%	-15.47%	-19.28%	-5.27%	-3.58%	4.27%
FIXED INCOME						
Barclays Aggregate Bond	1.23%	1.13%	2.94%	1.71%	3.1%	4.64%
Barclays Municipal Bond 3 Year	0.8%	1.19%	1.07%	1.24%	1.66%	3.04%
Barclays US TIPS	-1.15%	-0.8%	-0.83%	-1.83%	2.55%	4.01%
REAL ASSETS/NATURAL RESOURCES						
DJ US Select REIT	3.09%	-2.84%	11.82%	9.92%	12.31%	6.69%
S&P North American Natural Resources	-19.55%	-22.88%	-33.57%	-7.73%	-1.42%	1.37%

Commentary

- ❖ The U.S. equity market posted its first quarterly decline in more than three years as global markets fell more than 10% from August through September. A slowing Chinese economy, in addition to a devaluation of the yuan by the Chinese government, was a primary factor that pushed markets lower. Most notably, Oil ended the quarter at \$45 a barrel after reaching sub \$40 lows in August, a level which had not been experienced since 2009. Uncertainty regarding the Fed's much-anticipated decision to raise interest rates also spurred volatility. Ultimately, the Fed delayed taking action, citing increased concerns over the stability of the global economy.
- ❖ All capitalization segments of the market decline during the third quarter, with large-cap stocks declining less than mid- and small-cap. Value stocks trailed Growth issues by 2.7% in the quarter. Value stocks were negatively impacted by the decline in the Energy sector, which makes up a significant portion of the Value segment of the market. The Energy and Materials sectors were the worst performers during the quarter. Fears over the Chinese economic slowdown coupled with decreasing demand for raw materials sent commodity prices downward.
- ❖ International equities declined by 9.6% in the quarter in local currency terms and 12.2% in U.S. dollar terms. The U.S. dollar was broadly stronger against most currencies. Slowing growth in China ignited concerns over a global slowdown, which prompted a worldwide sell-off in stocks. Despite mostly positive economic indicators, Developed Europe fell 7.0% on a local currency basis on contagion concerns from China. Japan posted a -13.7% yen-based return. The combined Emerging Markets declined 12.1% in local currency with Emerging Asia (-13.5%), Latin America (-10.8%), and Emerging Europe (-7.4%) all declining. Currency movements, especially in Latin America, had a substantial net negative impact as U.S. dollar-based equity investments returned -17.9% in Emerging Markets.

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- ❖ The investment grade U.S. fixed income market gained 1.2% as investors sought the relative safety of the U.S. fixed income market over global growth concerns. TIPS lost 1.2% in the quarter, lagging nominal Treasuries as inflation expectations decreased. Investment-grade credits rose 0.5%, while high yield lost 4.9% due in part to low oil prices and concern over fundamentals of below-investment-grade rated companies. U.S. Agency issues, mortgage-backed securities, and asset-backed securities all posted positive results. Municipal bonds rose 1.7%, with longer-dated bonds outperforming short-term bonds.
- ❖ Developed Non-U.S. government bonds appreciated 2.1% in both U.S. dollar and local currency terms as the Greek economic situation saw improvement and global central banks continued to maintain accommodative monetary policies. Emerging market bonds posted a -0.9% return in local currency terms and -2.0% in U.S. dollar terms for the period due to growth concerns in China.

For More Information

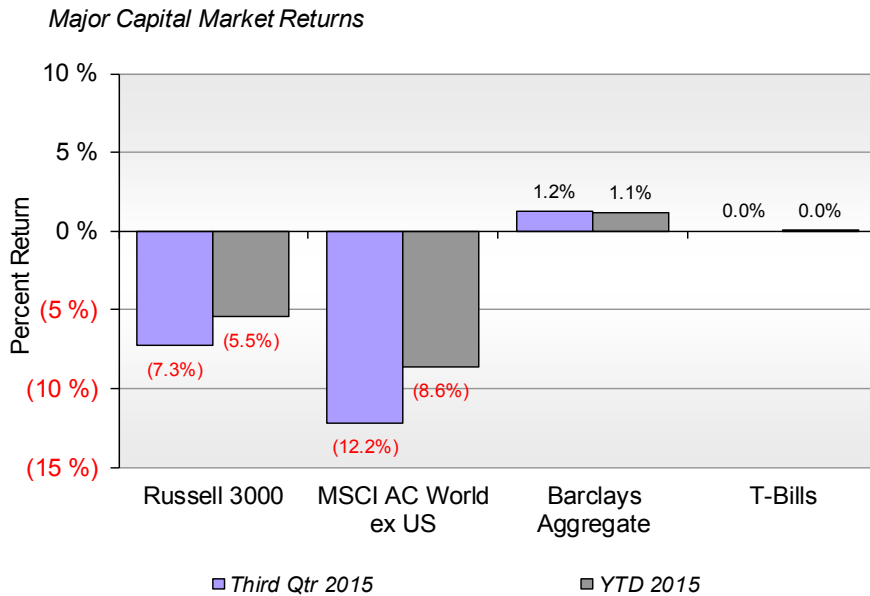
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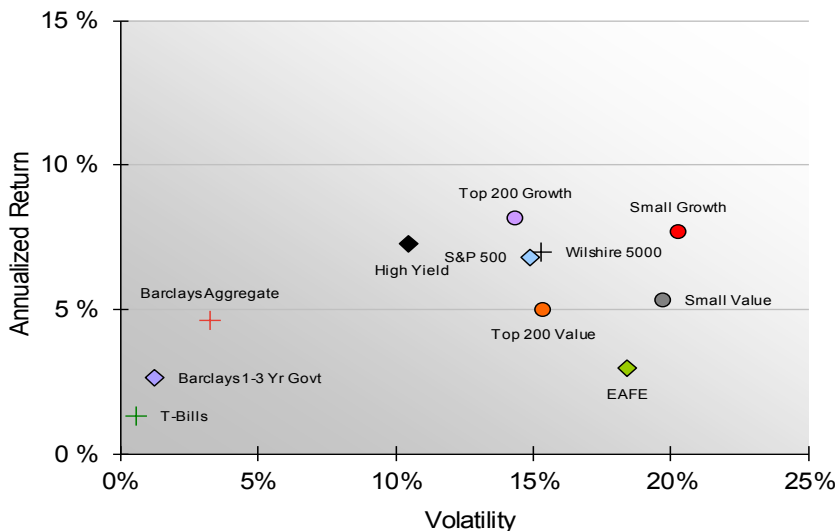
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Note: The following indices represent the returns of the asset classes within the above chart: U.S. Stocks – Russell 3000, Non-U.S. Stocks – MSCI EAFE, Fixed Income – Barclays Aggregate, and U.S. Treasury Bills



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

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