SYNERGIST
WEALTH ADVISORS LLC

As of March 31, 2012

Market Summary

US Stock Market

The US stock market as represented by the S&P 500 Index began 2012 with an impressive 12.59% gain for the first quarter, resulting in posting its' best quarter since 1998. This first quarter, the equity market continued its recent strong run, having gained 28.13% from its low on October 3, 2011 through March 30, 2012. Among generally more positive economic reports, the labor market continued to improve as employers added more jobs and the unemployment rate declined to 8.3%. Despite a more positive view on the economy overall, the Federal Reserve stated that the unemployment rate still stood at an "elevated" level, and risks remained in the global financial markets. Nonetheless, stocks generally responded favorably to the Federal Reserve's comments and the articulation of its stance to keep interest rates at their current low levels through late 2014. While the first two months of the year reflected more broad-based gains, the final few weeks of the quarter saw some concerns take hold on the market. In particular, there were questions as to whether companies would be able maintain strong earnings growth, particularly with profit margins at historically high levels. At the same time, recent optimism for stocks could make the market more vulnerable to negative developments. Despite the potential for a short-term pullback due to over-optimism in the market, many indications are that the longer-term cyclical uptrend remains intact. One positive is that market valuations are still within range of the historical average as measured by the trailing twelve-month earnings on the S&P 500.

Other Markets

International stocks also gained during the quarter as the developed market benchmark MSCI EAFE Index returned 10.98%. Asia benefited from a rise in risk appetite with strength from Japan, as exporters profited from the weakening Yen. Europe also saw rallies in their financial sector as they had lower valuations and were aided by the European Central Bank's efforts to provide short-term liquidity to banks. Notwithstanding these rallies, however, slowing economic growth figures in the Eurozone and austerity measures across a number of countries suggest longer-term challenges remain.

Real estate as measured by the FTSE US Equity REIT Index was up 10.79% during the quarter helped by higher demand for apartment units and investor appetite for higher yields, while reduced commercial leasing activity remained a headwind. Commodities were mixed as the broader-based Dow Jones UBS Commodity Index managed only a 0.89% gain. Notably, concerns over Iran's weapons program drove oil prices higher, while natural gas dropped to historic lows on oversupply issues. Meanwhile, gold demonstrated resiliency as a potential hedge against inflation.

Broad bond market returns were more muted over the past two quarters as represented Barclays Capital US Aggregate Bond Index. Despite a strong return of 7.8% in 2011, performance cooled more recently with a 1.1% gain in the fourth quarter of 2011 and a nearly flat result of 0.30% in the first quarter of 2012. Questions have arisen as to whether the secular bull market run for bonds is over after having only posted two negative years over the past 30 years: 1994 with a return of -2.9% and 1999 with a return of -0.8%. Despite the strong run, the thirty-year annualized return (1982-2011) for the Barclays Capital US Aggregate at 9.0% still lagged the S&P 500, which gained an average 11.0% annually over the same period. Ned Davis Research recently noted that secular trends in bonds should be tied to changes in inflation

expectations and, as a result, they do not believe this is a concern in the short-term—with the Fed having a good handle on inflation—but does pose a greater risk in the longer-term.

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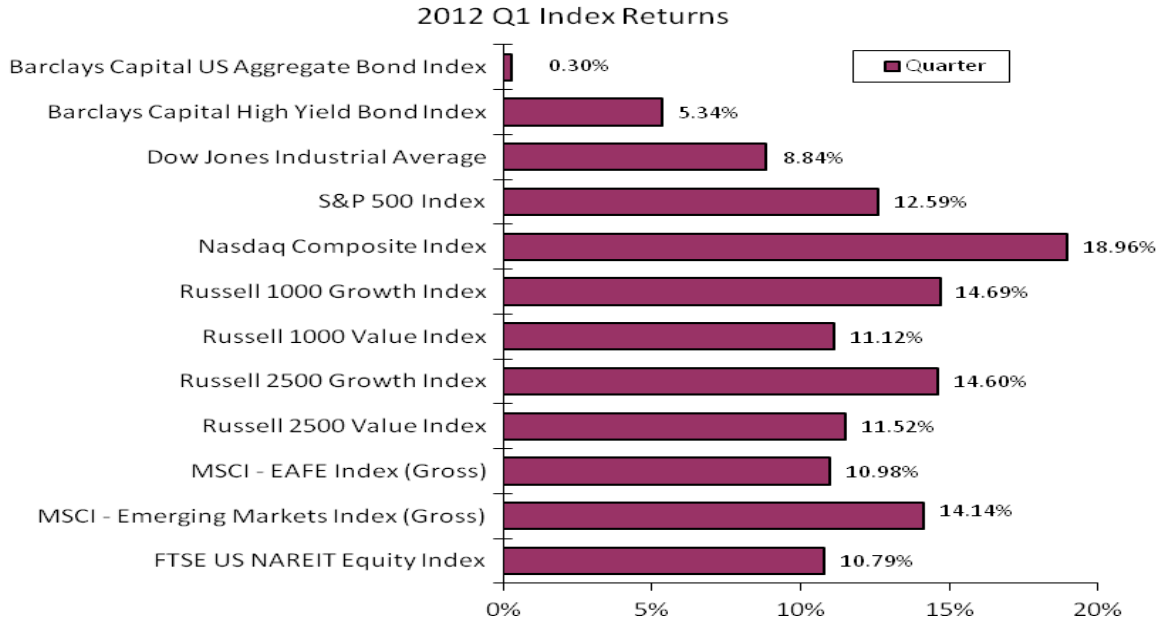
At the end of the first quarter of 2012 the Dow Jones Industrial Average closed up 8.84%.[1] The S&P 500 Index finished with a gain of 12.59%.[2] Within US equity markets, there was little differentiation between large and small cap stocks during the quarter, but growth led value in both large and small caps. In the international arena, the MSCI EAFE Index (a proxy for developed international markets) recorded a gain of 10.98%. The MSCI Emerging Markets Index also advanced 14.14%.[3] The FTSE NAREIT Index increased 10.79% during the quarter. In the bond markets the Barclays Capital US Aggregate Bond Index returned 0.30%.

Economic & Market Statistics

The US economy grew 3.0% during the fourth quarter of 2011, improving relative to the 1.8% expansion experienced during the third quarter of 2011. The Federal Reserve ("the Fed") continued to keep the Fed Funds target rate within the 0.00% - 0.25% range. Measured by the Consumer Price Index, inflation for the month of February was 2.9% on a year-over-year basis.[4] Unemployment, as measured by the jobless rate released by the Bureau of Labor Statistics in February was 8.3%. Oil futures closed at $103.02 per barrel in March, a price increase of 4.24% from its close in December.[5] The US dollar weakened 2.96% against the euro and strengthened 6.10% versus the Japanese yen for the quarter.[6]



An index is a portfolio of specific securities, the performance of which is often used as a benchmark in judging the relative performance of certain asset classes. Indexes are unmanaged, with no associated expenses, and investors cannot invest directly in an index. Past performance is no guarantee of future result. All index returns shown in the table represent "Total Return" figures with dividends reinvested, which means the return includes not only the change in price for the securities in the index, but any income generated by those securities. Sources: Bloomberg, Barclays Capital, Dow Jones, MSCI Barra, Russell, Zephyr Associates.

2012 Outlook

In terms of outlook for the rest of 2012, Ned Davis Research noted that there is a reasonable possibility that the second quarter of 2012 may bring a consolidation period for stocks. Previous bull market rallies were often accompanied by market pullbacks between six and nine months following a market turn, and there are some indications that this could repeat. Given some elevated earnings targets, it is possible that companies could guide expectations lower for the second half of the year, which could contribute to a correction. However, lower expectations could eventually build strength for a longer-term bull market cycle, particularly if companies are able to deliver earnings per share growth, which could be helped by some resilience in margins and share repurchases.

Looking back at history as a reference point for expectations for the remainder of the 2012, we saw that in 1998 when the S&P 500 returned 14.0% during the first quarter, the market went on to post a 28.6% return for the full year. While an election year rally could help drive markets higher toward the second half of the year, a number of risks remain across global markets that present potential headwinds. While understanding that past history may provide helpful insights, we also stress that past performance is never a guarantee of future results.

Please contact us to discuss any changes in your financial goals or changes to your circumstances or should you have any questions, whatsoever, regarding your investment strategy.

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Benchmark Definitions

Barclays Capital US Aggregate Bond Index: a broad-based index that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABSs, and CMBs.

Barclays Capital High Yield Bond Index: an index that measures the market of US dollar-denominated, non-investment grade, fixed-rate, taxable corporate bonds.

Dow Jones Industrial Average: an index of 30 stocks that represents large and well-known US companies and covers all industries with the exception of Transportation and Utilities.

S&P 500® Index: an index of 500 leading companies in leading industries of the US economy, capturing 75% coverage of US equities.

NASDAQ Composite Index: a broad-based index that measures all NASDAQ domestic and international common stocks listed on the NASDAQ stock market.

Russell 1000 Growth Index: an index that measures the performance of the large cap growth segment of the US equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth rates.

Russell 1000 Value Index: an index that measures the performance of the large cap value segment of the US equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth rates.

Russell 2500 Growth Index: an index that measures the performance of the small to mid cap growth segment of the US equity universe. It includes those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2500 Value Index: an index that measures the performance of the small to mid cap value segment of the US equity universe. It includes those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values.

MSCI EAFE Index (Europe, Australasia, Far East): a free-float-adjusted, market-capitalization-weighted index that is designed to measure the equity market performance of developed markets, excluding the US and Canada.

MSCI Emerging Markets Index: a free-float-adjusted, market-capitalization-weighted index that is designed to measure the equity performance of emerging markets.

FTSE NAREIT US Equity REIT Index: an index of US publicly traded REITs. Equity REITs include those firms that own, manage and lease investment-grade commercial real estate. Specifically, a company is classified as an equity REIT if 75% or more of its gross invested book assets are invested in real property.

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[1] Bloomberg
[2] Ibid
[3] Ibid
[4] Bureau of Labor Statistics
[5] Bloomberg
[6] Ibid