

UPDATE

January 2010

About our Company

Company Profile:

Concord Investment Counsel is a private, boutique investment firm who has helped our clients grow and protect their wealth since 1991.

Key Offerings:

- Personal wealth management
- Proactive investment strategies
- Proprietary research
- A professional team
- Fee-only services

Distinguishing Values:

- Passion for excellence
- Strategic focus
- A disciplined process
- Prudent risk management
- Comprehensive client care
- Superior long-term performance
- Sound judgment
- Objective analysis



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Economic & Financial Market Review & Outlook

Is the Recession Over?

2009 was a year that will be remembered for decades. The near collapse and subsequent recovery of our financial system highlights a long list of extraordinary financial events. The trouble began long before 2009 but culminated in the first quarter of the year as liquidity problems brought several megacap investment banks to the brink of bankruptcy. They survived, but only with the help of the Fed. The road to recovery for our economy and financial system has been painfully slow, but the rebound in our financial markets has been strong and swift. The striking contrast of these events has a lot of investors and economists revisiting their forecasts for the economy. Is the recession over? While the jury

and food service sales for 2009 7% lower than 2008. The biggest losers were furniture (-12%), autos (-13.6%), building materials (-12.2%), and gasoline (-27.8%). Health and personal care was the best with a 3% gain. Construction spending was a continuing source of



Mitch Pletcher
President & Chief
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weakness with private spending still falling, partially offset by strong growth in government spending. Forecasting the market has become difficult to say

the least. The problem involves poor data on economic progress and markets that are no longer cheap, balanced against tremendous amounts of liquidity still on the sidelines. Money market funds are bulging with record amounts of assets despite near zero returns today. These funds are ripe for picking and seem likely to fuel further rallies in risk assets.

Equities were the first risk asset to move in this market



Figure 1 - Source Bloomberg Financial

is still out, the market's actions are a strong vote by investors that the answer is yes. The official word will come from NBER (National Bureau of Economic Research). They have yet to call the recession over and point to 3 of their 4 primary indicators as evidence of an economy that is still not growing. Employment, personal income, and manufacturing and trade data, are still flashing red. Industrial production is the bright spot with 4 consecutive months of growth (figure 1). Other economic indicators followed closely by economists show a similar picture of poor economic health. Consumer confidence (fig 2, page 4) has rebounded but is still not far from all time lows for the last 20 years. Housing is likewise showing some positive monthly trends but it would be speculative to say these current trends are sustainable. Monthly home sales are still 70% off peak numbers, but inventories are now back to 6-7 months of supply. The retail world looks no better than 1 year ago. The December Census Bureau report showed retail

recovery with most equity indices now up 70% or more from March lows. Wall Street's optimistic earnings estimates for 2010 and 2011 will need to be correct to keep the rally going. We remain a bit skeptical, particularly with value oriented cyclical companies. Other risk assets have begun to move as well with notable gains in commodities, distressed income, and REITS in the 3rd and 4th quarter (Table 1 & 2, page 2). These assets will continue to perform well as the economic recovery continues. Treasuries have held up well given the optimism in the market, leading us to believe that the economic pessimists are still a significant minority (figure 5 - page 4). Gold has had a huge run since 2001 when the Fed began the most aggressive expansion of the monetary base in history. The continuation of the rally in gold and the fall in the dollar will hinge heavily on the course the Fed takes with monetary policy over the next few years. Has the Fed learned from the flawed policies of Greenspan in the last cycle? Sell your gold and go long on the dollar (fig 4, page 4).

Stock & Bond Market Returns - Table 1

12/31/09

	Quarterly Change	YTD Change		Quarterly Change	YTD Change
Large Cap Growth (IWF)	8%	35%	Small Cap Value (IWN)	3%	18%
Large Cap Value (IWD)	3%	16%	Small Cap Growth (IWO)	4%	34%
Europe Asia Far East (EFA)	1%	23%	Emerging Markets (EEM)	7%	66%
Invest Grade Bonds (LQD)	-2%	2%	High Yield Bonds (HYG)	2%	16%
Interm Treasuries (IEF)	-4%	-10%	Mortgage Bonds (MBB)	-1%	1%

Source: Barclay's Global Investors ETFs. Actual performance excluding dividends.

Real Estate & Commodity Returns - Table 2

12/31/09

	Quarterly Change	YTD Change		Quarterly Change	YTD Change
Dow Jones US Real Estate (IYR)	8%	23%	DJ Commodity Index (DJP)	10%	20%
NAREIT Industrial/Office (FIO)	6%	24%	Gold	10%	26%
NAREIT Residential (REZ)	9%	15%	Crude Oil	12%	78%

Source: Bloomberg Financial & Thomson Financial

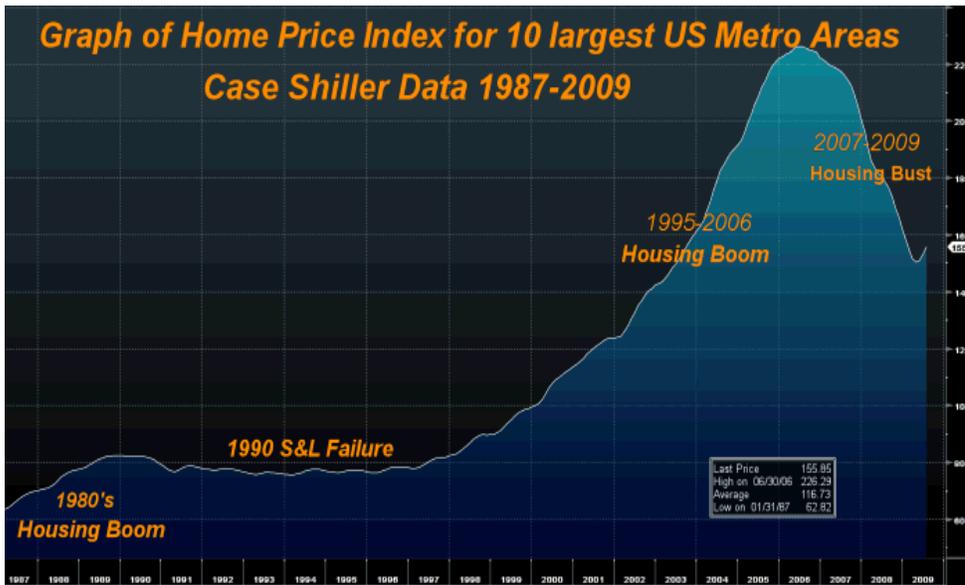
Case-Shiller Home Price Index - Table 3

01/31/87 - 07/31/09

Last 90 Days (07/31/09 - 10/31/09) +2%

Last 12 months (10/31/08 - 10/31/09) -6%

Source: Bloomberg Financial



US Dollar Index Spot Currency

02/03/67 - 10/06/09

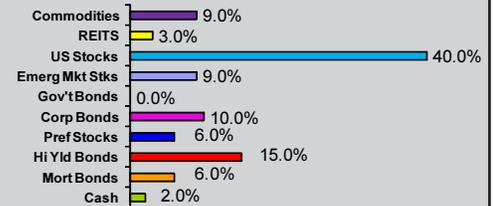


CIC Managed Accounts

Growth Portfolios

Dynamic Growth

A dynamic blend of stocks, bonds, commodities, REITs, and cash for growth investors with a bias toward timely asset classes.



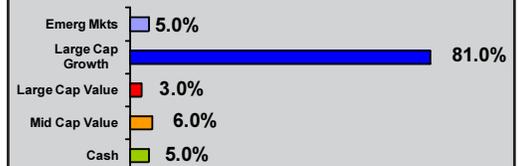
Growth

A portfolio of large- and mid-cap US stocks that are industry leaders with strong brands and timely products.



Diversified Equity

A global, all-cap equity portfolio following economic trends across capitalization and geographic ranges.



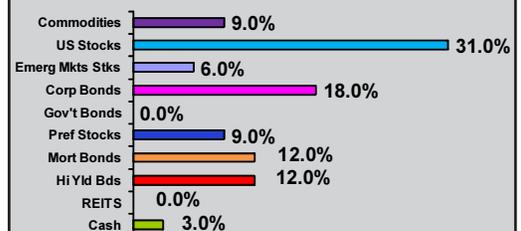
Focused REIT

A portfolio of companies whose primary business is owning and leasing real properties.

Balanced Portfolios

Asset Allocation for Income

A portfolio of stocks, bonds, and cash for moderately-conservative investors seeking income and growth with relative stability.



Sector Focus: Consumption Drives Growth

Earnings growth drives leadership in the stock market, while consumption generally drives earnings. Every market cycle has consumption themes which are either secular or cyclical in nature. Here's a look at what is active in this market cycle.

Secular Consumption Themes and Key Sectors:

- The merging of stand-alone technologies into convergent wireless devices. **Technology**
- Wealthier and growing emerging market populations demanding greater agricultural yields to support more "western-like" eating habits. **Materials**
- Secular global demand for energy and the technologies that make it viable to extract natural resources from the farthest reaches of the earth. **Energy**
- Innovation in the development of life-saving drugs and medical devices, and the reduction of inefficient costs within the US healthcare system. **Healthcare**

Cyclical Consumption Themes:

- The return of mild consumer discretionary spending balanced against purchasing decisions based on need instead of want. **Consumer Discretionary/Staples**
- Pent-up demand within the enterprise upgrade cycle. **Technology**
- The re-surfacing of emerging market infrastructure spending. **Industrials**
- Credit market stabilization and a return to banking profitability. **Financials**
- Improvement in hospital cap-ex spending and better visibility on the impacts of healthcare reform. **Healthcare**

Commentary: Cyclical consumption falls short of expectations

Market leadership in the 4th quarter returned to growth stocks after a pause in the 3rd quarter. The secular consumption themes driving growth companies has been seen as stronger and more sustainable versus the cyclical consumption themes behind most value stocks. We are suspicious about trends with consumer spending and believe that a quick rebound is not reasonable. The consumer continues to struggle. The enterprise upgrade cycle is beginning to develop towards expectations and emerging market infrastructure spending has shown some signs of restarting behind government sponsored stimulus spending. Banking profitability has returned to peak levels at some financial institutions while remaining elusive for several others. Hospital cap-ex budgets remain conservative, while healthcare reform has moved closer toward reality with better visibility on its impact, which has allowed the healthcare sector to rally. While all of these improvements to the cyclical side our our economy are notable they are still secondary to the more dominant secular consumption going on in our economy. This is why our investment focus has mostly targeted secular consumption themes. When it comes to making investment decisions, we continue to be mindful of the cyclical and secular forces behind consumption and invest appropriately.

Sector Performance Review 12/31/09

	Quarterly Change	YTD Change
Telecomm Service	15.9%	41.2%
Technology	11.8%	62.0%
Consumer Discretionary	7.7%	42.5%
Industrials	6.9%	26.2%
Health Care	6.8%	21.8%
Materials	6.5%	43.0%
Consumer Staples	5.8%	17.1%
Energy	5.4%	32.7%
Utilities	3.0%	16.4%
Financials	1.8%	34.4%

Data based upon Russell 1000 Growth Index and GICS sectors - source: Thomson Financial

Stock Research: Our Work Product

Research In Motion (RIMM) \$65.5 on 1/13/10



Recently recognized as the fastest growing company of the past five years, Research In Motion's must-have BlackBerry products are jokingly referred to as "CrackBerries." No longer the only game in town, we are examining whether this growth titan still meets our investment criteria or has become a *CrackedBerry*.

Headwinds

- Smartphone competition: A wave of new devices pressuring selling prices and shifting power to wireless carriers.
- Enterprise market share loss: Once 90%, built on dominance of corporate mobile e-mail. Currently 74%, as iPhone has quickly captured share.
- Profitability: Gross margins under pressure as RIM successfully evolves into the consumer space.
- Mobile apps: Apple's iPhone and Google's Android are out in front of the thriving application ecosystem.
- Aggressive product cycles: Pressure to constantly be innovating for unforgiving consumers creates product reliability and quality risks.
- Total cost of ownership: New phones are subsidized by carriers, but pricey data plans create a high annual cost for belt-tightening consumers.

Tailwinds

- Smartphone growth: Powerful convergence trend driving demand for capable mobile devices; fully connected to our digital lives.
- Carrier relationships: RIM employs the most carrier-centric approach to product development among handset makers.
- Consumer market share gains: Rapid growth of subscriber base due to 80% of new customer adds coming from the nonbusiness crowd.
- International footprint: A huge lead outside North America, including a strong jump on China.
- Enterprise upgrade cycle: A still dominant position will benefit from a cycle of pent-up corporate demand.
- Diminished investor expectations: With Apple, Google and sundry newcomers stealing the headlines, investor expectations for growth have drifted to unreasonably low levels.

Investment Thesis

Foreseeing the power of e-mail to dominate business communication, Research In Motion invented the product that became what we now call the smartphone. A very powerful growth trend is underway that will benefit many participants, as the "killer apps" of today are all converging in this product. RIM has staked a dominant claim (56% US market share, 20% global) that continues to grow. Strong competitors are popping up everywhere, but we expect the industry trends to be very forgiving of this and other headwinds facing the company. A misunderstanding of this likely outcome is causing the company's growth to be valued by investors at near all-time lows, creating the exact sort of growth vs. expectations gap we look to exploit. We expect good outperformance from RIM as a result.

A Solid Year Concludes a Difficult Decade By Michael Buccowich CFP®



Markets continued to navigate the territory between recession and recovery last quarter with stocks extending their gains and the S&P 500 advancing over 65% from its lows in March. While low yields continue to hamper bonds, annual performance of the Barclays Aggregate Index returned nearly 6% as improving credit markets strengthened bond prices.

International Emerging Markets continued its run to become the runaway winner for 2009, up over 78% for the year and reflecting those economies' present strength compared to the developed world. Mid- and Small-Cap stocks outperformed large caps in general last year; and growth stocks beat value across the board. The 2000s officially became a lost decade for most widely-used stock indices like the S&P 500, although the 10-Year column reveals several stock categories posting long-term gains – not to mention decent bond returns.

	Index	Q409	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Large Cap Equity	S&P 500	6.04	26.46	26.46	-5.63	0.42	-0.95
	Russell 1000 Growth	7.94	37.21	37.21	-1.89	1.63	-3.99
	Russell 1000 Value	4.22	19.69	19.69	-8.96	-0.25	2.47
Mid Cap Equity	Russell Midcap	5.92	40.48	40.48	-4.59	2.43	4.98
Small Cap Equity	Russell 2000	3.87	27.17	27.17	-6.07	0.51	3.51
International Equity	MSCI Eur/Asia/Far East	2.18	31.78	31.78	-6.04	3.54	1.17
	MSCI Emerging Markets	8.55	78.51	78.51	5.11	15.51	9.78
Fixed Income	Barclays Aggregate Bond	0.20	5.93	5.93	6.04	4.97	6.33
	Barclays Short Treasury	0.05	0.37	0.37	2.80	3.21	3.18
Commodities	S&P GSCI	8.42	13.48	13.48	-6.95	-3.00	-5.05

Percent returns ending 12/31/09. Source: Barclays Global Investors. The information and data contained in this newsletter were obtained from sources considered to be accurate. Their accuracy and/or completeness cannot be guaranteed.

Reviewing a decade of returns for various assets over different intervals, the data make the case for a diversified investment portfolio. Each historic period had its own leaders and laggards, reminding the savvy investor it's wise to own a variety of asset classes over time in a carefully planned strategy.

Economic Charts



Figure 2 - The chart above shows confidence recovering but still at very low levels relative to history. Source: Bloomberg Financial.

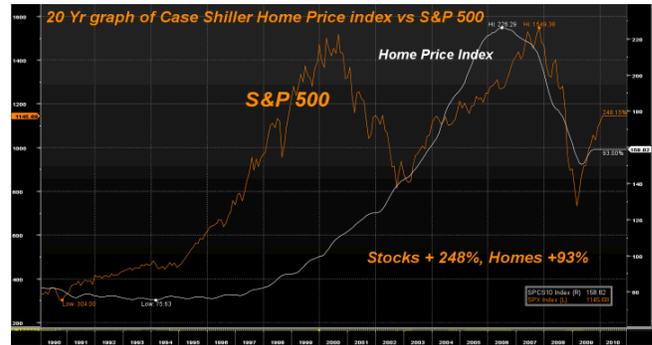


Figure 3 - Home prices failed to keep up with stock prices despite a very difficult period for corporate America. Indices reflect price only and do not include income or dividends. Source: Bloomberg Financial



Figure 4 - The chart above shows a recovering dollar that began in the 4th qtr of 2009. Source: Bloomberg Financial



Figure 5 - The chart illustrates the long term decline in rates that began in 1982 and may be ending now. Source: Bloomberg Financial.