



Market Commentary - November 25, 2008

RegentAtlantic is a fee-only wealth management firm. We define wealth management as the integration of financial planning and investment management. Our clients are individuals, retirement plans, foundations, corporations, trusts, not-for-profits and endowments. We manage approximately \$1.2 billion of assets. Our clients outline their goals and are guided by our knowledge and solutions in order to meet those goals. Some differentiators for our firm include:

- We have a deep bench of financial professionals. Among our 38 employees, we have 16 CERTIFIED FINANCIAL PLANNERS™, 5 Chartered Financial Analysts, 10 MBAs, 2 CPAs, 2 JDs, 2 with MS degrees, 1 ChFC, 1 CDFP, and 1 CLU. Our culture fosters teamwork and collaboration, so that each client of the firm has access to the expertise of any and all of our financial colleagues.
- When we begin a relationship with a client, we first seek an understanding of that client's goals and financial situation. For individuals or families, examples of those goals can be retirement, planning for education funding for our client's children, charitable giving, estate planning, or buying a second home at the shore. From the information provided, we analyze with our client what steps will likely be necessary to achieve our client's financial goals, and when appropriate, what tradeoffs our client may have to consider to achieve those goals. These steps help us to recommend a diversified investment portfolio for our clients to consider.
- Our firm's investment discipline is based upon the principles of Modern Portfolio Theory. We use globally diversified, multi-asset class portfolios which we believe, over the long term, have the potential to increase return while limiting the risk taken to achieve that return. Of course, as recent events have shown, all investments have risk, including the risk of loss of money invested.

To give you a sense of our relationship with our clients, we recently sent the Market Commentary below to clients on November 25, 2008.

If this communication arrives at a time when you are evaluating your financial future, we would welcome the opportunity to talk with you.



The gyrations of the world's financial markets over the past few months have been so remarkable, so utterly unprecedented in our lifetimes, that it's become easy to forget what all those dancing numbers represent. We often get so caught up in "the market today" (or the market this past hour), the latest news on TV or the Internet, the Op-Ed pronouncements or whatever, that – at least in the case of the world's stock markets – we lose sight of what we are actually talking about: real live businesses and our chance to own pieces of them. Let's take a step back and talk about some businesses to understand how this recession may affect them and our investments.

We bet you already share our suspicion that somewhere, hidden on the motherboard of every personal computer, there's got to be some kind of three-year timer. When a typical PC hits the three-year mark, things start going south and it needs to be replaced. This is an industry that's honed "planned obsolescence" to a fine art. Now, RegentAtlantic Capital, like other small businesses all around the world, is feeling the recession and prudently cutting our expenses. We normally replace our computers on a three-year cycle, but from now through the end of 2009 a computer will have to burst into flames – or at least flat out die – to get replaced. There must be millions of firms with the same idea, which could bode poorly for folks like Intel or Hewlett-Packard who depend on PC sales. But what happens in 2010? Our firm will then have 14 PCs that are three years old plus another 14 limping through their fourth year. We may need to buy 28 machines to get back on track. Other businesses that deferred spending may have to do likewise, and the demand for PCs may soar.

For a business like Intel, we bet 2009 will likely be a rotten year for earnings; they may even show losses. So does that mean that Intel will not be attractive to some buyers in 2008? Actually, we believe it could be. To us, Intel looks like one of many potential opportunities created by this bear market. Only a few years back in the Raving 90s, Intel sold for over \$70 a share, offering a modest 0.25% dividend and sporting a P/E ratio over 100. (That's right: a \$70 investment got you less than 70 cents of annual earnings and a dividend of 6 cents!) But now Intel is a \$13 stock, with a 4.25% dividend and a 10 P/E ratio. They have \$12 billion in cash and only \$1.6 billion of long-term debt. Although the U.S. and much of the rest of the world will likely be in a serious recession for most of 2009, we believe companies like Intel could be well positioned to weather the storm and prosper when the turnaround comes.

What about businesses that won't make it? General Motors and Chrysler seem likely candidates in that category. GM has been losing money since 2004 and appears poised to go under. GM has projected that it will run out of cash by January without government assistance, an estimate that looks optimistic in today's environment. We have seen this scenario played out with financial stocks; once confidence is lost, the end usually comes very quickly. Jack Welch, GE's former CEO, laid out a bold plan for a structured bankruptcy for GM and Chrysler in his November 18, 2008 *Business Week* column. Such a bankruptcy could offer the companies a new beginning freed from existing contracts with creditors, dealers, and unions. To have any chance of being competitive in tomorrow's auto industry, in which Chinese and Indian firms will likely be formidable players, the U.S. auto industry would need a fresh start. Whether that vision can be formalized to Congress's satisfaction in time to secure the necessary funds remains to be seen.

Our point is that, although this bear market has driven down the prices of almost all stocks, a calm look across the business landscape reveals quite a spectrum of probable winners vs. probable losers. Some solid franchises will feel the pain until the recession ends, but they'll be around to benefit handsomely during the recovery. Other franchises simply won't be around. The world's stock markets are now inviting us to shop carefully during what may be one of modern history's greatest blow-out sales. Investors likely won't wind up happy with everything they put in the cart, but that's no reason not to be shopping.

Make no mistake: we do not mean to minimize the reality that the world's financial intermediaries have managed to create for themselves a "perfect storm", now grown into a cyclone seemingly ready to suck all of us into its maw. No one can discern the precise course that will lead our economy through this storm, but virtually every indication from Washington and other capitals suggests that politicians and governments are setting aside much of their usual pettiness and partisanship, rolling up their sleeves, and pulling hard on all the levers and wheels of monetary, fiscal, and regulatory policies that undergird the modern economy. Confidence, trust, and optimism are now in short supply among consumers and business folks, but once governments all over the world make clear their determination – and their competence – to see this through, happier spirits and better times could return reasonably soon.

In the meantime, each of us fortunate enough to be nurturing a personal portfolio faces some basic questions. Are my portfolio weightings to stocks, bonds, and alternatives still appropriate, or has this financial storm already pushed me so far off course that I need to trim my sails and settle for somewhat slower progress in the future toward my goals? Is there some portion of my portfolio that shouldn't be committed to any investments, i.e., some funds that I want tucked safely away in Treasuries or a bank deposit, either because I'm going to need them for a near-term outlay, or because having them there will allow me to get some sleep for as long as these terrible winds may howl? These are among the most important questions you should be reviewing with your Wealth Manager on a regular basis. Each of us here at RegentAtlantic wants to provide as much help to our clients as we can during this challenging period.

Markets aside, we wish each of you a Happy Thanksgiving, and hope that all of us, despite these unpleasant adjustments to our balance sheets, will remember the many blessings for which we should be grateful. For those of us at RegentAtlantic, that includes the opportunity to serve a truly wonderful collection of individuals, families, and institutions: our clients. We are alive at an amazing time in history, with knowledge, health, and prosperity advancing on most fronts most of the time, and the threats of global disease, famine, and war largely receding. If we can preserve the biosphere on which all else depends, we and our descendants have quite a future to look forward to.

Sincerely,

RegentAtlantic Capital, LLC

### Important Disclosure:

Please understand that we are not recommending that you purchase, sell or hold the stocks mentioned in this letter or other investments. The discussions above are only to illustrate our point about how we believe the recession may affect the markets generally. Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this letter will be profitable, equal any corresponding indicated historical performance levels, or be suitable for your portfolio. Due to various factors, including changing market conditions, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this letter serves as the receipt of, or as a substitute for, personalized investment advice from RegentAtlantic Capital, LLC. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to their individual situation, they are encouraged to consult with the professional advisor of his/her choosing.

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