

June 2011

Inside

Northern Cross, LLC:

Investment Process

Portfolio Characteristics

Investment Philosophy

Portfolio Positioning and

Outlook

M Financial Group Welcomes New M Funds Sub Adviser: Northern Cross, LLC

Earlier this month, the M Fund, Inc. Board of Directors announced the addition of Northern Cross, LLC (Northern Cross) as an M Fund sub adviser. M Financial Investment Advisers, Inc. (MFIA), the adviser to the M Funds, researched a variety of highly qualified managers and ultimately selected Northern Cross, LLC, who has replaced Brandes Investment Partners, L.P., the sub adviser to the M International Equity Fund (the M International Equity Fund).

Northern Cross, LLC

Northern Cross is an independent investment management firm based in Boston focused exclusively on international equity investing. The firm has implemented a successful investment philosophy for more than 30 years. Northern Cross is equally owned by its four founding principals and has assets under management of \$37.6 billion (as of 03/31/11).

A team of investment professionals manage the M International Equity Fund, each with more than 20 years of investment experience and supported by a senior analyst. Each portfolio manager independently follows every name on the watch list and in the portfolio. The M International Equity Portfolio is built using a consensus driven approach with the team 'owning' the buy and sell decisions.

Investment Team:

- Edward E. Wendell, Jr., Principal, Portfolio Manager
- James LaTorre, CFA, Principal, Portfolio Manager
- Howard Appleby, CFA, Principal, Portfolio Manager
- Jean-François Ducrest, Principal, Portfolio Manager
- Scott J. Babka, CFA, Senior Analyst

Northern Cross, LLC Investment Process

Northern Cross' portfolio managers are generalists concentrating their research efforts on the 325 "watch list" companies around the world. The managers employ intensive "on the ground" fundamental research focused on identifying catalysts for margin expansion, franchise value, absolute P/E* beyond typical analysts horizons, and industry structure. Onsite meetings play an important role in the portfolio construction process; each firm held in the portfolio is typically visited twice per year.

The managers look to identify secular trends from their deep knowledge of the regional markets, although country and sector exposure is a residual of the bottom-up stock selection process. They focus on high-quality companies, often in consolidating industries, that possess sustainable competitive advantages and have the ability to consistently grow their margins over time.

* Price/Earnings Ratio (P/E): Price of a stock divided by its earnings per share. The P/E ratio gives investors an idea of how much they are paying for a company's earning power.



Northern Cross, LLC (continued)

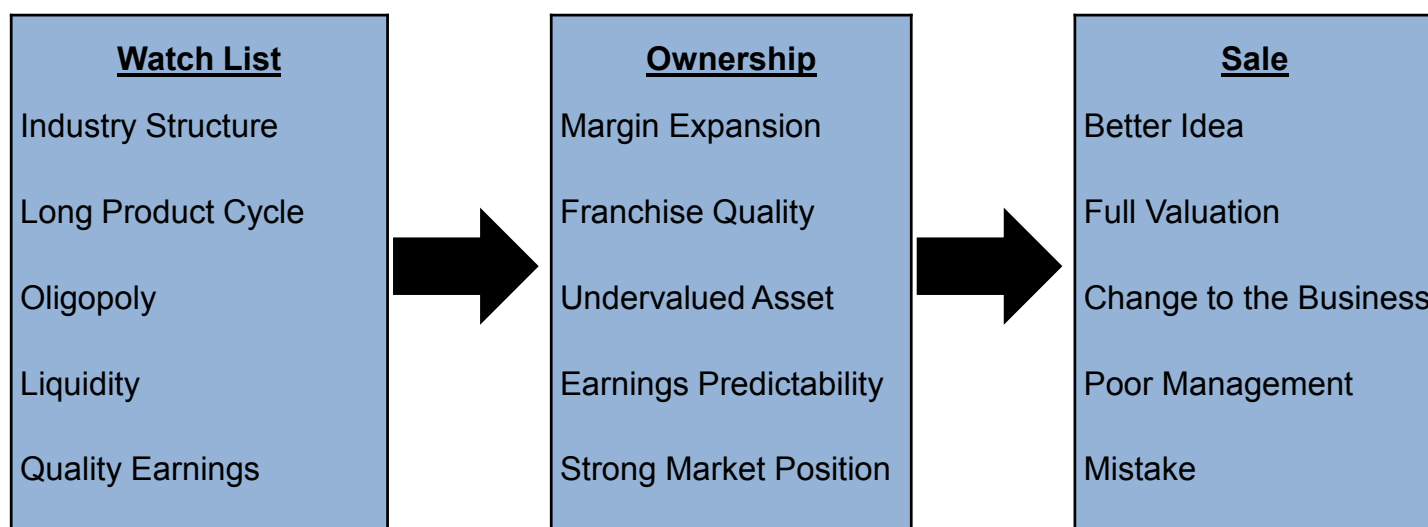
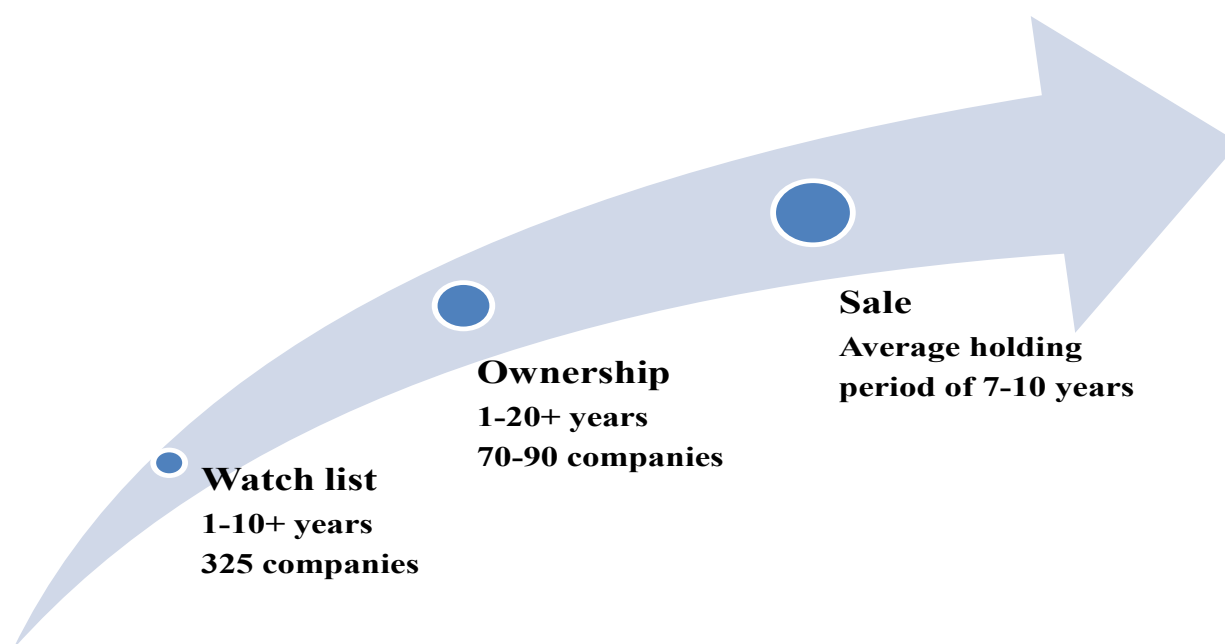
All portfolio management decisions are made on a 100 percent consensus basis by the four managers. The resulting portfolio consists of 70–90 long-term holdings that are constantly evaluated for their long-term potential. Stocks are sold when a better opportunity is identified, full valuation is achieved, or fundamentals significantly change.

The portfolio is managed with specific guidelines to reduce risk while also allowing the team to implement their investment process. The following guidelines are used by the team:

- investments in any particular country are limited to 30 percent;
- any industry will not be more than 25 percent;
- no one holding will be more than 7.5 percent; and
- exposure to companies in emerging markets will not be more than 20 percent.

The portfolio will generally hold stocks from between 15–20 countries outside of the United States. The managers have the ability to engage in currency hedging but only do so on rare occasions.

The following diagram illustrates Northern Cross' Investment Process:



Portfolio Characteristics

The investment strategy focuses on investing in quality companies that have long-term margin expansion potential for their shareholders. These companies often exhibit characteristics such as solid franchises and management teams, sustainable competitive advantages in their marketplace, a global footprint, and pricing power for their products and services. When evaluated properly, the Northern Cross team believes that companies exhibiting these characteristics can perform well across multiple investment environments, including down markets. The fund may underperform in speculative market rallies, including when asset bubbles appear or when low quality companies are in favor and stocks are not valued based on their fundamentals.

As of March 31, 2011:

M International Equity Fund Portfolio Characteristics

Number of Securities Held:
70 to 90
Management Fee:
0.88%
Average Annual Turnover:
10% to 15%
Inception Date:
Thursday, January 04, 1996
<i>On June 20, 2011 Brandes Investment Partners, LP was replaced by Northern Cross, LLC.</i>

M International Equity Fund Top Ten Holdings

Northern Cross International	MSCI EAFE
Atlas Copco	Nestle
Novo Nordisk	BSEC
Linde	BHP Billiton
British American Tobacco	Vodafone
Compagnie Financiere Richemont	BP
Petroleo Brasileiro SA	Royal Dutch Shell
Xstrata	Total
Banco Bradesco	Novartis
Schneider Electric	Siemens
Fanuc	Toyota
% of Portfolio in Top Ten Holdings	
22.80%	12.30%

M International Equity Fund Portfolio Characteristics

Characteristics	Northern Cross International	MSCI EAFE*
Price/Earnings Ratio - Trailing	12.5x	13.5x
Price/Book Ratio - Trailing	1.9x	1.5x
Dividend Yield	2.6%	3.1%
Weighted Average Capitalization	\$49.6 (Billions\$)	\$52.1 (Billions\$)
Number of Securities Held	71	969
Cash Allocation %	2.6%	0.0%

M International Equity Fund Regional Holdings

Regional Allocations	Northern Cross International	MSCI EAFE*
Japan	5.8%	20.3%
Pacific ex Japan	9.3%	14.1%
UK	14.2%	21.3%
Continental Europe	53.7%	44.3%
Emerging Markets	15.6%	0.0%
North America	1.4%	0.0%

* The **Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE)** is an index of stocks from 22 countries/regions in Europe, Australia, New Zealand and Asia.

This information is for illustration purposes only, and an investor can not invest in an index.

Investment Philosophy

Northern Cross has an investment philosophy of buying well established, high-quality companies with sustainable market positions and then investing in them for 7–10 years on average. The core of the team’s investment philosophy is to buy undervalued companies with improving margins. Their fundamental research is viewed through a much longer lens than most other managers and their independent mindset allows them the patience necessary to capitalize on that research. This low turnover, quality-focused philosophy creates an “all season” portfolio with upside potential along with downside protection.

Portfolio Positioning and Outlook

The manager’s outlook for the world’s economies is continued mild global recovery. The U.S. economy is improving while Europe is still lagging after the sovereign debt crisis of last year. The manager still sees China being the growth engine of the world for the foreseeable future. While the manager has limited direct holdings in China, they do have significant exposure through secondary and tertiary investments in mining, energy, manufacturing, and high end consumer discretionary companies that are poised to benefit from this growth. Brazil is another country where the manager continues to see prolonged growth, and is well positioned to take advantage of investment opportunities there. China and Brazil have a solid outlook for the foreseeable future although the managers are monitoring the level of inflation closely in both countries.

There is still a level of uncertainty in the world markets over the stability of the recoveries in Europe, Asia, and the United States, along with the concerns over many countries’ debt levels and other significant structural problems. They watch these issues closely as they travel throughout the world, meeting with company managements, economists, and analysts, in their search for solid long-term investment opportunities. The portfolio is positioned in companies with increasing operating margins and pricing power in industries that we can forecast out three to five years.

Portfolio Allocation Models and Brochure are Available

70% EQUITY (MODERATE AGGRESSIVE) ALLOCATION MODEL

100% EQUITY (ULTRA AGGRESSIVE) ALLOCATION MODEL

80% EQUITY (AGGRESSIVE) ALLOCATION MODEL

Order Now

RELATIONSHIP BETWEEN RISK AND RETURN

BUILDING AN OPTIMAL PORTFOLIO

EVALUATION OF CAPITAL MARKETS

BUILD OPTIMAL PORTFOLIO FOR VARIABLE LIFE INSURANCE

Customize with your Firm's logo

M Financial Group

1125 NW Couch Street, Suite 900 • Portland, OR 97209 • 800.656.6960
www.mfin.com

This information must be preceded or accompanied by an M Fund prospectus, and a prospectus and performance for the applicable variable life insurance or annuity product. It is not possible to invest directly in the M Funds. The prospectuses details risks, charges, fees, expenses, and the investment objectives, risks and policies of the underlying portfolios, as well as other information about the underlying funding choices, and can be obtained by calling your advisor. Please read the prospectuses carefully before you invest or send money.

Variable life insurance products are long-term investments and may not be suitable for all investors. An investment in variable life insurance entails substantial fees and charges and is subject to fluctuating values of the underlying investment options. Variable life insurance entails risks, including the possible loss of principal.

There are special risks associated with international investing, including currency fluctuations, political and economic uncertainty, foreign taxation, and different account standards, as outlined in the current prospectus.

Securities offered through M Holdings Securities, Inc., a Registered Broker/Dealer, Member FINRA/SIPC. M Financial Group is the parent company of M Holdings Securities, Inc., and M Financial Investment Advisers, Inc.

For More Information

To learn more about the M International Equity Fund or Northern Cross, LLC please contact:

Jim Belk
804.549.4165
jbelk@bcgco.com

Jeri Turley
804.549.4169
jturley@bcgco.com

Ron Wilkins
804.549.4167
rwilkins@bcgco.com

Eric Hieber
804.549.4166
ehieber@bcgco.com

BCG Companies

The Turning Basin Building
111 Virginia Street, Suite 401
Richmond, VA 23219
804.648.0005
www.bcgco.com