

UPDATE

December 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

Economy Moving Forward Despite Record Unemployment

The U.S. economy is surprising investors, economists and consumers once again. Despite high unemployment and very low consumer confidence, retail sales have bounced back from depressed crisis lows to near record levels in November as evidenced in Figure 1. December's retail sales, which are due shortly, may have even surpassed 2007's monthly level of \$277 billion. This is amazing and almost unexplainable given the backdrop, but the resiliency and optimism of the US consumer should never be taken for granted. History has proven this time and time again.

in late 2008 (Figure 4, page 4). The size and scale of this balance sheet buildup is unprecedented in history and the ramifications are still unclear. The Fed has made massive purchases of Treasuries and MBS securities in an effort to keep both short and long term interest



Mitch Pletcher
President
Chief Investment Officer

rates low. Close to \$1.5 trillion has been spent thus far with another \$400 billion of purchases still planned with the QE2 program previously announced. Inflationary fears would normally be spiking given this sort of Fed action but the deflationary backdrop prevailing along with an economy that is

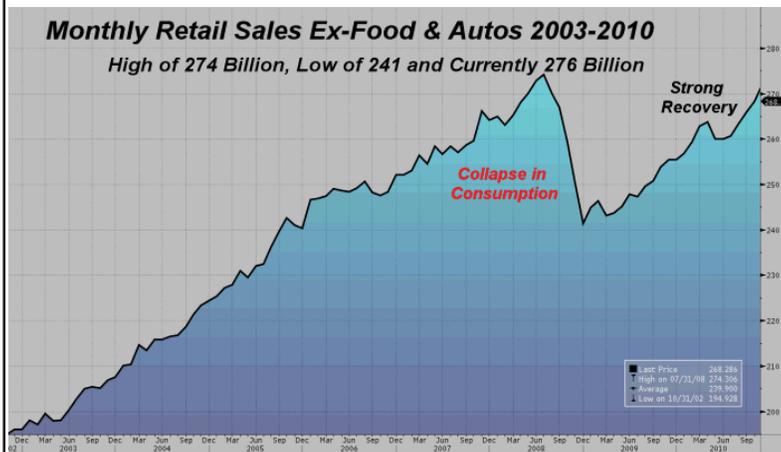


Figure 1 - Source: Bloomberg Financial

Of course the resilient consumer is not the only thing responsible for the recent trends in the economy. Certainly, Federal Reserve actions and enterprise spending by corporate America have played a significant role in rekindling growth in our economy.

The actions by the Fed have been strong, innovative and courageous and so far seemingly the right medicine for the very sick patient. The stunning steps taken by the Fed have expanded their balance sheet to \$2.4 trillion today from about \$900 billion

deleveraging have kept inflation expectations in check. Further evidence supporting the Fed's action is noted in the modest growth in currency in circulation (Figure 5, page 4).

The economy is not without consumption engines to help us through this crisis (a detailed discussion is noted on page 3). Corporate America is at work building infrastructure for making available and harnessing computing power in the cloud. Enterprises are being built out to embrace the digitalization of data that is under way in the globe. These are just a few of many technological initiatives playing

(Continued on bottom of Page 2)

Table 1: Stock & Bond Market Returns

12/31/10

	Quarterly Change	Trailing 12 Mos		Quarterly Change	Trailing 12 Mos
Large Cap Growth (IWF)	11.9%	16.5%	Small Cap Value (IWN)	15.5%	24.7%
Large Cap Value (IWD)	10.6%	15.4%	Small Cap Growth (IWO)	17.3%	29.4%
Europe Asia Far East (EFA)	7.0%	8.3%	Emerging Markets (EEM)	7.3%	16.5%
Invest Grade Bonds (LQD)	-2.6%	9.3%	High Yield Bonds (HYG)	3.3%	11.8%
Interm Treasuries (IEF)	-4.3%	9.3%	Mortgage Bonds (MBB)	0.2%	5.6%

Source: Bloomberg, Barclay's Global Investors ETFs. Actual performance including dividends.

Table 2: Real Estate & Commodity Returns

12/31/10

	Quarterly Change	Trailing 12 Mos		Quarterly Change	Trailing 12 Mos
DJ US Real Estate (IYR)	6.9%	26.6%	DJ Commodity Index (DJP)	16.2%	16.3%
NAREIT Industrial/Ofc (FIO)	8.2%	16.3%	Goldman Commodity (GSG)	13.6%	7.2%
NAREIT Residential (REZ)	6.2%	31.6%	Gold (GLD)	8.5%	29.3%

Sources: Bloomberg Financial & Thomson Financial

Table 3: Case-Shiller Home Price Index

7/31/95 - 10/31/10

Last 90 Days (7/31/10 - 10/31/10) **-2.0%** Last 12 months (10/31/09 - 10/31/10) **0.2%**

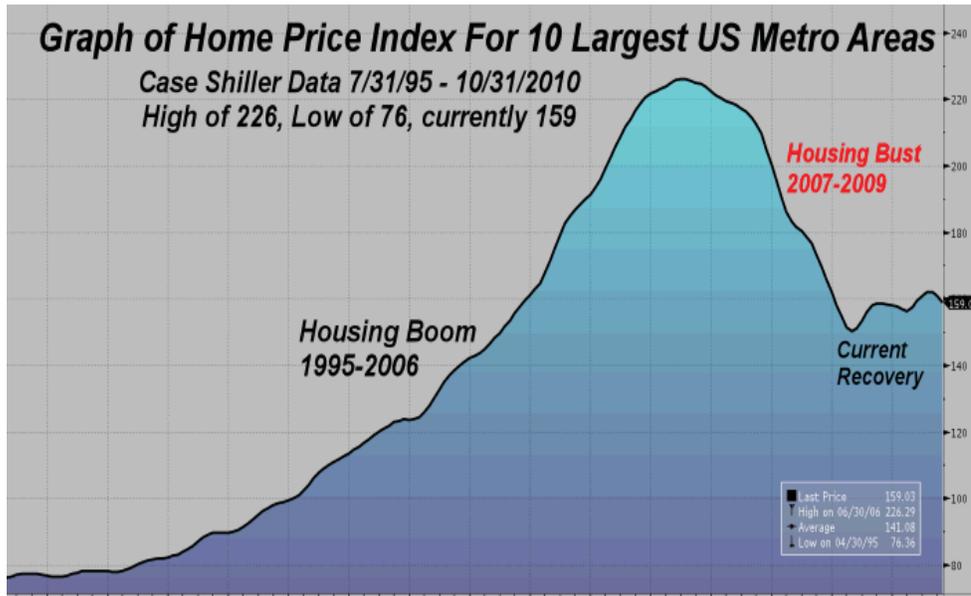


Figure 6 - Source: Bloomberg Financial

Economic and Financial Market Update

From Page 1

out in our economy. Politicians also gave the consumer help by extending tax breaks that were due to expire in December. The European Union was hard at work focusing on debt problems in Western Europe. They created a rescue fund last year to help debt-ridden countries like Greece, Portugal and Ireland, calming Euro markets that were close to rioting.

All in all, 2010 was a year of progress for the U.S. economy. The 4th quarter was a notable period for changes in confidence by investors. The equity markets rallied from start to finish. Stocks, distressed income vehicles, REITs, commodities and gold all enjoyed double digit gains in the quarter. This came at the expense of Treasury notes and bonds which continue to experience high volatility.

With the first dominos already falling, the future for the economy and markets is likely easier to predict now that some trends are in place. Strong growth is still highly unlikely; but sustainable modest growth is on the horizon.

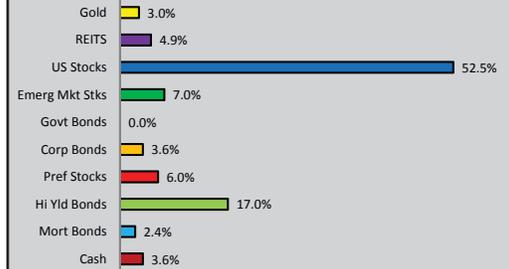
We remain optimistic.

CIC Managed Accounts

Growth Portfolios

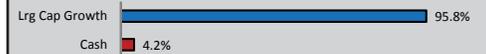
Dynamic Growth

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.



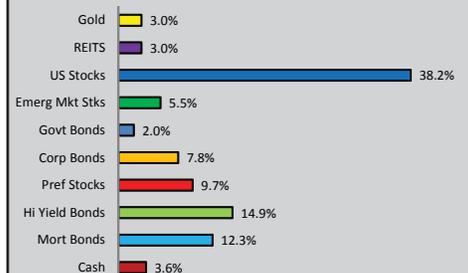
Focused REIT

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.



Equity Markets: 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 what is active in this market cycle.

Secular Consumption Themes:

- **Theme:** Global demand for wireless devices, digital media and cloud computing power. Demand growth is a product of industry's ability to innovate. **Sector: Technology**
- **Theme:** Global demand from wealthier and growing emerging market populations for meat and poultry to support more "western-like" eating habits, as well as growing demand for technologies that provide greater agricultural yields. **Sector: Materials**
- **Theme:** Global demand for energy as population grows as well as increasing demand for the technologies that make it viable to extract natural resources from the farthest reaches of the earth. **Sector: Energy**
- **Theme:** Increasing demand for healthcare as population ages, as well as growing demand for new and better products provided by innovation in the development of life-saving drugs, devices, and services. **Sector: Healthcare**

Cyclical Consumption Themes:

- **Theme:** The return of mild consumer discretionary spending balanced against purchasing decisions based on need instead of want. **Sector: Consumer Discretionary/Staples**
- **Theme:** Pent-up demand within the enterprise upgrade cycle. **Sector: Technology**
- **Theme:** The re-surfacing of emerging market infrastructure spending. **Sector: Industrials**
- **Theme:** Credit market stabilization and a return of demand for investment banking products and services. **Sector: Financials**
- **Theme:** The return of demand for manufactured products. **Sector: Industrials, Energy**

Commentary: Energy, Technology, and Healthcare

Energy, Technology, and Healthcare sectors are positioned to show the biggest increases in top line growth in the year ahead based upon street analysts' forecasts. Double-digit revenue growth is hard to find in the economy today as the burdens of recession hold consumption growth back in most areas. However, some industries are finding good growth in consumption of their products. This is due in some cases to innovation and returning demand in others. Currently, wireless devices, digital media, cloud computing, virtualization, biotech, and Oil & Gas E&P companies have the strongest projected growth in consumption.

Sector Performance Review

12/31/10

	Quarterly Change	Trailing 12-Months
Energy	21.6%	13.3%
Materials	19.9%	22.5%
Consumer Discretionary	12.9%	30.8%
Industrials	12.9%	28.5%
Technology	10.6%	10.8%
Financials	10.4%	13.2%
Consumer Staples	6.4%	15.5%
Healthcare	6.0%	5.8%
Utilities	2.7%	-11.1%
Telecom Service	2.5%	18.5%

Data based upon Russell 1000 Growth Index and GICS sectors. Source: Thomson Financial

Sector Focus: Technology



Brian Thomas
Senior Analyst

Google (GOOG) \$593.97 on 12/31/10

Since becoming public in 2004, Google has enjoyed a growth run rarely seen for a large company. Having basically invented online search, the company enjoys the benefit of performing two out of every three queries world-wide. From such a dominant position, however, questions remain about the company's future and the difficult second act

demanded of every innovative technology company.

Headwinds

- Ad revenue dependency: 97% of company's sales still come from paid-search advertising.
- Free stuff: Contributing to the problem of ad-dependent sales is the missing price tag on most of Google's newest inventions.
- Competition: Microsoft, Facebook, and Apple look to increasingly be in the company's way.
- Still the good guys?: Company was founded under the mantra 'don't be evil'; yet it has antitrust problems in Europe, censorship in China, and privacy hawks around the globe all suggest the opposite.

Tailwinds

- Power of search: Still one of the most important things people do on the web, and it snags half of all online ad spending which itself is growing at 20%+ annually from a still modest base of 8% of total.
- Mobile: Huge opportunity to extend search dominance from desktop to mobile devices where 1 in 5 searches will be performed come 2012.
- Brand equity: Most powerful brand on the planet according to BrandZ's 2010 rankings.
- Innovation continues: Chrome, Gmail, Android all huge success even if they're being given away.
- Pipeline: Google TV, mobile display ads, YouTube, etc. all have potential to stimulate further growth.

Investment Thesis

Google naysayers have long accused the company of being "just a search engine." While this may be true, that engine makes for an incredibly powerful business. Even if the company stumbled into middle age (unlikely), growth would maintain near 20% as the secular theme of ad dollars migrating to the web continued to play out. But Google is in fact more than a search engine. They are chiefly interested in pushing the technology envelope, which is why so much of what they create is given away. It accelerates the development curve for internet technologies, often making competitors do things they otherwise wouldn't. Then when new application spaces open up they will have a better than even shot at being the company to develop best in class revenue-generating software from it. For the moment this means developing a comprehensive mobile presence, well funded by the powerful search business. Let us not forget that this is still an innovative, young company in spite of its size and investors' perennial focus on the newest kid on the block. With a modest P/E and more than \$100/share in cash, we continue to expect great results from this search giant.

Our Wealth Management Team – Your CFO



Mike Buccowich
Senior Financial Advisor
Certified Financial Planner®

Your wealth management team at Concord is more purposeful than ever about our role as not only your investment manager but as a core advocate in your financial life. Some of our clients are still catching on to our capabilities, so one way of thinking about our role is to picture yourself as the Chairman and CEO in the business of your personal wealth and to consider us as your Chief Financial Officer or CFO.

The job of a CFO is to support the core mission of a business by managing its finances to accomplish corporate goals. The same is true of Concord as your CFO. We do our best work when we have a complete understanding of you and your greatest goals, and how we can help you manage your finances to help accomplish them.



Jill Pletcher
Vice President
Director of Client Relations

A CFO is responsible to analyze data, address financial risks, adopt and execute a financial plan, and report the results to the board of directors. These traits of a successful financial life are the heart of our wealth management and the reason we have grown our clientele for twenty years.

I recognized Concord's CFO-proficiency when choosing to join the team over five years ago as a Certified Financial Planner practitioner from Morgan Stanley. Mitch, Jill, and I together have over eight decades of professional experience as your CFO team. Each of us has specialized in particular areas of financial services, so together we provide financial and retirement planning, estate planning and trust administration, asset allocation, asset management, and risk assessment and management.

What does this mean for you, the CEO? Of course, it means we help answer your financial questions. As your CFO our job is to tell you what your financial engine is capable of doing, like how much money will you have in retirement, how long your retirement funds may last, and whether you have the right amount of exposure to certain investments. But it also means we can help you explore whether to buy that duplex or pay off your mortgage. We can also help you plan for your estate, set up education accounts for your grandchildren, and evaluate your life insur-

Economic Charts

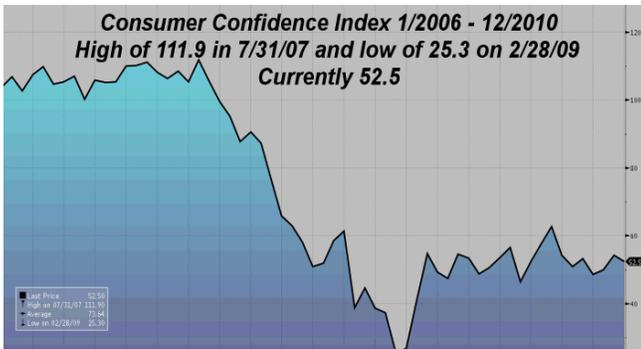


Figure 2 - Source: Bloomberg Financial

Consumer Confidence shows weak recovery since trough in early 2009.

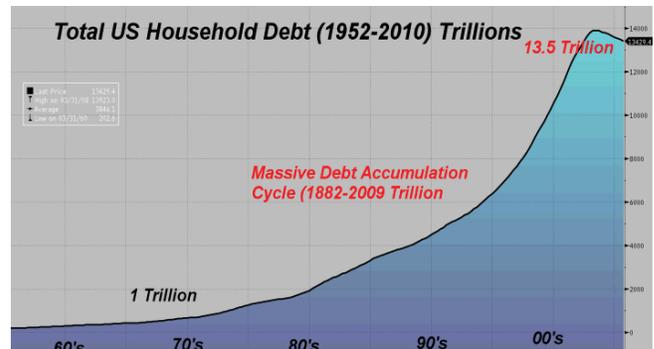


Figure 3 - Source: Bloomberg Financial

Total US Household Debt finally is declining after decades of growth.

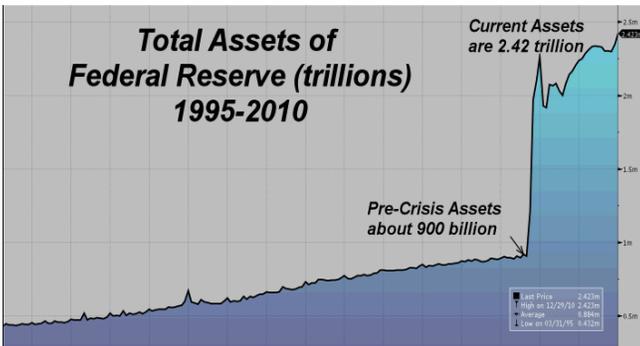


Figure 4 - Source: Bloomberg Financial

Federal Reserve balance sheet showing massive build-up in assets

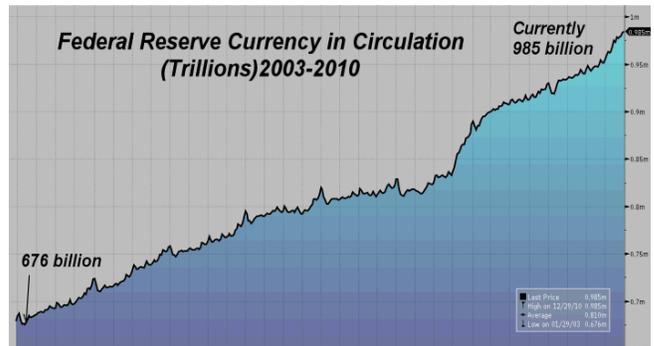


Figure 5 - Source: Bloomberg Financial

Federal Reserve data regarding currency in circulation