



Market Commentary – October 8, 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 8, 2008.

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

Last week offered no shortage of events to ponder in terms of our individual and collective financial futures. Importantly, the necessary compromises were reached in Washington, D.C. for the Emergency Economic Stabilization Act of 2008 to be signed into law on Friday. Secretary of Treasury Paulson now has the authority and funding he requested to do battle against the epidemic threatening our nation's financial institutions.

The EESA is a historic legislative experiment, probably without precedent in our lifetimes in terms of the amount of taxpayer funds being committed and the degree of authority being vested in a Cabinet officer to invent and implement a far-reaching program in very short order. How well and how quickly Dr. Paulson can get the financial epidemic under control remains anyone's guess. The volatility of the stock market continues to mirror the widely varying assessments of the severity of the disease and our ability to find a cure before the economy suffers serious damage.

Each of us should realize that things could get worse before they get better. The U.S. and global economies are struggling with a profound lockdown in the credit markets; banks and other normal financing sources for businesses' operating capital are tightening standards or cutting off lending altogether. Particularly troubling is the spreading phenomenon of banks becoming unwilling to make short-term loans to each other. Depositor insurance limits are being raised in the U.S. and other countries to try to contain "runs on the bank" of the kind that apparently brought Washington Mutual and Wachovia to their knees. The mad scramble all over the world by banks, hedge funds, and other institutions to de-leverage their balance sheets continues to drive an imbalance between sellers and buyers. And the original cause of the entire problem – declining real estate prices – continues unabated. We could be in for quite a number of months, if not several years, of well below average economic growth, with high unemployment and widespread unhappiness.

Such an environment would not help the prices of stocks. Corporate profits could be pummeled and investors – particularly individuals – could suffer deepening pessimism. Investors with large allocations to equities could continue to see their portfolios decline in value.

Given that real possibility, would it be prudent for an investor to retreat to safety for awhile by reducing her or his allocation to stocks, or selling out of stocks entirely? We believe the answer involves an individual decision in every case, based on both objective and subjective factors.

As an objective matter, while near-term profits will suffer as we work through the current recession, the inherent franchise value of the world's businesses is now selling at a deep discount by historical standards. No doubt some more brand name franchises and countless small ones will fail to survive this storm, but we believe the global economy will perk up after a while and nurse itself back to normal healthy growth. What we would most like to be able to predict – but never will – is when will the storm have passed, and how far ahead of its passing will investors see the first light through the clouds and start buying more than selling? Because we can't call those inflection points accurately, we don't try to advise clients when to overweight or underweight their equity holdings. That's why we believe the safest course is to adhere to your asset allocation policy and make sure you participate in the next bull market from day one.

On the subjective side, however, there is no doubt these are scary times. However many bear markets you may have lived through, you have never before seen the U.S., European, and Asian governments simultaneously scrambling to save their banking and investment systems from meltdown. If you are already reaching the point where your portfolio losses over the past 12 months are frequently intruding upon your thoughts, if you cannot avoid checking your portfolio on-line each day (or more frequently) and worrying that its decline will change your lifestyle forever, if you cannot read or hear or watch the latest media reports of some threat to or victim of the crisis without feeling a blow to your own well-being – then it may be time for you to revisit your exposure to equities. We do not say that because we lack confidence in an ultimate recovery. We say it because people who are already that worried may not be able to tolerate a serious further decline, and may feel compelled to sell out their stocks at or near the very bottom and then shun equities for a long time, thereby losing their chance to recover their losses.

As we tell our clients, one should have only as much equity exposure as one can live with through the next bear market. There is much wisdom in the old Wall Street adage, first published in the *Wall Street Journal* in 1892, that people who are nervous about their investments should “sell down to the sleeping point.” We stand ready to answer your questions about whether your current allocation among equities, bonds, and alternatives continues to make the most sense, given your goals and your tolerance for portfolio pain mixed with gain.

Sincerely,

RegentAtlantic Capital, LLC

Important Disclosure:

Please remember to contact RegentAtlantic if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services, or if you want to impose, add, or to modify any reasonable restrictions to our investment advisory services. A copy of our current written disclosure statement discussing our advisory services and fees continues to remain available for your review upon request. 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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