Inside Views From an Investment Management Leader

UPDATE

April 2011

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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In the News

Exchange Traded Funds – Gems that keep getting better

Perhaps the best innovation of the last decade for retail investors is the Exchange Traded Fund. ETFs come in several flavors, mostly issued by Barclays as iShares. These securities give investors access to almost any asset class and/or market in a highly diversified, liquid, and inexpensive format. They differ from mutual funds in that they are not front-end or back-end loaded with fees. Usually not actively managed, most ETFs mirror an index and hence carry only modest administrative fees. They are bought and sold on an exchange just like a stock which at Charles Schwab generally means $8.95 to buy or sell any amount. Please see the article on page 4 for more information on ETFs and how CIC is using them in your portfolio.

Economic & Financial Market Review & Outlook

Federal Reserve Policy Working! Economy and Markets Growing Again

The US Economy, financial markets, and our banking system have and continue to steadily recover from the crisis levels of 2008. The Federal Reserve and US government actions taken since 2008 are largely responsible for the rebound and continued recovery here in America. The highly criticized strategies of the Fed and the Obama Administration are indeed working! The Fed's massive purchases of Treasuries (which drove Treasury Bill rates down to almost zero) have caused yield thirsty investors to embrace risk again. Corporate bonds, mortgage bonds, junk bonds, stocks, and commodities have all benefitted as treasury rates and other risk free rates plunged while the Fed poured over $1.5 trillion into bond purchases. Other dominos falling as a result of Fed action include cheaper borrowing costs combined with improving wealth that have helped get consumers back in the mode of spending.

The innovative actions by the Federal Reserve and US Treasury were mostly followed by foreign central banks and governments producing a global rebound in economies and markets.

The US economy is still in a fragile state and a lot of progress will be needed before any celebration can begin. There are many areas of progress, the most notable of which include the health of our banking system, the improving balance sheets of the wealthy, and the turn of deflation back to modest inflation.

Mitch Pletcher
President
Chief Investment Officer

Retail sales are back on their long term trend of 2-3% growth. Most defensive parts of the economy are now back on trend. Industrial production, which got well above its line of long term growth in the last cycle, is now also back on its long term growth line.

Housing and employment are the slower recovering pieces of our economy. The housing problem is easy to understand as it was the area most impacted by the over-consumption of the last cycle. Employment is similar but more complicated. Technology and productivity improvements in the overall economy continue to weigh on employment. This is making it hard to absorb the excesses from a dormant labor intensive housing industry.

Fortunately the Chinese economy is still growing wildly and consuming lots of US goods and services, thus allowing the US economy to grow as we deleverage our balance sheets and reduce spending.

The oxygen mask is still on the US economy and will likely be removed in a very gradual manner over the next few years. The Fed's balance sheet has over $2 trillion of Treasuries

(Continued on bottom of Page 2)

Table 1: Stock & Bond Market Returns 3/31/11

	Quarterly Change	Trailing 12 Mos		Quarterly Change	Trailing 12 Mos
Large Cap Growth (IWF)	5.9%	18.1%	Small Cap Value (IWN)	6.4%	20.4%
Large Cap Value (IWD)	6.3%	14.9%	Small Cap Growth (IWO)	9.2%	31.0%
Europe Asia Far East (EFA)	3.2%	10.2%	Emerging Markets (EEM)	2.2%	17.3%
Invest Grade Bonds (LQD)	0.6%	7.4%	High Yield Bonds (HYG)	3.2%	13.0%
Interm Treasuries (IEF)	-0.4%	7.2%	Mortgage Bonds (MBB)	0.4%	4.3%

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

Table 2: Real Estate & Commodity Returns 3/31/11

	Quarterly Change	Trailing 12 Mos		Quarterly Change	Trailing 12 Mos
DJ US Real Estate (IYR)	7.1%	23.8%	DJ Commodity Index (DJP)	4.5%	28.8%
NAREIT Industrial/Ofc (FIO)	7.2%	16.8%	Goldman Commodity (GSG)	9.5%	19.9%
NAREIT Residential (REZ)	7.2%	30.0%	Gold (GLD)	0.8%	28.4%

Sources: Bloomberg Financial & Thomson Financial

Table 3: Case-Shiller Home Price Index 7/31/95 - 1/31/11

Last 90 Days (10/31/10 - 1/31/11)	-2.7%	Last 12 months (1/31/10 - 1/31/11)	-2.0%

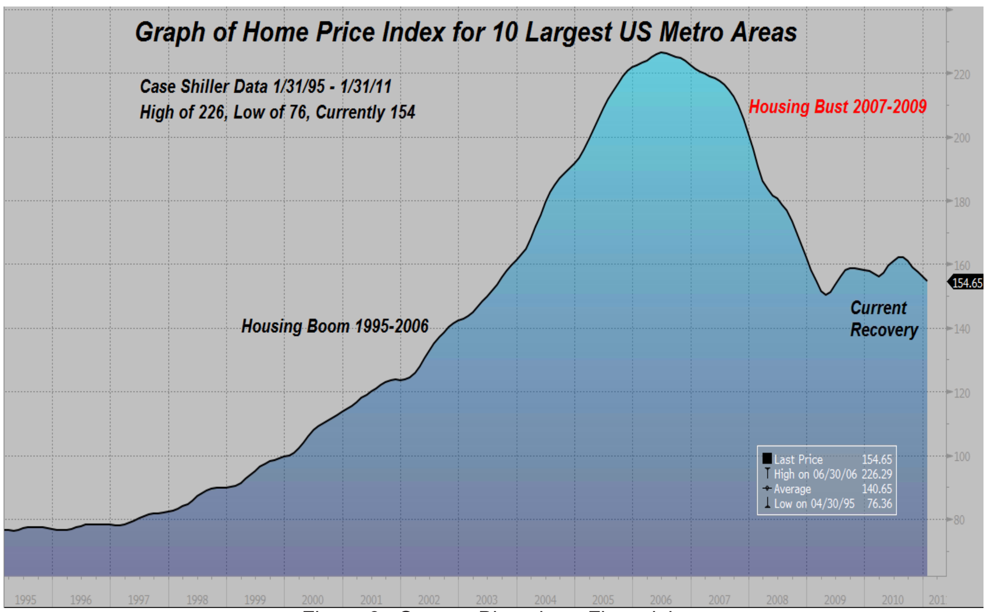


Figure 6 - Source: Bloomberg Financial

Economic and Financial Market Update

From Page 1

and approximately $400 billion of mortgage-backed securities as well. These will likely be sold back to the market over the next five years pushing Treasury rates higher indeed. Most of the large banks look over capitalized today. So far the expected asset degradation has not occurred at the level banks were forced to brace against. If this trend continues, banks will likely buy back expensive preferred debt issued in 2008 and 2009.

The economic environment ahead will set the course for the proper asset allocation for a winning portfolio. In the first quarter Treasuries, high quality fixed income and cash were losers. Equities, distressed debt, commodity baskets, and certain areas of real estate were all winners, with stocks doing the best.

The economic environment ahead will likely be less about a sharp recovery and more about staying on a path of growth. The inflationary environment is benign now, but expectations have risen sharply back to 2007 levels as noted in the implied inflation rate in TIPS. Currency in circulation has yet to grow much despite a tripling in the Feds liabilities. What the banks do with their excess cash, as well as the overall credit environment, needs to be monitored carefully to forecast inflation successfully.

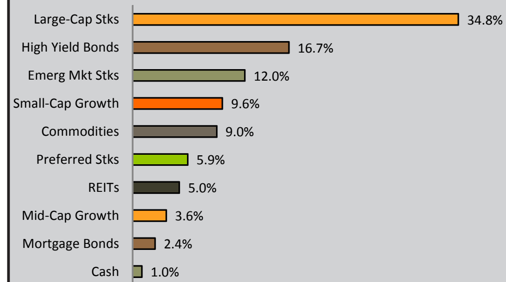
We remain optimistic!

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.

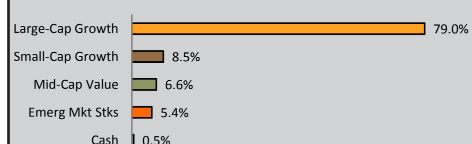


Growth

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.



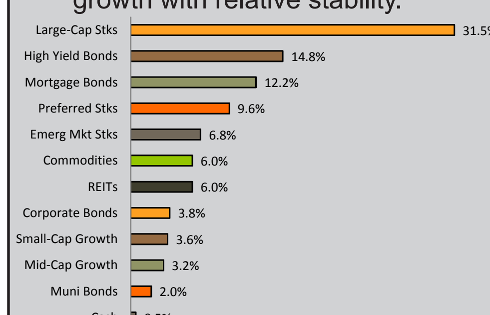
Focused REIT

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, Staples, Healthcare, and industrial Equipment

The slow growing US economy is demanding more defensive items like healthcare, staples, energy, and food. Cyclical rebounds in apparel and leisure are also occurring, but durable items have not rebounded to post recession levels. The demand for technology has also occurred but is not as strong as many had predicted and has been overshadowed by growing global demand for raw materials, industrial equipment and agriculture. Financial services has also underperformed expectations as global financial service demand has been weak but recovering.

Sector Performance Review *3/31/11*

	Quarterly Change	Trailing 12-Months
Energy	16.8%	40.6%
Industrials	8.9%	23.1%
Healthcare	6.4%	7.1%
Materials	5.0%	25.3%
Consumer Discretionary	5.0%	22.5%
Telecom Service	4.5%	27.7%
Utilities	3.9%	14.1%
Technology	3.7%	13.0%
Financials	3.5%	4.9%
Consumer Staples	3.0%	11.1%

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

Sector Focus: Industrials

Brian Thomas
Senior Analyst

3M (MMM) $93.50 on 3/31/11

3M is a household name. Ask anybody to name the company's famous products, and they'll quickly respond with Post-It notes or Scotch Tape. But this is not a consumer products or office supply company. It is a master of materials science, particularly surface chemistry. In addition to helping us wrap our holiday packages, this expertise has created one of the most innovative companies not just among U.S. industrials, but the entire global economy.

Headwinds

- Too big to continue growing faster than economy: A huge challenge for a company with $26B in sales.
- Low-end competition following patent expirations: Will become a growing challenge in emerging markets.
- Soaring raw materials costs: A serious threat to ambition of 20%-plus operating margins.
- Easy work done on supply chain, productivity improvements: Incremental gains will be more difficult.
- Growing pension liabilities: Continued low interest rates creates funding burden.

Tailwinds

- Innovation-driven product portfolio: New products evolve out of science used to create older ones.
- International footprint: 65% of sales abroad, 33% in fast-growing emerging markets.
- Dedication to R&D: At 5% of sales, looks more like a technology company.
- Diverse exposure to growth industries: Involved in key areas like electronic displays and energy conservation.
- Financial strength: Almost no debt and generates loads of cash every year.

Investment Thesis

Even though many of us interact with 3M's products daily, few would guess that the company was recently voted the third most innovative company in America behind Apple and Google. Deservedly, as 3M won 2,400 patents and launched 1,300 products in 2010. The company is an R&D machine, supporting 35 international labs with nearly 10% of its total workforce. Their science can be found everywhere: "invisible" braces on teeth, ultra-skinny panels for solar cells, films that boost the brightness of the iPad, or waxes on cars. After a century of innovative success, the company's growth rate stagnated in the 2000s. CEO George Buckley took the helm in 2005, and has gotten the company refocused on efficiency and sustainable growth. EPS have leapt past the pre-recession peak much faster than most industrials, and the company is well-positioned in fast growing markets like China and India where it's seeing growth of 20% and 30%, respectively. There is plenty of skepticism about the hoped for growth rate in coming years, which has left the stock with a market multiple of 14.5 times 2011 earnings. With an enviable balance sheet, plenty of free cash for both R&D and shareholders, and a blizzard of new products driving growth, 3M should be a "sticky" part of every investor's growth portfolio.

Our Research – You and Your Portfolio

Mike Buccowich
Senior Financial Advisor
Certified Financial Planner ®

Jill Pletcher
Vice President
Director of Client Relations

Since our founding twenty years ago, what has set Concord Investment Counsel apart from other wealth managers is research. What makes us different is how we blend our fiduciary duty to you with our insight into the financial landscape. Put simply, we do for you what's appropriate and what's timely.

We are a research-driven wealth manager. First, we research you to know your situation and your goals, and then we decide together how to prudently achieve your success. That's doing what's appropriate. What's more, we apply a great deal of effort to research the economy and the markets so we can guide your portfolio with the most favorable investments. That's doing what's timely.

Our research approach with you often leads to one of several featured portfolios. Many of our growth-oriented clients find a good fit with **Dynamic Growth**. While managed to capture the performance of the S&P 500, we employ not just stock market investments but drive the assets toward what's working in bonds, real estate, and commodities as well. Our clients seeking an income-oriented total return often choose **Asset Allocation for Income**. With an absolute return goal of about 7% annually, we use all asset classes in a balanced way for income along with stable growth.

Our clients with over $1 million to invest can also work with us in a personalized investment strategy we call **Private Client**. Since the investment goal for several million dollars may not fit cleanly into any one of our designated portfolio strategies, we work closely with clients in this mode to decide on a target rate of return and customize the investments to fit.

No matter which portfolio might work for you, one common aspect among them is to build and manage an Asset Allocation that fits the economic environment ahead. To accomplish this in a liquid manner, we are now utilizing ETFs more and more. These funds have proliferated in recent years into an array of hundreds of choices in almost any index or asset class imaginable. One reason ETFs add value is their many categories. If our research team decides it's timely to own a particular stock sector, bond market area, or commodity we can readily do it. Also their liquidity and share structure mean we can buy and sell ETFs easily. Their diversification means an ETF may hold hundreds of companies for the same dollars that would own just one or two common stocks. Finally, their cheap cost and tax structure mean using ETFs can add more to bottom-line performance than many of the same mutual funds. Along with stocks and bonds, ETFs offer us another tool to implement our research strategies on your behalf.

Economic Charts

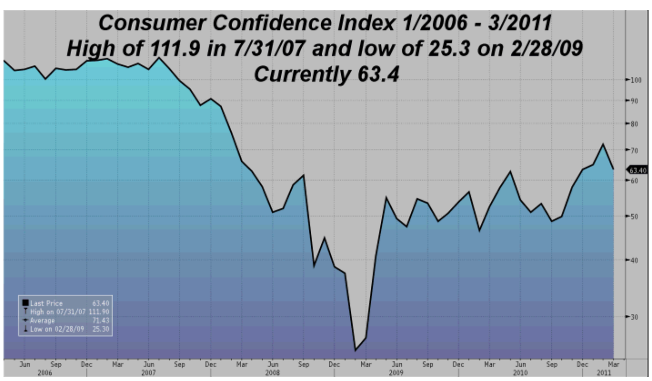


Figure 2 - Source: Bloomberg Financial

Consumer Confidence shows weak recovery since trough in early 2009.

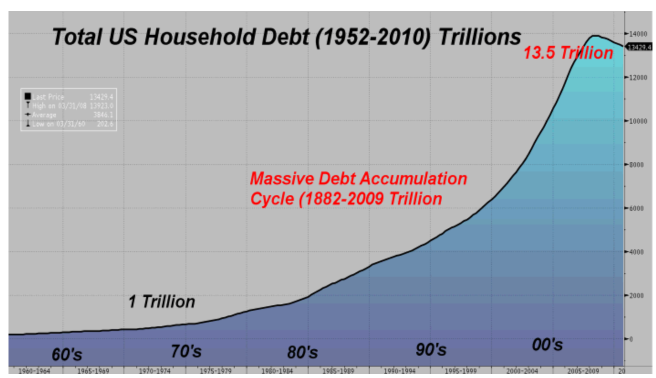


Figure 3 - Source: Bloomberg Financial

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

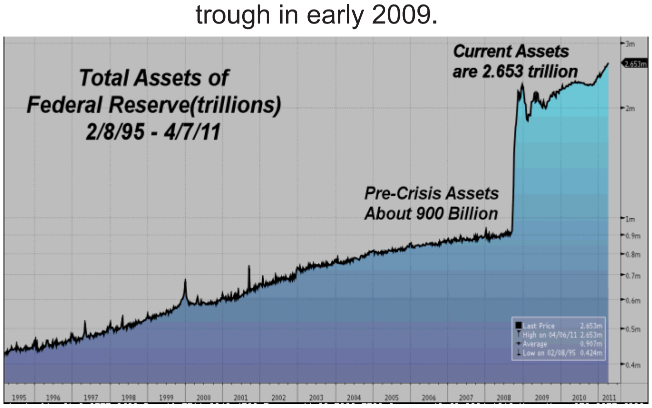


Figure 4 - Source: Bloomberg Financial

Federal Reserve balance sheet showing massive build-up in assets.

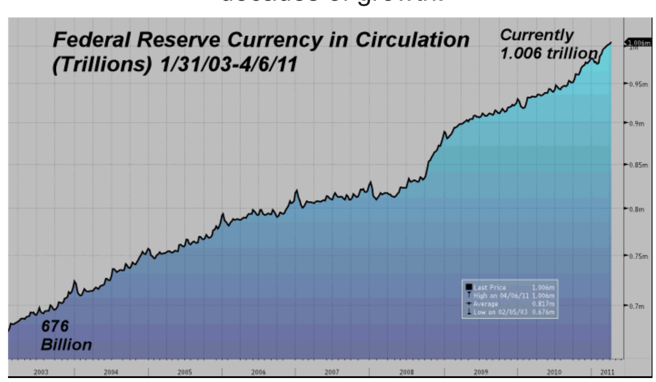


Figure 5 - Source: Bloomberg Financial

Federal Reserve data regarding currency in circulation.