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## June 2014 Capital Markets Review

| INDEX                                | PERIOD ENDING JUNE 30, 2014 |        |             |             |             |              |
|--------------------------------------|-----------------------------|--------|-------------|-------------|-------------|--------------|
|                                      | QTR                         | YTD    | 1 YR RETURN | 3 YR RETURN | 5 YR RETURN | 10 YR RETURN |
| <b>U.S. EQUITY MARKETS</b>           |                             |        |             |             |             |              |
| S&P 500 Index                        | 5.23%                       | 7.14%  | 24.61%      | 16.59%      | 18.83%      | 7.78%        |
| Russell 3000                         | 4.87%                       | 6.94%  | 25.22%      | 16.46%      | 19.33%      | 8.23%        |
| Russell 1000                         | 5.12%                       | 7.27%  | 25.35%      | 16.63%      | 19.25%      | 8.19%        |
| Russell 1000 Value                   | 5.10%                       | 8.28%  | 23.81%      | 16.92%      | 19.23%      | 8.03%        |
| Russell 2000                         | 2.05%                       | 3.19%  | 23.64%      | 14.57%      | 20.21%      | 8.70%        |
| Russell 2000 Value                   | 2.38%                       | 4.20%  | 22.54%      | 14.65%      | 19.88%      | 8.24%        |
| <b>NON-U.S. EQUITY MARKETS</b>       |                             |        |             |             |             |              |
| MSCI ACWI Ex US                      | 4.62%                       | 5.40%  | 23.83%      | 7.58%       | 11.67%      | 7.18%        |
| MSCI Emerging Markets                | 6.60%                       | 6.14%  | 14.31%      | -0.39%      | 9.24%       | 11.94%       |
| <b>FIXED INCOME</b>                  |                             |        |             |             |             |              |
| Barclays Aggregate Bond              | 2.05%                       | 3.93%  | 4.37%       | 3.67%       | 4.85%       | 4.93%        |
| Barclays Municipal Bond 3 Year       | 0.71%                       | 1.04%  | 2.42%       | 1.83%       | 2.45%       | 3.17%        |
| Barclays US TIPS                     | 3.81%                       | 5.83%  | 4.44%       | 3.55%       | 5.55%       | 5.25%        |
| <b>REAL ASSETS/NATURAL RESOURCES</b> |                             |        |             |             |             |              |
| DJ US Select REIT                    | 7.15%                       | 18.24% | 13.27%      | 11.39%      | 23.76%      | 9.41%        |
| S&P North American Natural Resources | 13.37%                      | 16.43% | 33.14%      | 6.73%       | 14.76%      | 12.01%       |

### Commentary

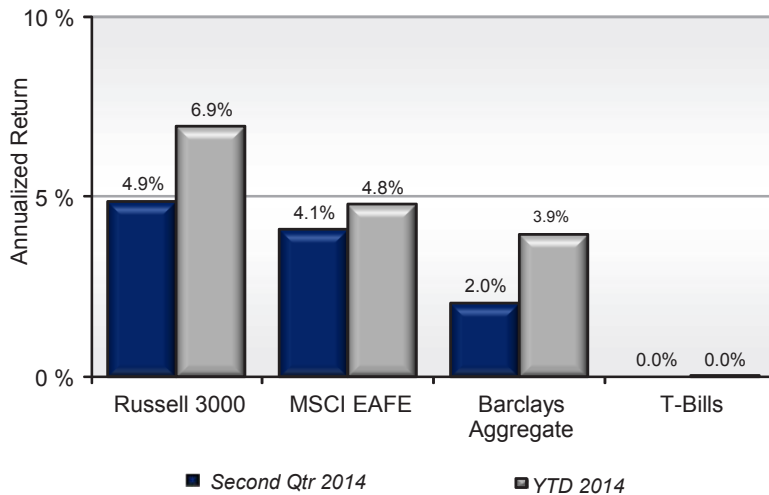
- ❖ The U.S. equity market posted its eighth consecutive quarterly gain, returning 4.9% in the second quarter. The bellwether Dow Jones Industrial Average advanced into record territory, ending the period slightly below 17,000. Investors looked past a revised lower first quarter GDP reading, attributing those results to harsh winter weather, and reacted to more promising second quarter data. Improved existing home sales, better than expected corporate earnings, and a healthy uptick in merger, acquisition and IPO activities all supported valuations in the period.
- ❖ Large-cap stocks outperformed small-cap issues by 3.2 percentage points in the quarter, expanding the year-to-date performance advantage to nearly 4.0 percentage points. In addition to recent investor preference for lower-beta, higher quality stocks, the large-cap segment's higher allocation to energy issues and lower allocation to financial issues contributed to the performance differential for the quarter. Value and growth stocks, on a broad basis, performed in line for the quarter. Among small-cap issues, value provided a premium over growth.
- ❖ The investment grade U.S. fixed income market posted a 2.0% return in the quarter as interest rate concerns moderated in the period. While the Federal Reserve's program for tapering monthly bond purchases continued as planned, Fed Chair Janet Yellen reiterated that the policy for short-term interest rates would likely remain accommodative through 2015. Longer duration securities outperformed shorter duration issues in the period, while most spread sectors along the maturity curve outperformed comparable



Treasuries. Long-term TIPS and emerging market bonds (in US dollar terms) were the top performing market segments, each returning more than 5% in the quarter.

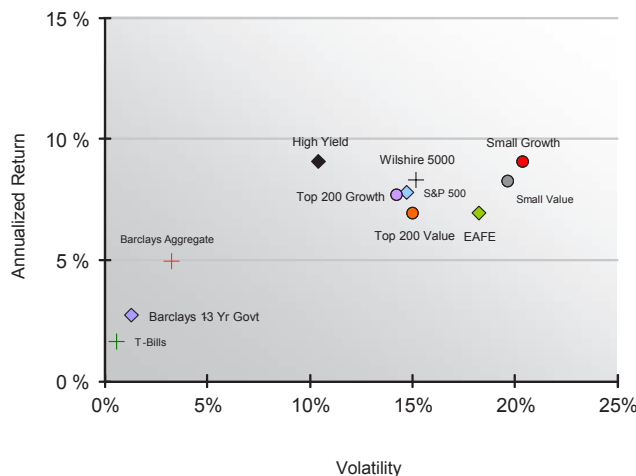
- ❖ U.S. TIPS outperformed their nominal Treasury counterparts as inflation expectations increased. Long-term U.S. TIPS performed near the top of all fixed income markets in the quarter, returning 6.4%. The breakeven inflation rate implied in 10-year US TIPS ended the quarter at 2.26%, up from 2.13% at the end of the prior quarter. The latest realized CPI reading was 2.1%, up from 1.5% at the end of the prior quarter.
- ❖ The international equity markets kept pace with the U.S., returning 5.0% in the quarter. Results within the emerging markets led the way as investors capitalized on attractive valuations following the prior-quarter sell off. Within developed Europe, investors were encouraged by the European Central Bank's decision to set the overnight reserve deposit rate to -0.10% in order to promote lending and economic stimulus. Japanese exports improved in the quarter, despite a stronger yen, while better expectations for business spending reassured investors in the region. The dollar ended the quarter marginally lower versus a basket of major currencies, resulting in a 1.0 percentage point advantage for U.S. dollar based investors in the broad international equity markets.

**Major Capital Market Returns**



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

**Risk/Return - Trailing 10 Years**



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

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## For More Information

For more information on the services offered by M Wealth, please contact:

Dennis L. Eslick, ChFC, CLU  
deslick@eslickfinancial.com  
319.833.5555

Kevin M. Eslick  
keslick@eslickfinancial.com  
319.833.5555

or visit the M Wealth website at:

[www.mfinwealth.com](http://www.mfinwealth.com)



Eslick Financial Group, Inc.  
999 Home Plaza, Suite 201  
Waterloo, IA 50701  
319.833.5555  
[www.eslickfinancial.com](http://www.eslickfinancial.com)