Inside Views From an Investment Management Leader

UPDATE

April 2012

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

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Why wait for paper when you can get the latest thoughts from your wealth manager in real time? Economic updates from Mitch Pletcher are seen first in real time by following Concord Investment Counsel around the web. Tune in for our exclusive up-to-the-minute commentary!

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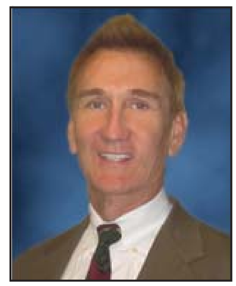
Economic Review & Outlook

Pessimists Wrong Again

The global economy encountered another storm in the later part of Q42011, and the investment world braced for what was predicted to be a likely stall. The pessimists ran wild with predictions of gloom and doom for America and its global partners. These hypotheses seemed to lack sound foundations and were out of touch with the real trends in the economic data. They eventually were proven to be wrong.

Make no mistake, the debt problems in the globe are very real and significant and will likely take many more years to get under full control. The confusion involves the effectiveness of the tactics being used to clean up the mess the globe got into over the last 20 years. So far the tactics are indeed working. What's most important now is the fact that the globe continues to recover and the debt problems are being dealt with utilizing reasonable and effective strategies. Western Europe's problems have not dragged the US into recession. Significant improvement has taken place in the US economy since November of 2011, which was the basis for the best quarter for the S&P 500 in 14 years (+12%). Consumer confidence improved from a reading of 40 to about 70. The US dollar index rose from 68 to 79. Monthly retail sales made new all time highs after a pause in October. Job creation has returned to the 200,000 per month range. Personal income has risen to a record of over 13 trillion annually. Personal consumption has risen as well to over 11 trillion but a nice gap has opened showing that Americans are saving again. Inflation remains under control with the Conference Board's index of CPI falling to a 2.9% rate from 3.8% in mid 2011. The central bank has affirmed its intention to keep rates near zero until the end of 2014, and government spending is showing signs of finally cooling as the largest obstacles in the path of growth have been passed.



Mitch Pletcher
President
Chief Investment Officer

Lots of positive news to offset the continued headwinds of lingering problems in housing, banks' inability to lend because of poor asset quality and more stringent basil standards to comply with today, and lastly the slow rate of US growth.

The potential rate of growth in the US is an interesting subject. Generally economic growth is tied to population growth and productivity. It is a product of the growth in the labor force and productivity. The gap between slow growing and fast growing mature countries is all about productivity. Of course this assumes that things like transparent markets, rule of law, and minimal corruption are held constant. What drives productivity is what needs to be investigated. A misallocation of capital can be devastating to productivity. The causes of misallocations of capital are many - some believe it is all about taxes and role of government while others believe that free, unfettered markets breed excesses and instability, thus the need for government regulation and spending as vital to support stable long term growth.

A complete analysis is far beyond the scope of this article but watch our blog for more complete review of this problem.

We remain optimistic that the global recovery will continue.

Financial Market Review & Outlook

Best First Quarter for Stocks in 14 Years!

Mitch Pletcher
President
Chief Investment Officer

The first quarter of 2012 started with a bang with equity markets producing the best gain for a first quarter in 14 years! The move in the market was broad with almost all indices producing double digits gains for the quarter. Large cap growth stocks (IWF) led the way in the domestic sector with a gain of 14.7%. Concords Large Cap Growth Portfolio advanced a comparable 15.1% in the quarter. The S&P 500 returned 12.6% and the DJIA lagged with a 8.8% return. Globally things were bright as well in the equity markets. Japan (EWJ) led the way in the mature world with a 11.7% gain, Europe (EFA) gained 10.8%, while emerging markets averaged 13.2%. All in all it was a great quarter for stocks as better economic data fueled a tremendous rally worldwide.

There were gains in other asset classes as well. Selective bonds markets, commodities and REITs had returns worth noting. In the real estate world REITs focused on Industrial, & commercial property (FNIO) returned 13.5%. Office Buildings (IYR) also did well with a 10.6% return, and returns in apartments (REZ) finally slowed posting only a 5.9% gain for the quarter.
In the commodity world things were mixed with gold (GLD +6.7%) and silver (SLV +16.5%) doing the best and broad commodity baskets (DJP) ending flat (DJP+0.2%).

The bond market was split with High quality bonds mostly down (TLT-7.0%) and distressed bonds mostly positive (HYG+2.6%, PCM+4.5%, PGF+12.9%).

We believe further upside in prices is likely but the ride may get bumpy as economic data seems too good lately.

Table 1: Stock & Bond Market Returns — 3/31/12

	Quarterly Change	Trailing 12 Mos		Quarterly Change	Trailing 12 Mos
Large Cap Growth (IWF)	14.7%	10.8%	Small Cap Value (IWN)	11.6%	-1.0%
Large Cap Value (IWD)	11.0%	4.6%	Small Cap Growth (IWO)	13.4%	0.9%
Europe Asia Far East (EFA)	10.8%	-5.8%	Emerging Markets (EEM)	13.2%	-10.1%
Invest Grade Bonds (LQD)	2.3%	11.6%	High Yield Bonds (HYG)	2.6%	6.2%
Interm Treasurys (IEF)	-1.8%	13.9%	Mortgage Bonds (MBB)	0.4%	5.9%

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

Table 2: Real Estate & Commodity Returns — 3/31/12

	Quarterly Change	Trailing 12 Mos		Quarterly Change	Trailing 12 Mos
DJ US Real Estate (IYR)	10.6%	9.0%	DJ Commodity Index (DJP)	0.2%	-17.6%
NAREIT Industrial/Ofc (FNIO)	13.5%	3.1%	Goldman Commodity (GSG)	5.5%	-6.9%
NAREIT Residential (REZ)	5.8%	14.5%	Gold (GLD)	6.7%	15.9%

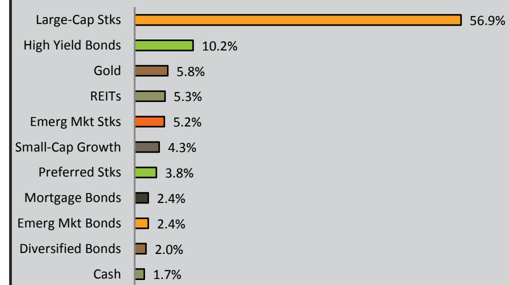
Source: Bloomberg, Barclay's Global Investors ETFs. Actual performance including dividends.

CIC Managed Accounts

Growth Portfolios

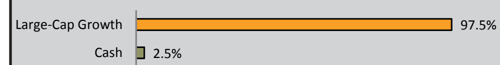
Dynamic Growth

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



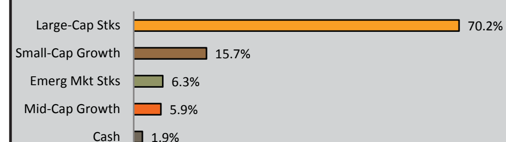
Growth

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.



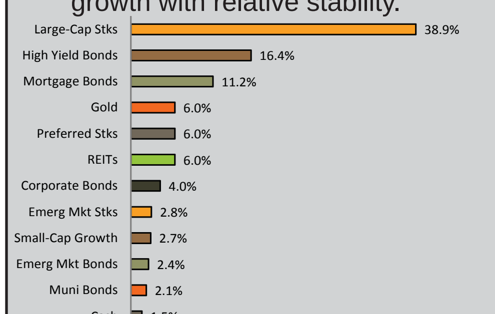
Focused REIT

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: Technology, Financials, Materials, and Consumer Discretionary sectors lead market

The slow growing US economy is demanding more defensive items like healthcare, staples, energy, and food. These strong economic performers have gotten expensive and fell to the back of the pack in Q1. Better economic data and strong earnings reports from technology in Q1 caused optimism to return for Cyclical areas of the economy. The demand for technology has started to return along with continued global demand for raw materials, industrial equipment and agriculture. Financial services have recovered from ultra cheap levels but remain growth challenged.

Sector Performance Review *3/31/12*

	Quarterly Change	Trailing 12-Months
Technology	21.3%	18.1%
Financials	20.5%	-0.9%
Consumer Discretionary	16.6%	16.3%
Materials	12.4%	-3.5%
Industrials	12.1%	1.4%
Healthcare	10.1%	14.8%
Consumer Staples	5.8%	17.2%
Energy	4.0%	-7.8%
Telecom	3.2%	2.3%
Utilities	-1.6%	12.9%

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

Fixed Income Review

By Kyle Aron

Lackluster First Quarter

Kyle Aron
Senior Analyst

The ebb and flow of recovery surged positive in the first quarter of 2012. The S&P 500 rallied over 12%, while the tech-heavy NASDAQ put forth a blistering near 20% return. A flood of strengthening economic data points buoyed markets across nearly all segments.

Coincidentally, fixed income was left mostly high-and-dry for the quarter. Treasurys saw negative total performance, with long-term issues down over 7%. Investment-grade corporate bonds were mostly flat, leaving only high-yield and emerging market bonds with any notable positive total performance. Emerging market bonds were up a modest 3.5%, while high-yield bonds returned slightly less at 2.6%. Overall, spreads between low and high-quality bonds tightened through the first quarter of 2012.

Stronger economic data prints, especially in the labor, manufacturing, and consumer confidence segments, reduced market expectations of further quantitative easing by the Federal Reserve. Where markets previously rallied on the support of easing programs, market confidence is now derived from the absence of need for further easing. Treasuries have found themselves in a downward trend that will likely continue unless there is a stumble in the pace of recovery. The slide could accelerate should inflation become a problem. Hence, keeping a watchful eye on commodity prices is necessary for bond investors.

Financial sector fixed income securities (PGF) were an outlier in Q1 with a total return of nearly 13%, benefitting from the market's sigh of relief as US banks were largely unscathed from European debt drama and nearly across the board passed the Fed's stress tests. The financial sector is becoming modestly more appealing as banks continue to recover from overly-depressed levels. It's tough to ignore first quarter equity performance by the likes of Bank of America (BAC, +72%), Citigroup (C, +39%), Goldman Sachs (GS, +38%) and their colleagues.

Emerging market bonds outperformed domestic high-yield debt in Q1. Overblown fears of stunted emerging market growth alongside a developed world slowdown largely abated. Emerging market bonds saw price appreciation nearly double that of domestic high-yield bonds in the first quarter and continue to remain appealing in a slow but steadily recovering global economy.

A Word from Our Advisory Team

Jill Pletcher
Vice President
Senior Financial Advisor

Living Comfortably in Retirement

While there is no magical secret to a comfortable and fulfilling retirement, there are some things that get echoed to me from clients that seem to have found retirement to be the best period of their life. We all know that growing old is inevitable, but that doesn't mean we can't enjoy life as it happens. There are as many new doors that open in retirement as close. Working to discover those new activities is the right path to follow along with some basic things that we all know but sometimes forget:

Financial Security seems to be at the top of the list. This is because health management, entertainment, and pursuing our purpose in life have costs associated with them, and we need to be able to finance these through retirement. This means a sound investment plan that is timely and meets your goals. A good plan needs to address the inflation that will likely affect you. There is no absolute answer here about how much is enough. It's all about having enough wealth to finance your lifestyle and goals.

Health: Don't put off needed procedures that will keep you active. Knee replacements and other movement procedures need to be done earlier than later, while you're still strong enough for the surgery. Staying active is key to long life, and involves exercise, diet, and regular checkups.

Family and friends: No one wants to be alone in retirement. Don't be afraid to move and position yourself amongst family and friends. This also may be an opportunity to resize the house that you need and reposition lifestyle assets into income producing assets.

Purpose and direction in your life: Our clients who continue to have purpose and direction in their life as they move through retirement seem much happier than the ones who don't. Retirement can actually be a time to take on challenging things that a job prevented earlier in life.

In case you haven't heard, Mike Buccowich, our dear friend and colleague has sadly left his full time position here at Concord. He will continue to work with us as a freelance writer contributing to our blog and newsletter.

Economic Charts

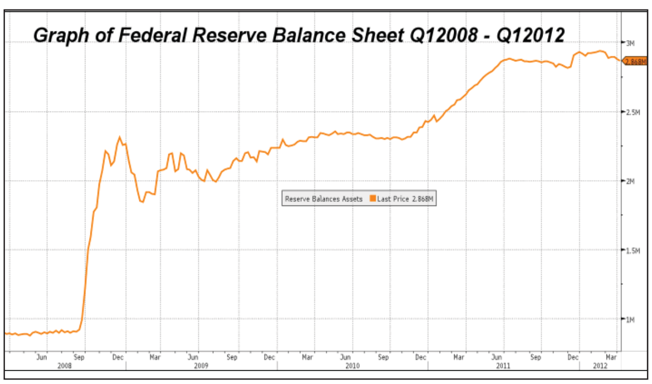


Figure 2 - Source: Bloomberg Financial

Graph of Federal Reserve Balance Sheet showing possible end to expansion

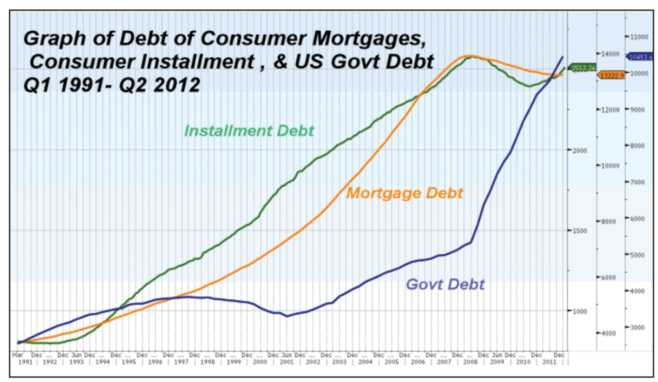


Figure 3 - Source: Bloomberg Financial

Graph of US debt by sector showing declining levels of consumer debt contrasted against rising Govt debt

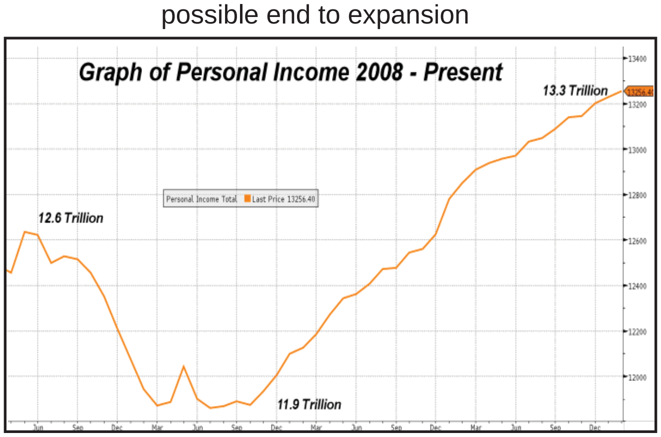


Figure 4 - Source: Bloomberg Financial

Graph of Personal Income showing steady rise since 2008 financial Crisis - Notice gap between income and consumption (Fig 4)

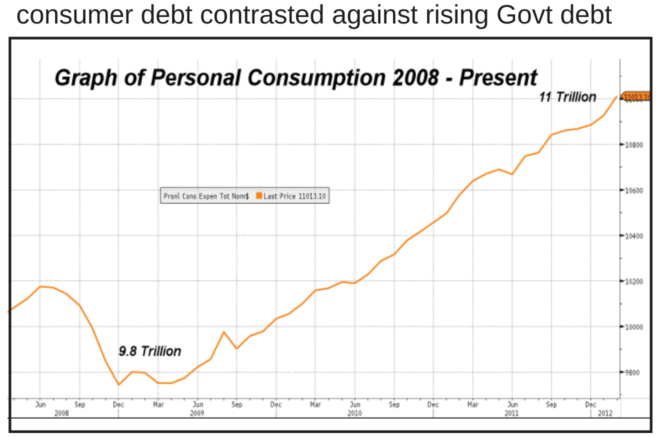


Figure 5 - Source: Bloomberg Financial

Graph of Personal Consumption showing steady rise since 2008 financial Crisis