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To: Interested Parties

Date: November 15, 2011

From: Richard W. Greene

Re: *Intelligent Index* 3rd Quarter Review

Third Quarter Review

During the third quarter of 2011 activity in the global equity markets was dominated by European debt concerns and growing concerns over weakness in the global economies. For the quarter, the Standard and Poor's 500 Index declined -13.87% and reflected a loss of -8.68% for the calendar year to date. The Intelligent Index Model Portfolio experienced its second most significant drawdown in its 11-year history, losing -18.62% for the quarter (net of fees) and standing -13.11% below its January 1st levels (net of fees).

Below are the results for the relevant indices.

Quarterly and Annualized Returns for Intelligent Index Model Portfolio and Indices as of 9/30/2011

	<u>Q3 2011</u>	<u>YTD</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>
Intelligent Index (Gross)	-18.37%	-12.29%	-0.46%	2.50%	1.33%	6.47%
Intelligent Index (Net)	-18.62%	-13.11%	-1.70%	1.23%	0.06%	5.14%
S&P 500 Index*	-13.87%	-8.68%	1.14%	1.23%	-1.18%	2.82%
DJ Wilshire 5000*	-15.04%	-9.86%	0.58%	1.49%	-0.75%	3.83%
S&P Citi Small-Cap Value*	-20.04%	-16.83%	-3.55%	-1.29%	-1.66%	6.77%
S&P Citi Small-Cap Growth*	-19.63%	-10.56%	4.21%	2.87%	2.22%	7.91%
S&P Citi Mid-Cap Value*	-20.95%	-15.80%	-5.38%	1.16%	-0.06%	7.32%
S&P Citi Mid-Cap Growth*	-18.83%	-10.16%	2.91%	6.98%	4.43%	7.55%
S&P Citi Large-Cap Value*	-16.30%	-11.92%	-2.66%	-2.19%	-3.88%	2.41%
S&P Citi Large-Cap Growth*	-11.56%	-5.56%	4.85%	4.47%	1.41%	3.05%

Source: Bloomberg, Wilshire.com, iShares.com.

As a result of all indices as well as the S&P 500 Index being negative for the quarter, the Model Portfolio was shifted to reflect a growth bias.

Third Quarter Market Overview

To say the results for virtually all global equity markets and indices were abysmal is something of an understatement. Fear and uncertainty dominated investment activity across all markets and brought with them a spike in volatility not seen for several

quarters. Bonds were the only “safe” haven where investors were able to protect capital. Below are results for a broad universe of frequently tracked benchmarks and indices, which demonstrate not only the breadth of the declines but the unusual degree of correlation in performance among them.

Index	Q3 2011 Return
Barclay's U.S. Aggregate Bond Index	3.82%
S&P 500 Index	-13.87%
Russell 2000 Index	-21.87%
MSCI EAFE Index	-19.01%
MSCI Emerging Markets Index	-22.56%
S&P GSCI Total Return Commodity Index	-11.69%

Source: Bloomberg, iShares.com.

A common phenomenon during times of heightened uncertainty and volatility is that historically non-correlated assets move in tandem. Last quarter, witness the S&P GSCI Total Return Commodity Index declining almost as much as the S&P 500 Index. Commodities are conventionally considered hedges against equity market uncertainty, given the attractiveness of gold and other physical type assets. Emerging markets, which generally reflect about 1.5 times the volatility of the S&P 500 Index declined by almost twice that benchmark last quarter. Lastly, the severe weakness in the Russell 2000 Index was in a large part the result of concerns of the US economy reentering a recession in 2012, which many fear would impact smaller companies most negatively.

The Intelligent Index Model Portfolio suffered from the portfolio’s exposure to smaller capitalization companies (1/3 of the portfolio is allocated to the iShares Standard and Poor’s Small Cap 600 Growth and Value Index Funds) and the fact that the portfolio was overweighted in value indices, which historically is a more defensive allocation. Unresolved global debt concerns however made large financial companies particularly and largely reside within the iShares Standard and Poor’s 500 Value Index Fund and the iShares Standard and Poor’s MidCap 400 Value Index Fund.

Specifically, financial companies that include bank and investment type banks comprise 22.58% of the S&P 500 Value Index Fund and 25.24% of the S&P MidCap 400 Value Index Fund. During the quarter, The Dow Jones Financials Index and the Dow Jones US Financial Services Index were down -21.32% and -24.37% respectively for the quarter. The events impacting both our small cap allocations and our value weighting bias represented almost the perfect storm for the Model Portfolio, and account for it experiencing its second worst quarter in its 44 quarter history.

Looking Forward

As of this writing, the apparent acquiescence of the Greek and Italian governments to effect a leadership change and restart initiatives for austerity programs and legislation has led to a slight uptick in investor confidence and has resulted in a meaningful rebound in the markets as we hit the mid-way point for the fourth quarter. Evident below is the significant snap back in the index ETFs comprising the Intelligent Index Model Portfolio, with particular rebounds occurring in the small cap index ETFs.

As of November 15, 2011

ETFs Comprising the Intelligent Index Model Portfolio	Symbol	Price 9/30/2011	Price 11/15/2011	Quarter to Date Price Return
iShares S&P Small Cap 600 Value Index Fund	IJS	59.19	68.63	15.95%
iShares S&P Small Cap 600 Growth Index Fund	IJT	64.46	74.56	15.67%
iShares S&P Mid Cap 400 Value Index Fund	IJJ	66.01	76.01	15.15%
iShares S&P Mid Cap 400 Growth Index Fund	IJK	89.84	101.87	13.39%
iShares S&P 500 Large Cap Value Index Fund	IVE	51.58	57.37	11.23%
iShares S&P 500 Large Cap Growth Index Fund	IVW	61.24	68.36	11.63%

Disclosure: Fourth Quarter YTD 2011 returns for each iShares S&P Index Exchange-Traded Fund (ETF) is gross of fees. One should refer to the iShares Fund prospectus for more information for each iShares S&P ETF’s expenses and management fees.

Although naturally disappointed with the Index Portfolio's third quarter losses, we attribute them to two somewhat distinct and fairly unusual set of economic circumstances converging. Last quarter's capitulation in small cap stocks was clearly overdone as this quarter's renewed interest verifies. Financials, although viewed with renewed skepticism because of ongoing Sovereign debt concerns, are still considered by many successful investors as attractively priced given the quality of their balance sheets vs. a few years ago. Take Warren Buffet's recent stake in Bank of America, for example. In times like this, it is worth underscoring that the Intelligent Index strategy did not make a "bet" on financial stocks or the financial sector during the last quarter, nor does it make "bets" on any other industry sector. The losses were incurred by virtue of the weighting in the value indices which were overweighed during the quarter. Historically the Intelligent Index portfolio's allocation among the three major market caps and shifts between growth and value styles have been useful strategies to both protect capital and capture upside return.

With some economic landscapes changing almost daily (European debt contagion and instability), and some appearing to be looking static for the foreseeable future (U.S. unemployment, deficits, housing, low interest rates, the inability to address deficits), it's impossible to predict investment outcomes in the short term. Equities continue not to be for the faint of heart, and while fixed income may represent a viable strategy to try to preserve capital, the 30 year bull market in bond returns is likely over. Overall, our allocation recommendations continue to be very much on the conservative side.

We look forward to updating you at the end of the third quarter.

Sincerely,

Richard W. Greene
Managing Principal

Jennifer M. Wolfsberg
Managing Principal

Disclaimer:

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Performance results reflect expense in effect during the relevant period. The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. The performance information assumes reinvestment of all dividends and capital gains. An investor will indirectly bear the expenses of the ETF's underlying investments. Investing involves risk, including possible loss of principal. Diversification does not protect against loss.

Index returns are for illustrative purposes only and do not represent actual fund performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indices are unmanaged and one cannot invest directly in an index.

DJ Wilshire 5000: Measures the performance of all U.S. common equity securities, and so serves as an index of all stock trades in the United States.

S&P 500 Index: Measures the performance of the largest 500 U.S. common equity securities.

Barclay's U.S. Aggregate Bond Index: The Barclays Capital US Aggregate Bond Index (formerly Lehman Brothers US Aggregate Bond Index) is a benchmark index composed of US securities in Treasury, Government-Related, Corporate, and Securitized sectors. It includes securities that are of investment-grade quality or better, have at least one year to maturity, and have an outstanding par value of at least \$250 million.

Russell 2000 Index: The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index, with all values expressed in U.S. dollars.

MSCI EAFE Index: The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom (as of May 30, 2011).

MSCI Emerging Markets Index: The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey (as of May 30, 2011).

S&P GSCI Total Return Commodity Index: The S&P GSCI® is widely recognized as a leading measure of general price movements and inflation in the world economy. It provides investors with a reliable and publicly available benchmark for investment performance in the commodity markets, and is designed to be a "tradable" index.

Dow Jones Financials Index: The Dow Jones U.S. Financials Index measures the performance of the financial services industry, among others, of the U.S. equity market. Component companies include regional banks; major U.S. domiciled international banks; full line, life, and property and casualty insurance companies; companies that invest, directly or indirectly in real estate; diversified financial companies such as Fannie Mae, credit card issuers, check cashing companies, mortgage lenders and investment advisors; securities brokers and dealers including investment banks, merchant banks and online brokers; and publicly traded stock exchanges.

Dow Jones US Financial Services Index: The index measures the performance of the financial services industry segment of the U.S. equity market including real estate and general finance.

Intelligent Index figures reflect hypothetical returns for the "model portfolio" which is comprised of S&P/Barra indices that do not trade. Actual returns reflect the performance of Barclays Share Exchange Traded Funds, which are designed to track the S&P/Barra indices. Increments of Return sourced from the model portfolio.

The information contained herein is compiled independently by Richard Greene. Though considered to be reliable, these materials have not been verified by any third-party, and are not guaranteed as to their accuracy or completeness. All quantitative analysis illustrated herein is done using market composites which best represent the overall investment strategy of the Intelligent Index. All annualized return figures consist of both capital appreciation and dividends reinvested.

Risk: The Intelligent Index Strategy allocates its investments among Barclays iShares ETF indexes invested in growth and value style equities of small, mid, and large capitalizations. The Intelligent Index Strategy systematically rebalances its allocations in these assets to maintain their target weightings. There can be no guarantee that rebalancing will achieve its intended result. The risks, both systematic and unsystematic, associated with an investment in the Intelligent Index Strategy specifically and equities in general may not be suitable for all investors. The performance figures contained herein do not guarantee future results.

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