

# Market Summary

February 2011

## Capital Markets Overview

	Last 3 Months	1 Year	Last 3 Years	Last 5 Years
<b>US Equity</b>				
S&P 500 Composite	12.95	22.57	2.19	2.87
Wilshire 5000	12.70	24.58	3.49	3.63
Dow Jones Industrials	11.76	21.59	2.65	4.80
NASDAQ OTC Composite	11.37	24.31	7.00	4.05
<b>Foreign Equity</b>				
MSCI EAFE	14.35	20.54	-2.13	2.91
MSCI Emerging Markets Free	3.30	21.23	0.80	9.94
MSCI Europe (net return)	16.36	20.43	-3.88	2.91
MSCI Pacific (net return)	10.91	18.86	-0.09	1.29
<b>Fixed Income</b>				
Barcap 7 Year Muni	-0.61	3.32	6.20	5.22
Barcap US Aggregate	-0.72	4.93	5.40	5.80
Barclays High Yield	5.42	17.50	12.69	9.18
Citi World Government Bond Index	-0.56	2.31	3.00	4.83
<b>Miscellaneous</b>				
Dow Jones US Select REIT	13.41	39.19	4.19	1.97
Merrill Lynch Three Mo. US T Bill	0.04	0.14	0.58	2.30

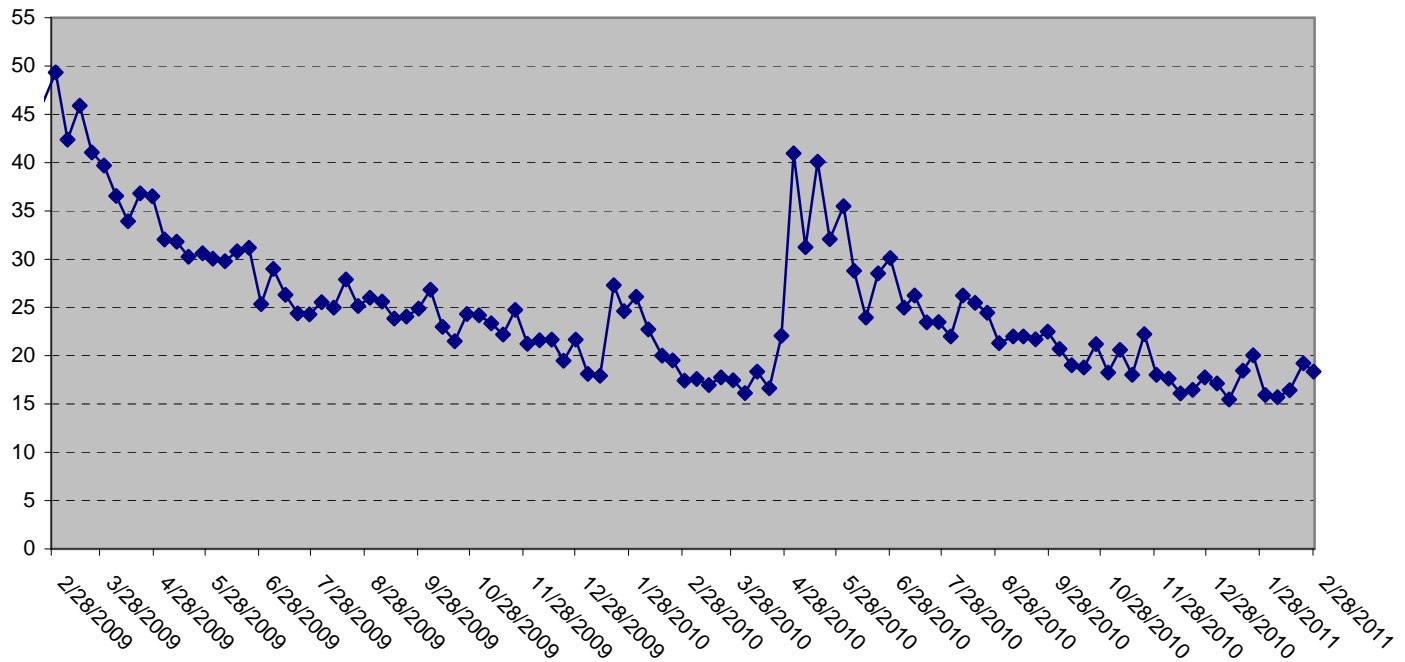
Returns for greater than one year are annualized.

U.S. private sector employers added more jobs than expected during February in a sign of steady improvement in the labor market, ahead of the closely watched non-farm payrolls report from the Labor Department. Employers added 217,000 jobs in February, above expectations for a rise of 175,000.

U.S. core consumer prices rose at the fastest pace in more than a year in January, indicating a long period of slowing inflation had run its course. The Labor Department said its core Consumer Price Index (CPI) which excludes food and energy costs, increase 0.2%, the largest gain since October 2009. The index rose 0.1% in December. The increase, which was above economists' expectations was driven by rises in the cost of apparel, shelter and airline fares. Economic recovery seems to be gathering steam as the manufacturing sector maintains its strong expansion pace.

Deutsche Boerse will take over New York Stock Exchange (NYSE) Euronext to create the world's largest exchange operator in a deal that was announced during the month. The merger combines more than \$20 trillion in annual trading volume and operations in Germany, France, Britain, Amsterdam, Portugal, Belgium and the United States. There has not been a formal name given to the combined group as of yet; they will be headquartered in both New York and Frankfurt.

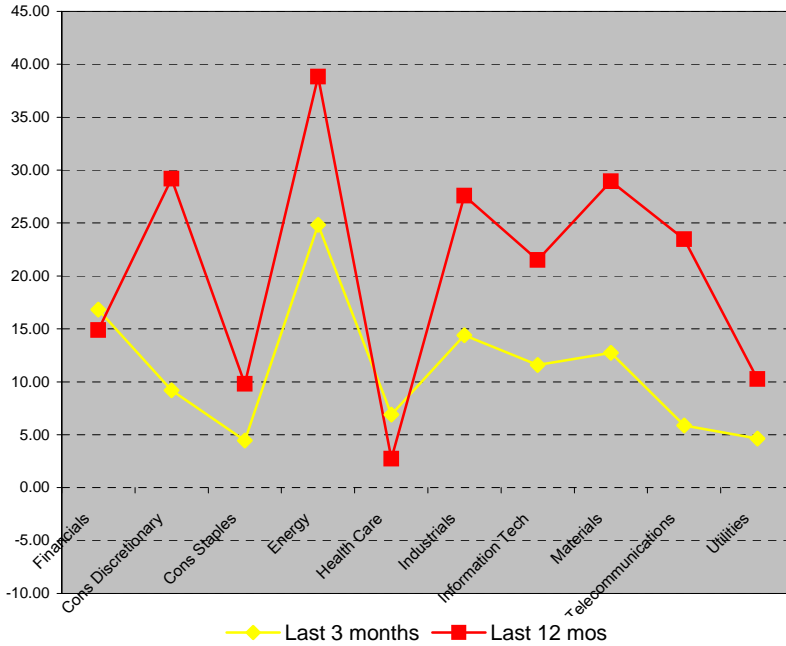
## S&P VIX CBOE (Volatility Index)



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**US Equity Market Review**

**S&P 500 Sector Returns**

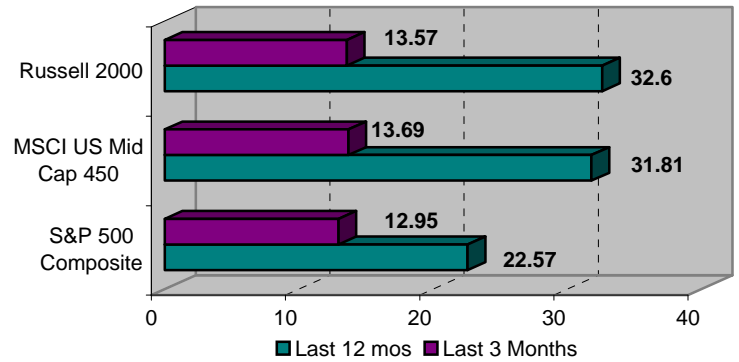


During the month oil reached a 2.5 year high as turmoil in Libya drove up prices. Top exporter Saudi Arabia has raised oil output above 9 million barrels per day to make up for a near halt in Libyan exports, helping ease prices. Some European oil firms said they were looking to buy more crude from Iran and the West's energy watchdog, the International Energy Agency, has stated there is no need for an immediate strategic stock release. Brent crude in London reached almost \$109 a barrel for the first time since 2008. Although the cost for consumers to fill up their gas tanks has steadily risen, the effects on other areas of consumer spending have not reported visible impact yet but its threat looms over consumers. Brazilian state oil company Petrobras reported its most profitable quarter ever as net income rose 38% on financial earnings and lower expenses. The results come as oil prices topped \$100, making Brazil's vast offshore reserves increasingly attractive to investors seeking access to some of the world's largest crude discoveries in decades.

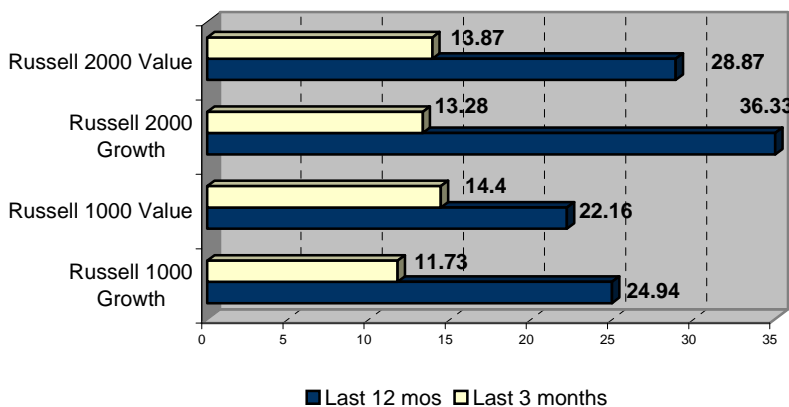
For the first time since the Gulf of Mexico spill last year, U.S. regulators granted the first deepwater drilling permit for Noble Energy to drill in the Mississippi Canyon area of the Gulf about 70 miles south of the Louisiana coast.

U.S. stocks fell back into negative territory, representing the worst drawback since August as crude oil rose above \$100 a barrel amid tensions in Libya. Analysts are concerned about the effects of increased gas prices for consumers as markets still struggle to consistently maintain positive earnings. The S&P 500 lost 1.7% during the last week during the month, breaking a previous three week streak of gains. Stocks seem to be correcting themselves as the S&P 500 has experienced a 25.8% gain since the start of September, but investors remain leery as turmoil in the Middle East continues to be a threat.

**Returns by Capitalization**



**Returns by Style**

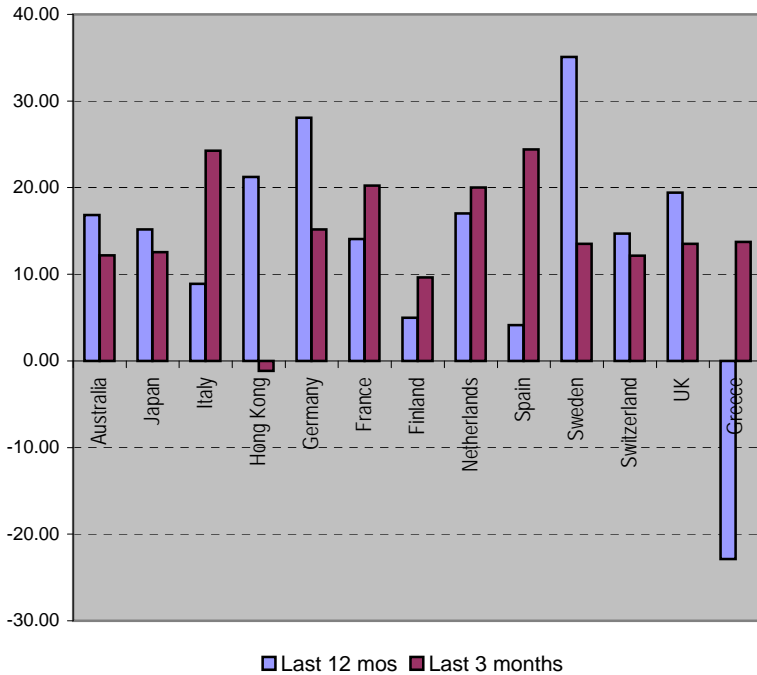


During the last full week in February midcap stocks posted their best day on Friday in three months and smallcaps also rallied. Gains were led by energy stocks, as a recent pullback was taken as an opportunity to increase exposure in the sector. Both the midcap energy sector and its smallcap peer jumped more than 3%. Investors are seeking to maximize volatile movements in energy as they increase their exposure to the sector. For the week, mid and smallcaps were both down 2.1%, the first negative week return in five for both indices.

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## Foreign Equity Market Review

### Country Returns (USD)

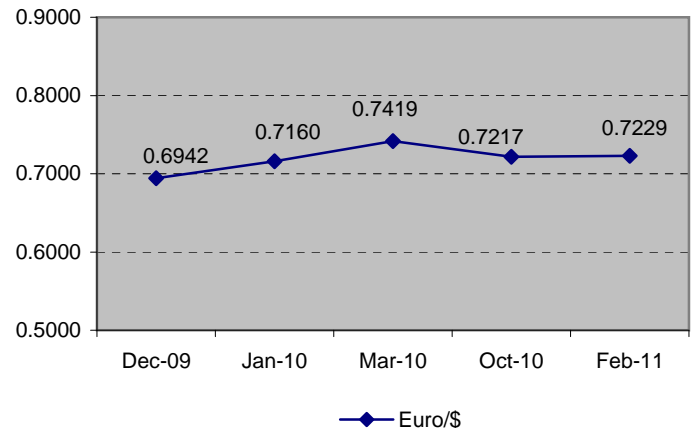
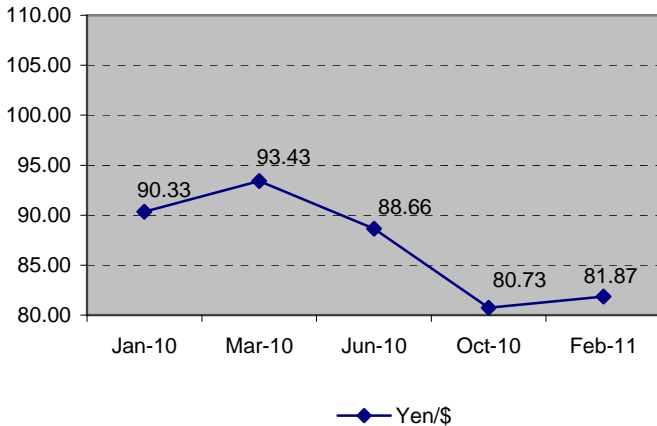


Egypt's stock exchange, which has been closed since January 28 after the onset of protests that toppled President Mubarak, faces the risk of being excluded from MSCI's emerging markets index when the index provider reviews its status in four weeks if it does not reopen before the MSCI renders a decision. Local investors are concerned that the removal of Egypt from MSCI indexes would trigger a further outflow of money from an already wounded market, which has seen its growth outlook pared to about 4.3% of gross domestic product. Japan reports that their jobless rate stayed flat in January but the availability of jobs improved to a two-year high, government data showed, in a sign the economy is gradually recovering from stagnation. The seasonally adjusted unemployment rate was unchanged at 4.9%, matching economists' forecasts. The number of new job offers grew 18.8% from a year ago, which marked the eleventh month increase.

Australia predicts that global commodities are set to continue to roll on for another two years while miners and farmers work to catch up with demand, and believe that prices are likely to remain strong in the future. China continues to try to cool its economy and prices lose some momentum, although iron ore, coking coal, copper and gold remain around all-time highs, and wheat and crude oil are at two-year highs.

### Exchange Rates

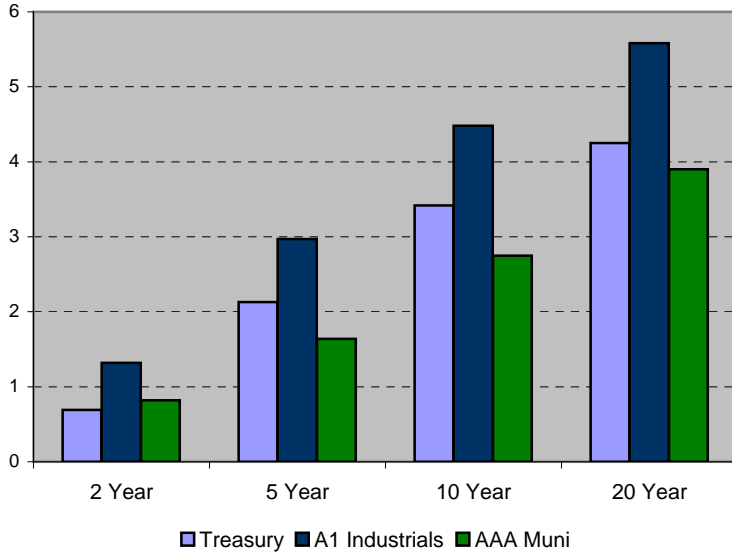
The dollar rebounded against the euro at the close of the month, boosted by a retreat in oil prices after Saudi Arabia stepped up crude supply, with the currency possibly attracting more flows if Middle East tensions escalate. Higher oil prices typically undermine the dollar as the United States is a major oil importer. The euro's early session strength was helped by inflation-fighting rhetoric from euro zone policy-makers, which added to expectations euro zone rates will rise faster than that in the United States. The dollar briefly trimmed its gains against the euro after a second reading of U.S. gross domestic product data showed the economy grew slower than expected in the fourth quarter.



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## Fixed Income Market Review

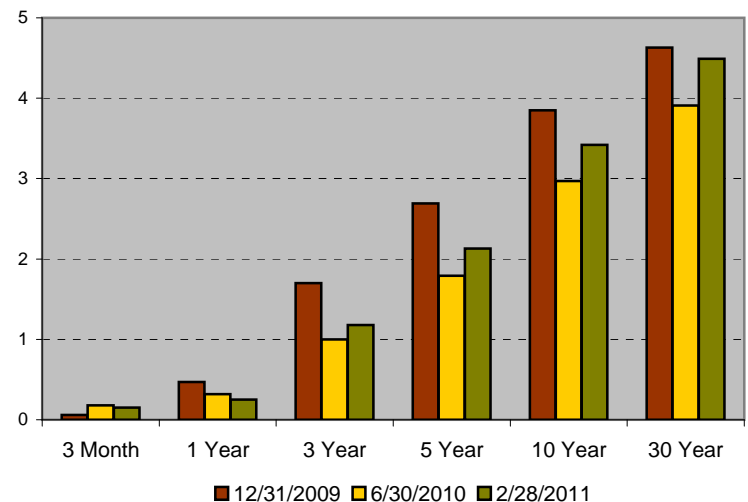
### Current Yield Curves



Turmoil in the Middle East and North Africa and rising oil prices may send valuations on inflation-linked bonds still higher, after an oil spike caused investors to anticipate that inflation will erode Treasury debt returns. Treasury Inflation-Protected Securities (TIPS) often referred to as "real yields" because they measure the value of the debt returns minus expected inflation, fell as investors worried about the effect of surging oil prices. Treasuries have been volatile in recent weeks as bullish economic expectations, which have sent yields higher have been offset by continued uncertainty in the Middle East. The effects of surging oil prices is also muddying the picture as investors look for signs of when the Federal Reserve will remove economic stimulus, and in turn raise interest rates.

During the month U.S. Treasury prices in the middle of the yield curve rose, aided by Federal Reserve purchases, subdued consumer spending in January and cautious remarks about the economy from Fed President William Dudley. Dudley believes that the central bank is "very far" from achieving its goal of maximum employment and price stability. A stronger than forecasted February index of Midwest business activity weighed on longer-dated Treasuries, a favored investment when economic growth appears threatened. Treasury yields broke through key resistance levels, with benchmark 10-year yields falling below 3.56%. As a result, 3.56% has become technical support, and technical momentum suggests further yield falls.

### Treasury Yield Curve



Past performance does not guarantee future results.

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## Glossary

S&P 500 Index	A market capitalization-weighted index of 500 widely held stocks often used in a proxy for the stock markets.
Wilshire 5000	Represents the broadest index for the U.S. equity market, measuring the performance of all U.S. equity securities with readily available price data. The index was named after the nearly 5,000 stocks it contained when it was originally created, but it has grown to include over 5,000 issues, reflecting the growth in U.S. equity issues as a whole.
Dow Jones Industrials	Average computed by summing the prices of the stocks of 30 companies and then dividing that total by an adjusted value of which has been adjusted with the years to account for the effects of stock splits on the prices of the 30 companies
NASDAQ OTC Composite	Stock market index of all common stocks and similar securities (ex. ADRs, tracking stocks, LP interests) listed on the Nasdaq stock market that has over 3,000 components. Excludes rights, warrants, units and convertible debentures.
MSCI EAFE	Free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. As of June 2007 the MSCI EAFE Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom
MSCI Emerging Markets Free	Free float-adjusted market capitalization index that is designed to measure the equity market performance of emerging markets. As of January 2009 the MSCI Emerging Markets Index consisted of the following 23 emerging market country indices: Argentina, Brazil, Chile, China, Columbia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey.
MSCI Europe	Free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. As of June 2007, the MSCI Europe Index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.
MSCI Pacific	Free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in the Pacific region. As of June 2007, the MSCI Pacific Index consisted of the following five Developed Market countries: Australia, Hong Kong, Japan, New Zealand and Singapore.
Russell 1000 Value	Measures the performance of the large cap value segment of the U.S. equity market. Companies with lower price-to-book ratios and lower forecasted growth values.
Russell 1000 Growth	Offers investors access to the extensive large cap segment of the U.S. equity market, representing approx. 92% of the U.S. market

Barcap 7 Year Muni	An unmanaged index of municipal bonds issued after January 1, 1991 with a minimal credit rating of at least Baa, been issued or part of a deal of at least \$50 million, have a maturity of at least \$5 million and a maturity range of at least 4 - 6 years. As of January 1996, the index also includes zero coupon bond and bonds subject to the Alternative Minimum Tax.
Barcap US Aggregate	An unmanaged, market-valued weighted index of taxable investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of one year or more.
Barclays High Yield	An unmanaged index that is comprised of issues that meet the following criteria: at least \$150 million per value outstanding, maximum credit rating of Ba (including defaulted issues) and at least 1 year to maturity.
Citi World Government Bond Index	The Citi WGBI is used as 40% of the benchmark for the Global Bond Portfolio. It is a market-capitalization weighted benchmark that trades the performance of fixed-rate sovereign debt with at least 1 year to maturity.
Dow Jones US Select REIT	Represents companies that equity owners and experts of commercial and/or residential real estate.
Merrill Lynch Three Mo. U.S. T Bill	Comprised of a single U.S. Treasury issue with approximately three months to final maturity purchased at the beginning of each month and held for one full month. Each month the index is rebalanced and the issue selected is the outstanding treasury bill that matures closest to, but not beyond 3 months from the rebalancing date.
Market Capitalization	The total dollar market value of all of a company's outstanding shares. Market capitalization is calculated by multiplying a company's shares outstanding by the current market price of one share. This figure is used to determine a company's size, as opposed to sales or total asset figures.
S&P 500 Energy Sector Index	Companies whose businesses are dominated by either 1) construction and provision of oil rigs, drilling equipment, including seismic data collection or 2) the exploration, production, marketing, refining and/or transportation of oil and gas products.
S&P 500 Financials Sector Index	Companies involved in activities such as banking, consumer finance, investment banking and brokerage, asset management, insurance and investment, and real estate; including REITs.
S&P 500 Health Care Sector Index	Companies in two main industry groups: 1) Health care equipment and supplies or companies that provide health care-related services, including distributors of health care products, providers of basic health care services, and 2) companies primarily involved in the research, development, production and marketing of pharmaceuticals and biotech products.
Current Yield Curve	A line that plots the interest rates, at a set point in time, of bonds having equal credit quality, but different maturity dates. The most frequently repeated yield curve compares the 3-month, 2-year, 5-year and 30 year U.S. Treasury debt. This yield curve is used as a benchmark for other debt in the market, such as mortgage rates and/or bank lending rates.

VIX (CBOE Volatility Index)	Key measure of market expectations of near-term volatility conveyed by the S&P 500 stock index option prices. Since its introduction in 1993, VIX has been considered by many to be the world's premier barometer of investor sentiment and market volatility.
S&P 500 Information Technology Sector Index	Companies in two main industry groups: 1) Technology Software and Services, including companies that primarily develop software in various fields such as the Internet, applications, systems and/or database management and companies that provide information technology consulting and services. 2) Technology Hardware and Equipment, including manufacturers and distributors of communications equipment, computers and peripherals, electronics equipment and related instruments, as well as semiconductor equipment and products.
S&P 500 Materials Sector Index	Companies that are engaged in a wide range of commodity-related manufacturing. Included in this sector are companies that manufacture chemicals, construction materials, glass, paper, forest products and related packaging products, metals, minerals, and mining companies, including producers of steel.
S&P 500 Telecommunication Services Sector Index	Companies that provide communications services primarily through a fixed line, cellular, wireless, high bandwidth and/or fiber-optic cable network.
S&P 500 Utilities Sector Index	Companies considered electric, gas or water utilities, or companies that operate as independent producers and/or distributors of power. This sector includes both nuclear and non-nuclear facilities.
S&P 500 Consumer Staples	Refers to the industries that manufacture and sell food/beverages, tobacco, prescription drugs, and household products. Comprises companies whose business is less sensitive to economic cycles. It includes manufacturer and distributors of food, beverage, tobacco and producers of non-durable household goods and personal products. It also includes food and drug retailer companies, as well as hypermarkets and consumer super-centers.
S&P 500 Consumer Discretionary	Encompasses those industries that tend to be the most sensitive to economic cycles. Manufacturing segment include automotive, household durable goods, textiles, apparel and leisure equipment. The services segment includes hotels, restaurants, and other leisure facilities, media production and services and consumer retailing.
S&P 500 Industrials	Companies whose business is dominated by one of the following activities: the manufacturing and distribution of capital goods, including aerospace and defense, construction, engineering and building products, electrical equipment, and industrial machinery. The provision of commercial series and supplies, including printing, employment environmental and office series. The provision of transportation services, including airlines, couriers, marine, road and rail and transportation infrastructure.
S&P Midcap 400	The index consists of 400 domestic stocks chosen for market size, liquidity, and industry groups representation. It is also a market value weighted index and was the first benchmark of mid-cap stocks price movement.
Russell 2000 Value Growth	Measures the performance of small cap value equities with lower price to book ratios and lower forecasted growth values in comparison to the Russell 2000 Growth

CRSP US Indices	Decile indices based on the CRSP US Stock database and the CRSP US Treasury databases, which include equal and value-weighted indices (with and without dividends) for various markets, market capitalization indices, composite indices, and treasury and inflation series indices. CRSP ranks all NYSE companies by market capitalization and then divides them into ten equally populated portfolios. CRSP 1-2 represents large cap stocks, and portfolios 9-10 represent micro-caps.
ABS	Asset backed securities
GFSR	Global Financial Stability Report. A report of the monetary and capital markets department of market developments and issues
Credit Spread	The spread between Treasury securities and non-Treasury securities that are identical in all respects except quality rating. An example is the difference between yields on treasuries and those of single A-rate industrial bonds. A company must offer a higher return on their bonds because their credit is not as good as that of the government.
The Group of 20	A group of Finance Minister and Central Bank Governors established in 1999 to bring together systemically important industrialized and developing countries to discuss key issues in the global economy. It is made up of the European Union as well as 19 countries: South Africa, Canada, Mexico, U.S., Argentina, Brazil, China, Japan, South Korea, India, Indonesia, Saudia Arabia, Russia, Turkey, France, Germany, Italy, U.K., and Australia.
The Conference Board	A global, independent business membership and research organization. The board is a non-advocacy, not-for-profit entity with focuses on the economy, markets and value creation, human capital, corporate leadership, and high-performing organizations.
Purchasing Managers Index (PMI)	A composite index of five "sub-indicators" which are extracted through surveys to purchasing managers. The five sub-indexes are given a weighting, as follows: production level .25, new orders from customers .30, supplier deliveries .15, inventories .10, employment level .20.