As of September 30, 2012

Market Summary

US Stock Market

The second half of the year began with positive momentum with a US stock market that gained 6.35% over the third quarter. In view of global growth concerns, equity markets reacted favorably to efforts by global central banks to support major economies in the US, Europe, and China. In the US, a mixed employment outlook and slowing economic growth precipitated QE3 (quantitative easing)—a new round of monetary stimulus by the Federal Reserve. Housing continues to show signs of a recovery, with broader measures reflecting price gains and positive reports on single-family home sales. A clear focus of the QE3 program is to further strengthen the housing market as higher prices can improve confidence, consumer spending, and bank lending activity.

Among different equity sectors, Energy led for the quarter, with expectations for additional central bank action to spur growth. The Technology sector continued to be buoyed by consumer demand for mobile computing, as Apple (AAPL) and Google (GOOG) both posted strong quarterly returns. Telecommunications benefited from wireless demand and investor interest in dividend-paying companies. Conversely, more defensive sectors, such as Utilities and Consumer Staples, lagged during a market period when risk-taking was rewarded.

Other Markets

International stocks outperformed US stocks during the quarter as the developed market benchmark MSCI EAFE Index returned 6.98%. Currency effects provided a tailwind to returns as most major international currencies appreciated versus the dollar. Markets reacted favorably to European Central Bank President Mario Draghi's statement that the central bank would do "whatever it takes" to support the euro. Commitments pledged by France and Germany also helped lift European markets, calming fears surrounding the more troubled countries, such as Spain and Italy. In the Asian region, markets in Japan continued to struggle with a strong yen and deflation concerns. More recently, tensions escalated between Japan and China over a group of uninhabited islands, providing a threat to stability in the region. Additionally, uncertain growth prospects weighed on China, although emerging markets broadly benefited from gains in India, after they announced modest reforms to open their economy to foreign companies.

Real estate lagged equities on higher valuations following a strong early-year run for US REITs. However, low interest rates and moderate economic progress continue to aid profitability in the sector. Conversely, international REITs benefited from more favorable news out of Europe, as well as ongoing demand for property in the Asia Pacific region. Commodities rebounded strongly during the quarter, with broad gains reflected across energy, agriculture and precious metals. Oil prices rose in view of measures to stimulate growth, while grain prices surged with the drought that impacted the US Midwest. Gold prices also displayed strength, with many investors seeking an inflation hedge on monetary easing by global central banks.

Broad bond market returns generally lagged stocks as the Barclays Aggregate Bond Index returned 1.58% during the quarter. Higher exposure to Treasury bonds weighed down the bond benchmark, as low yields and less demand for safe-haven assets were headwinds. The mortgage sector saw a lift with the Federal Reserve's QE3 program, in which the announced large scale asset purchases would include both Treasuries and agency

Monterey Bay Area Office
Phone: 831.626.1442
Heather Glen Court Mission Street @ 8th
P.O. Box Box 1844, Carmel, CA 93921

Fax: 831.626.1449
www.SynergistWealth.com

San Francisco - Bay Area Office
Phone: 510.834.5020
1999 Harrison Street, Suite 2210
Oakland, CA 94612

mortgage securities. US TIPS also rose on the QE3 announcement, with markets anticipating potential inflation risks over the longer term. Investment grade corporate bonds were also a bright spot as spreads tightened during the quarter, while high yield bonds saw even greater benefits on strong momentum. International bonds broadly led the US benchmark, helped by appreciation in international currencies, while emerging market bonds fared better with their less debt-laden balance sheets.

2012 Outlook

Consumer sentiment has improved during the course of this year with many feeling better about the economy and employment prospects, as well as the housing market in the US. The stock market advanced convincingly off the second quarter pullback and, with the US election rapidly approaching, stock market breadth and momentum are pointing to a continued rally in stocks. Ned Davis Research notes that both historic and forward-looking indicators suggest a continuation of the cyclical bull period. In particular, election years have generally seen stronger returns when the incumbent party has won, and this effect has generally been most pronounced during the fourth quarter. [1]

Even with the strong run for equity markets so far in 2012, few would argue that it is clear sailing for stocks. The situation in Europe continues to weigh heavily on investors' minds, and other risks, for example slowing growth in China and the looming US "fiscal cliff," also present potential headwinds. Nonetheless, volatility measures, such as the VIX Index (a measure of expected volatility on the S&P 500 Index), have surprisingly reflected a calm market environment. Is it really smooth waters or is there a storm ahead for markets, given the wide divergence between global economic factors and market prices? With the many uncertainties, portfolio diversification with exposure across multiple asset class allocation approaches may continue to be the most prudent course.

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

Monterey Bay Area Office

Phone: 831.626.1442
Heather Glen Court Mission Street @ 8th
P.O. Box Box 1844, Carmel, CA 93921

Fax: 831.626.1449
www.SynergistWealth.com

San Francisco - Bay Area Office

Phone: 510.834.5020
1999 Harrison Street, Suite 2210
Oakland, CA 94612

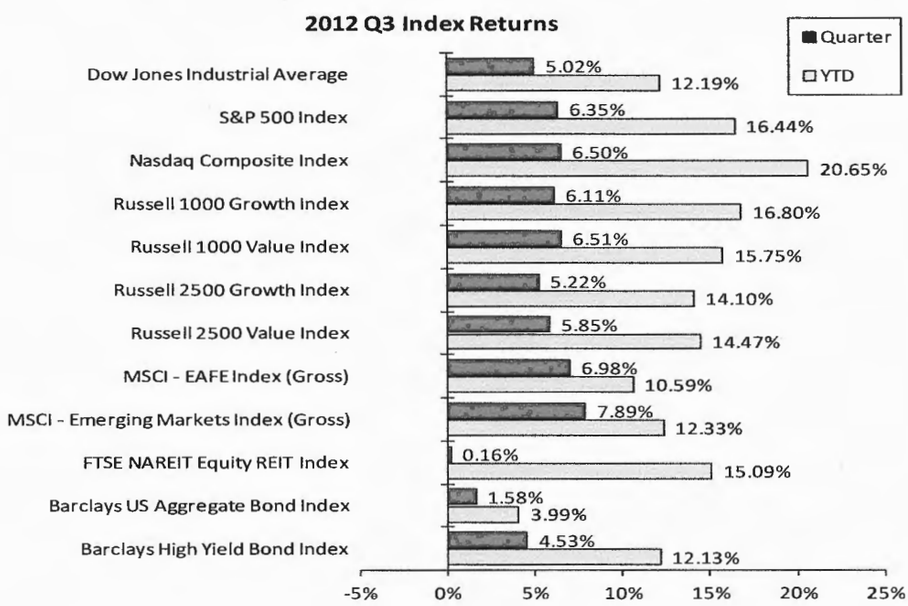
SYNERGIST
WEALTH ADVISORS LLC

As of September 30, 2012

Market Summary

Economic & Market Statistics

At the end of the third quarter of 2012 the Dow Jones Industrial Average closed up 5.02% for the quarter and 12.19% year-to-date.[1] The S&P 500 Index finished with a gain of 6.35% for the quarter and 16.44% year-to-date.[2] Within US equity markets, large cap stocks outperformed small cap stocks while value led growth in both large and small caps. In the international arena, the MSCI EAFE Index (a proxy for developed international markets) recorded a gain of 6.98% for the quarter.[3] The MSCI Emerging Markets Index rose 7.89% for the quarter. The FTSE NAREIT increased 0.16% during the quarter. In the bond markets the Barclays US Aggregate Bond Index returned 1.58% for the quarter. The US economy grew 1.30% during the second quarter of 2012, slowing relative to the 2.00% expansion experienced during the first quarter of 2012. 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 August was 1.70% on a year-over-year basis.[4] Unemployment, as measured by the jobless rate released by the Bureau of Labor Statistics in August was 8.10%. Oil futures closed at $92.19 per barrel in September, a price increase of 8.51% from its close in June.[5] The US dollar weakened 2.65% against the euro and depreciated 2.34% 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, Dow Jones, MSCI Barra, Russell, Zephyr Associates.

---

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

Monterey Bay Area Office
Phone: 831.626.1442
Heather Glen Court Mission Street @ 8th
P.O. Box Box 1844, Carmel, CA 93921

Fax: 831.626.1449
www.SynergistWealth.com

San Francisco - Bay Area Office
Phone: 510.834.5020
1999 Harrison Street, Suite 2210
Oakland, CA 94612

Benchmark Definitions

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.

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.

---

[1] Ned Davis Research, Inc., "What Does the Strong First Three Quarters Say about Q4?" October 1, 2012

6944 I C8022 I 09/2012

Monterey Bay Area Office
Phone: 831.626.1442
Heather Glen Court Mission Street @ 8th
P.O. Box Box 1844, Carmel, CA 93921

Fax: 831.626.1449
www.SynergistWealth.com

San Francisco - Bay Area Office
Phone: 510.834.5020
1999 Harrison Street, Suite 2210
Oakland, CA 94612