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John R. Taylor Jr.
President & CEO

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Dear Clients,

Today, there is a considerable amount of concern regarding the strength of the U.S. economy, the debt levels of world governments, and the challenges that are the result of higher than expected unemployment. For many investors, achieving the proper investment mix can be an ongoing process, especially when it comes to maintaining a disciplined and systematic approach to allocating capital. As a result, we think that active risk management is absolutely necessary...

At Financial Concepts, Inc., we remain focused on the current world order. There remains a substantial monetary and fiscal imbalance, as several leading governments attempt to bring stability by strengthening their respective currencies. We understand that with this uncertainty, there lies a relative degree of volatility with which financial markets must contend.

It is worth stating; that our fundamental approach to investing has always been focused on capital preservation and a strong view that diversification is crucial in an attempt to avoid a permanent impairment to wealth, now and in the future.

History shows that the financial markets have demonstrated resiliency in the face of challenges, both predictable and unpredictable. This has allowed investors the chance to be rewarded for proper asset allocation and diversification – longer term...

As we embark into the New Year, we always enjoy the chance to share with you some topics that we closely monitor:

QUARTERLY MARKET REVIEW : JANUARY - MARCH 2013

The Markets

If domestic equities hit the snooze button for the rest of 2013, they would still have had a pretty good record for the year. The Dow hit an all-time closing high in March, finally erasing all of its losses since October 2007, and the broader S&P 500 finally squeaked out its own new record close--by four points--on the last trading day of the quarter.

The Nasdaq struggled with setbacks in the tech sector, while the small caps of the Russell 2000 continued to outpace the other three domestic indices. Despite a strong start for the quarter, the Global Dow suffered yet again from political uncertainties, record unemployment, and a contracting economy in Europe and China.

As equities showed strength, U.S. Treasury yields nudged up over the quarter, while the dollar gained more than 4% against a basket of six foreign currencies. Despite spiking briefly in February, oil prices ended the quarter up only slightly at roughly \$95 a barrel, while gold continued its six-month slide to end under \$1,600

an ounce.

Market/Index	2012 Close	As of 3/29	Monthly Change	Quarterly Change	YTD Change
DJIA	13104.14	14578.54	3.73%	11.25%	11.25%
NASDAQ	3019.51	3267.52	3.40%	8.21%	8.21%
S&P 500	1426.19	1569.19	3.60%	10.03%	10.03%
Russell 2000	849.35	951.54	4.44%	12.03%	12.03%
Global Dow	1995.96	2108.55	1.02%	5.64%	5.64%
Fed. Funds	.25%	.25%	0 bps	0 bps	0 bps
10-year Treasuries	1.78%	1.87%	-2 bps	9 bps	9 bps

Equities data reflect price changes, not total return.

Quarterly Economic Perspective

- The Bureau of Labor Statistics said the unemployment rate fell to 7.7%; the 246,000 new jobs added by the private sector were partly offset by the loss of 10,000 government jobs. Meanwhile, economic growth during the final quarter of 2012 slowed substantially. According to the Bureau of Economic Analysis, the 3.1% growth seen in the third quarter shrank to 0.4% in Q4, while corporate after-tax profits rose 3.3% during the quarter (though they were down 1.1% year-over-year).
- The \$85 billion of across-the-board federal budget cuts known as the “sequester” began going into effect, raising questions about how they might affect economic growth later in the year. However, Congress averted a second potential stalemate, agreeing to a continuing resolution to fund the federal government through September.
- Long-term trends in the housing market continued to improve. Home prices in 20 cities measured by the S&P/Case-Shiller index were more than 8% higher than a year earlier. The Commerce Department said new single-family home sales were up more than 12% from a year ago, while housing starts were almost 28% ahead of the same time last year.
- The National Association of Realtors® said home resales are more than 10% ahead of a year ago, and have reached their highest level since November 2009, when there was a homebuyer's tax credit.
- The Federal Open Market Committee will continue its bond purchases until the unemployment rate falls to 6.5%. However, it has begun to explore options for winding down quantitative easing, and may vary the size of its

purchases if economic recovery picks up.

- A surge in orders for commercial aircraft helped boost U.S. durable manufactured goods orders during the quarter, according to the Commerce Department. Retail sales saw their biggest monthly increase since September during February, though the Commerce Department said increased spending at gas stations accounted for part of the higher figures.
- The spike in gas prices also helped push up consumer inflation over the last 12 months to 2%, while the Bureau of Labor Statistics said wholesale prices rose 1.7% during the same time.
- It was tiny Cyprus's turn to be the focus of concerns about eurozone financial stability. After first rejecting the terms of a €10 billion bailout agreement with the international lenders known as the troika, Cyprus's parliament agreed to tax bank deposits over €100,000. It also imposed tight limits on bank withdrawals and other transactions to try to prevent capital from leaving the country, which would make debt repayments difficult.
- European economies contracted during the final quarter of 2012, according to the Organization for Economic Development, while Chinese growth remained relatively stable, though slower than the year before.

Eye on the Month Ahead

Key dates and data releases:

U.S. manufacturing, construction spending, auto sales (4/1); factory orders (4/2); U.S. services sector (4/3); unemployment/payrolls, balance of trade (4/5); Federal Open Market Committee announcement (4/10); wholesale inflation, retail sales (4/12); international capital flows, homebuilders' survey, Empire State manufacturing survey (4/15); consumer inflation, housing starts, industrial production (4/16); Fed "beige book" report (4/17);

Philadelphia Fed manufacturing survey (4/18); options expiration (4/19); home resales (4/22); new home sales (4/23); durable goods orders (4/24); initial estimate of Q1 economic growth (4/26); personal income/outlays (4/29); home prices (4/30).

In closing,

It seems that with the evolution of technology and media sources, investors are constantly bombarded with information and news events that at times can be excessive, if not inherently confusing. Not a day seems to pass, that someone has the latest idea or concept that they believe will be ahead of its time. We prefer a view of the world that is more objective.

We have always placed a premium on our desire to question conventional wisdom, and formulate our own ideologies.

These exact same news sources have a tendency to focus on the major market averages, such as the S&P 500, as the preferential barometer of investing success. One of the fundamental challenges with comparing yourself to such benchmarks is that it forces you to conform to a specific style of investing. This has a tendency to be counterproductive.

Because they are typically influenced by a myriad of factors and events, market downturns can be very difficult to predict. As you know, we have always believed that an open architecture allows for us to be tactical and seize upon opportunities.

Our philosophy has been to follow a plan of action for investing during difficult times, with a focus on protecting capital.

All of us here at Financial Concepts, Inc, appreciate your continued support and wish you a prosperous spring...

Sincerely,

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The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2000 U.S. small-cap common stocks.

The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indexes listed are unmanaged and are not available for direct investment. The U.S. Dollar Index is a weighted geometric mean of the dollar compared to the euro, Japanese yen, British pound, Canadian dollar, Swedish krona, and Swiss franc.

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