



Market Commentary – October 10, 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 PLANNERSTM, 5 Chartered Financial Analysts, 10 MBAs, 2 CPAs, 2 JDs, 2 with MS degrees, 1 ChFC, 1 CDFAs, 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 October 10, 2008.

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

As part of our analysis concerning your asset allocation, we pay particular attention to VIX, which is the CBOE (Chicago Board of Option Exchange) Volatility Index. It measures the amount of implied volatility in the stock market by comparing the S&P 500 index option pricing to the actual price of the index. The larger the number the more volatility in the stock market. The CBOE has been keeping data on the VIX since 1993. The VIX increases during periods of market instability. The average VIX index since inception is 16. It's only been over 40 a few times during its 15-year history: October 2002, July 2002, September 2001, and Sept-Oct 1998. The VIX crested above 30 on September 15th after Lehman Brothers went bankrupt. It's been over 40 for the past six days, evidence of extreme volatility in the market caused by panic selling.

We have a discipline of rebalancing portfolios back to their target asset allocations when any asset class weightings deviate by more than 20% from their targets. The lower thresholds of many class weightings have now been breached in most equity asset classes due to the current market sell-off. We have been holding off on rebalancing until the market volatility subsides; that should be a sign that most of the panic selling is over. There is no guarantee that waiting for the volatility to subside will mean the market has hit a bottom, but reduced volatility should at least indicate that much of the fear or panic has subsided.

We will look to rebalance portfolios once the VIX falls below 40 for a few days. Equity valuations are at their lowest point in over 20 years. A well-worn investment maxim is to buy low and sell high. Rebalancing is a disciplined way to do just that.

After speaking to many clients over the last few weeks we know that our mention of rebalancing quickly separates our clients into two camps. Some of you are scared to death at the thought of buying more equities, while the rest of you are anxious to get going and take advantage of these bargain prices.

We believe that rebalancing is the correct decision for the long run. It should position portfolios to recoup their losses as well as possible when the recovery comes. Long-term investors like Warren Buffet have already begun buying (although he gets better terms than most). We all know that discipline is a friend during a crisis; that's why athletes, surgeons, emergency responders, and other folks who must act decisively under stress spend so much time learning and drilling their moves. Rebalancing is the correct course of action, even in these extreme circumstances, and we need to apply our investment discipline if we intend to reap the benefits of our strategy over the long run.

We therefore ask each of our clients to contact us within the next week to inform us if you have any concerns about rebalancing under the current circumstances as we suggest, at a time that promises to have continued chopiness in the markets.

Sincerely,

RegentAtlantic Capital, LLC

Important Disclosure:

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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