



1803 Research Blvd, Suite 200A
Rockville, MD 20850
Phone: (301) 315-6344
Fax: (301) 315-6343

John R. Taylor Jr., COO

Michael S. Standridge
Portfolio Analyst

FINANCIAL CONCEPTS, INC. – QUARTER 4 - 2009.

MARKET RESEARCH & INVESTMENT COMMENTARY 9:

Dear Clients:

As we now officially conclude 2009 and begin 2010, let me start by wishing everyone a happy holiday season, and say thank you for your support and belief in our firm's investment philosophy. During the past two years, it is fair to say that many investors have developed a new appreciation for market risk, and the sheer impact that uncertainty brings with it.

The global economy is changing and constantly evolving, presenting challenges as well as opportunities for those with the insight to recognize them. By drawing on our long term perspective and core beliefs toward managing assets, we feel that our staff is well suited to approach this upcoming year, with the same degree of commitment and focus as in the past.

The outlook and sentiment for the market during the next 12 months is somewhat mixed based on leading expert opinion from both the bulls and the bears. Efforts on behalf of the government and private business are becoming noticeable as confidence continues to improve in some areas, but not so much in others. We see encouraging signs in the following:

EARNINGS –

The prospect for corporate profits is looking better as we proceed into the New Year, with margins accelerating in the third and fourth quarter as the economy grew by a modest rate of 2.8%. Balance sheets are in decent shape and top line revenue has held up surprisingly well despite massive cost cutting, by way of divestments and job losses. *(See End Note 1)*

RESERVES –

In response to the financial crisis, companies are holding a greater percentage of net assets in cash, versus any other period in the last 40 years. Executives have replenished emergency funds to ensure they can cover day to day operations and meet short term expenses. Aggressive restructuring and better fiscal spending has left companies with more capital on hand, thus easing the process of future expansion, once the economy improves. *(See End Note 2)*

GROWTH –

The forecast for GDP is expected to show a modest upward trend due to a rebound in product demand, exceptionally lean inventories, and increased spending on part of the consumer. The sustained U.S. expansion may support a level somewhat closer to the long term range of 2.5%, but below a normal estimate given the severe recession we are facing.

Leading experts, most notably the International Monetary Fund (IMF), recently revised to the upside its 2010 global growth forecast to around 3.0%. This outlook is based on the fact that the global economy has begun a simultaneous worldwide expansion and that the expected growth rate for this year may be higher than estimates suggest. *(See End Note 3)*

REAL ESTATE –

Recent data on home sales and transaction prices has provided encouraging signs that the housing market may be stabilizing, but tougher lending standards and the eventual expiration of buyer incentive programs threaten this trend. Congress recently extended the \$8,000 tax credit for first time buyers all the way through April 2010 and offered an additional back end credit of up to \$6,500 to those who wish to move after living in their homes for at least five years.

Nearly two million homes in the U.S. are now in foreclosure or in the formal process of being foreclosed, and millions more are expected to be repossessed this coming year. Experts believe that major banks will begin putting these properties on the market at more aggressive prices, resulting in a potential flood of additional inventory. *(See End Note 4)*

CONSUMER –

Despite personal debt levels and concerns over the fragile labor market, households are reemerging by opening their wallets and spending a portion of disposable household income, which accounts for two-thirds of all economic growth. For the second half of 2009, purchases of goods and services grew faster than in any other time during 2007 and 2008.

At the same time, the stock market rally and stable home prices suggest that families have regained about a third of the \$14 trillion in net worth lost since the market decline. A major factor contributing to this includes a greater rate of personal savings and paying down debt, allowing consumers to keep an average of 4.3% of their after-tax income. *(See End Note 5)*

BEIGE BOOK –

The latest beige book survey from all of the Federal Reserve's 12 districts showed improvements in most sampled regions, providing a host of indicators that suggest the economy has started to recover. The majority of district banks reported that consumer spending during the holiday months was slightly higher this year versus last season. *(See End Note 6)*

BANKING –

The nation's banking system appears to be on more solid ground compared to the height of the credit bubble. Banks have been more willing and able to assume counterparty risk, due to additional liquidity being pumped into the system. By reducing their amounts of net leverage, institutions can play a role in allowing better access to credit. *(See End Note 7)*

In closing,

All of us here at Financial Concepts, Inc. acknowledge that attempting to predict the future can be difficult, so we understand the importance of being diligent and prepared, and look forward to the task of serving you this coming year.

Thank you,

Michael S. Standridge

Portfolio Analyst
Financial Concepts, Inc.

FINANCIAL MARKET DATA AND STATISTICS FOR FEBRUARY 1, 2010
--

Year to Date Statistics	Current Rates	Current Yields
DOW – ▼ 3.50%	Oil Price @ \$73 barrel	Federal Funds @ 0.25%
NASDAQ – ▼ 5.40%	Gold Price @ \$1083 ounce	30 Y Mortgage @ 5.22%
S&P 500 – ▼ 3.70%	Euro per Dollar @ 0.7213	10 Y Treasury @ 3.611%
Russell 2000 – ▼ 3.70%	Core Inflation – ▼ 0.34%	5 Y CD'S @ 2.69%
CBOE VIX – ▲ 13.60 %	Unemployment @ 9.70%	Money Market @ 0.88%

End Note Source Disclosure:

End Note 1 – Yahoo Finance, December 2009
 End Note 2 – Investor's Business Daily, November 2009
 End Note 3 – Wall Street Journal, December 2009
 End Note 4 – Realty Trac, November 2009

End Note 5 – Business Week, November 2009
 End Note 6 – New York Times, December 2009
 End Note 7 – Institutional Investor, November 2009

There is no guarantee that a diversified portfolio will outperform a non-diversified portfolio in any given market environment. The price of commodities is subject to substantial price fluctuations of short periods of time and may be affected by unpredictable international monetary and political policies. The market for commodities is widely unregulated and concentrated investing may lead to higher price volatility. Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications, and other factors. Foreign investments involve special risks including greater economic, political, and currency fluctuation risks, which may be even greater in emerging markets. Indexes cannot be invested in directly, are unmanaged and do not incur management fees, costs or expenses. Investors should be aware that there are risks inherent in all investments, such as fluctuations in investment principal. With any investment vehicle, past performance is not a guarantee of future results.