



ARE WE IN A RECESSION OR HEADING INTO A RECESSION

Q&A

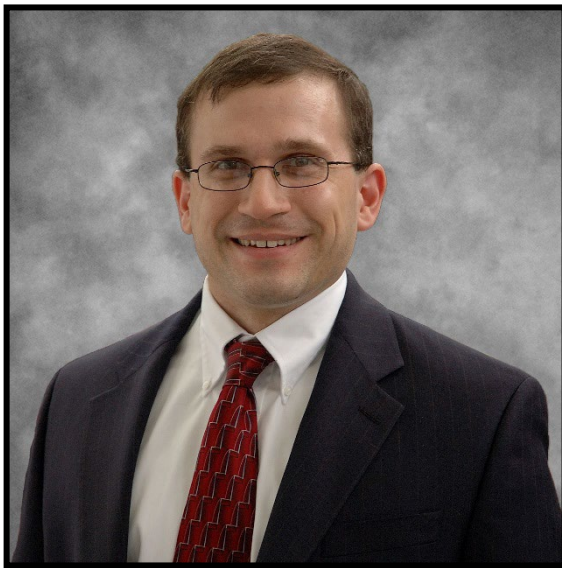
WITH JIM HOLTZMAN, CFP®[®], CPA *(inactive)*

Presented By

James J. Holtzman, CFP®[®], CPA *(inactive)*

CEO, President and Wealth Advisor

Legend Financial Advisors, Inc.®



JAMES J. HOLTZMAN, CFP® CPA *(inactive)*

James J. Holtzman, CFP®, is the CEO, President and Wealth Advisor with Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.®

Jim has been selected nine consecutive times by *Medical Economics* as one of “The 150 Best Financial Advisors for Doctors in America.”

Mr. Holtzman has been selected five times by *Dental Products Report* as one of “The Best Financial Advisors for Dentists in America”.

Jim has also been previously selected three times by *Pittsburgh Magazine* as one of the Pittsburgh area’s FIVE STAR Wealth Managers, a list that represents the most elite financial advisors in Pittsburgh.

With over 20 years of experience, Jim assists all types of clients with their financial planning and investment needs. Jim’s extensive skill set includes providing financial advice to retirement-focused clients, medical and dental practices, and businesses.

Jim serves as the firm’s Income Tax and Education Funding and Planning Specialist.

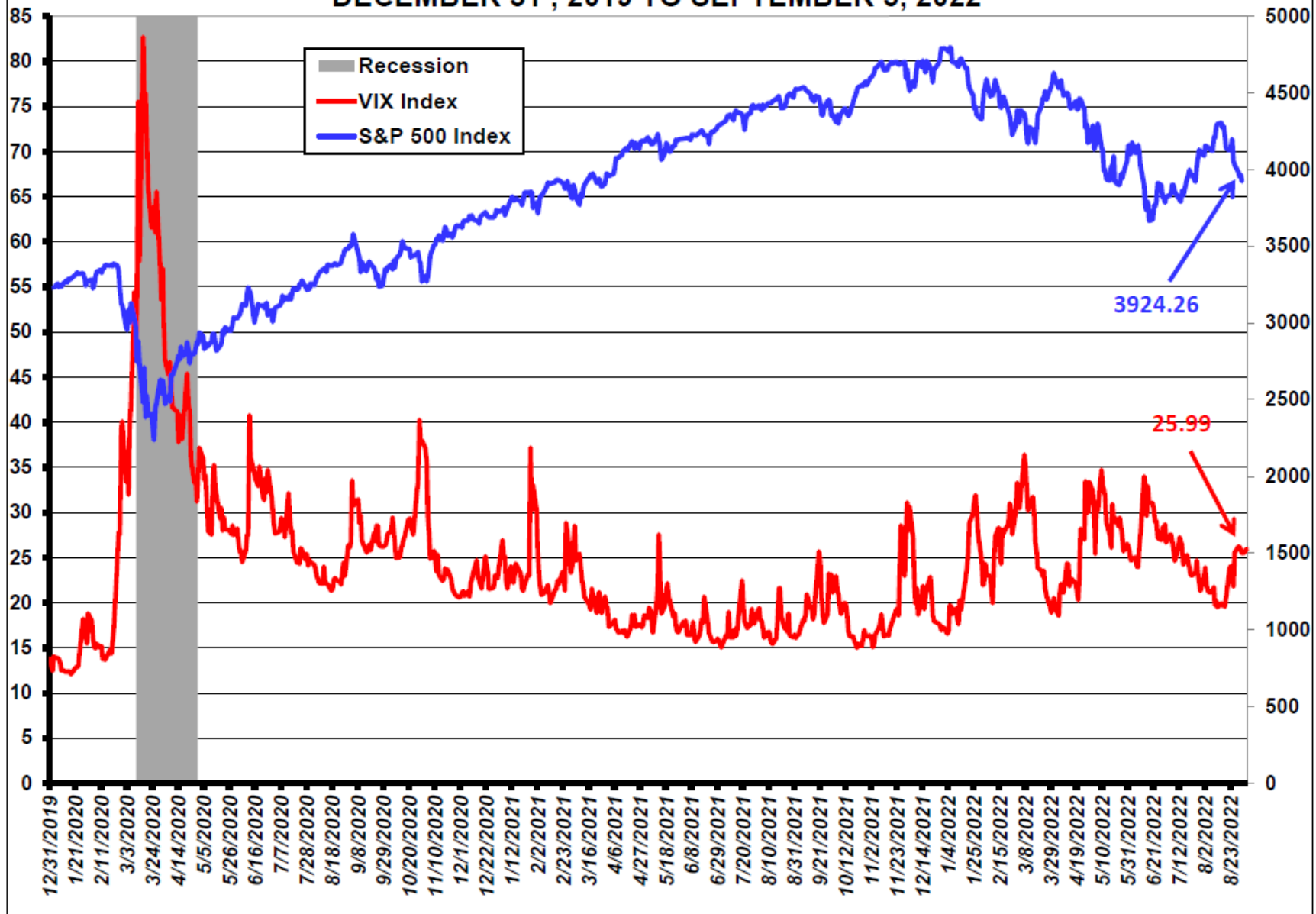
Jim’s previous professional experience includes employment with various CPA and Financial Advisory organizations where he provided tax, accounting, auditing and financial consulting services to individuals and businesses. Jim has also provided financial advice to various Fortune 500 and public company executives.

Jim’s areas of concentration include income tax planning, estate planning, stock option exercise planning, insurance, retirement planning and Section 529 Plans.

Mr. Holtzman was selected by *Pittsburgh Business Times* as one of the 2013 Fast Tracker's, which honors leaders in the Pittsburgh area's business community who've had a significant impact on the growth of their organization.

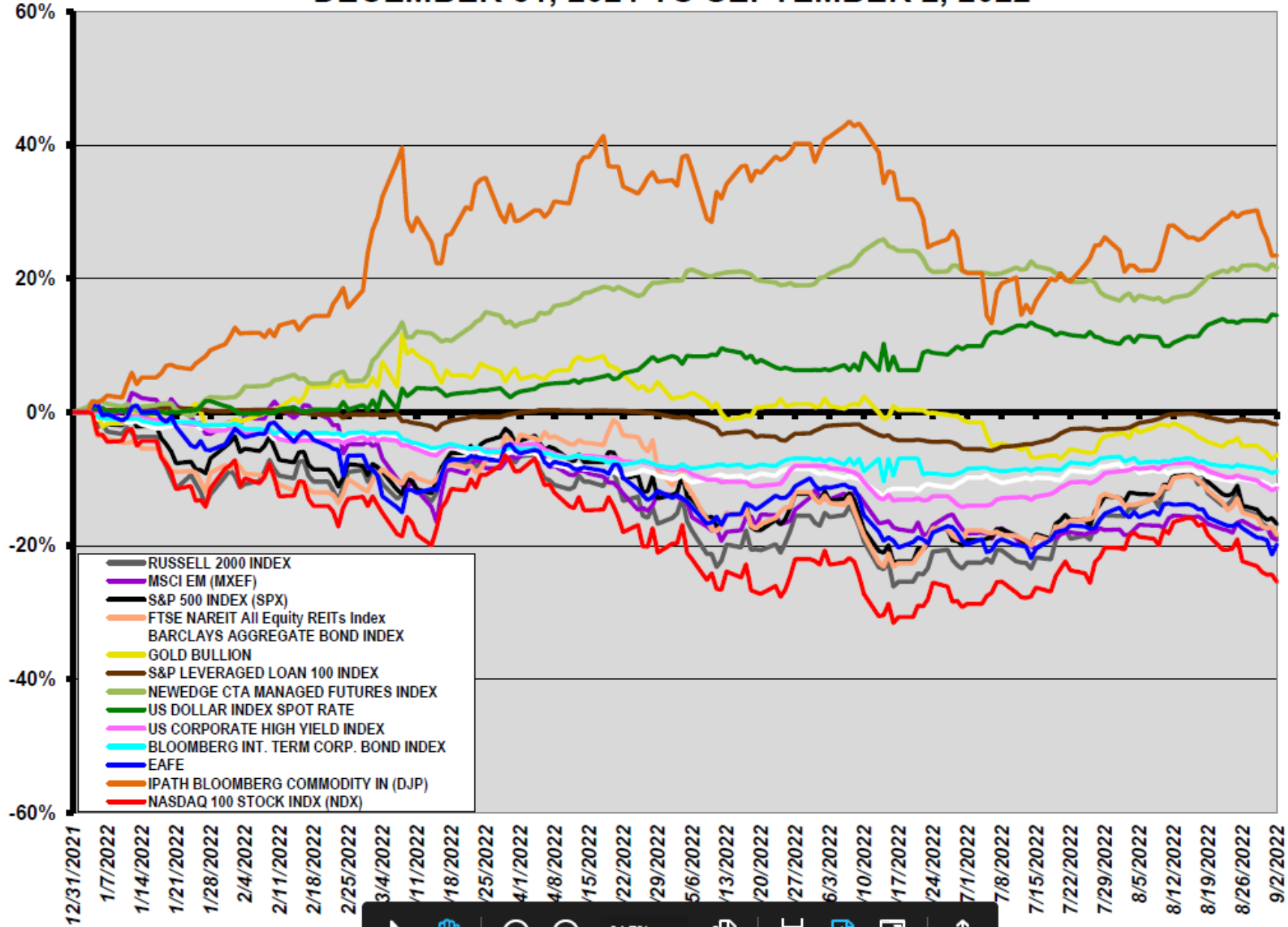
VOLATILITY INDEX

DECEMBER 31, 2019 TO SEPTEMBER 5, 2022

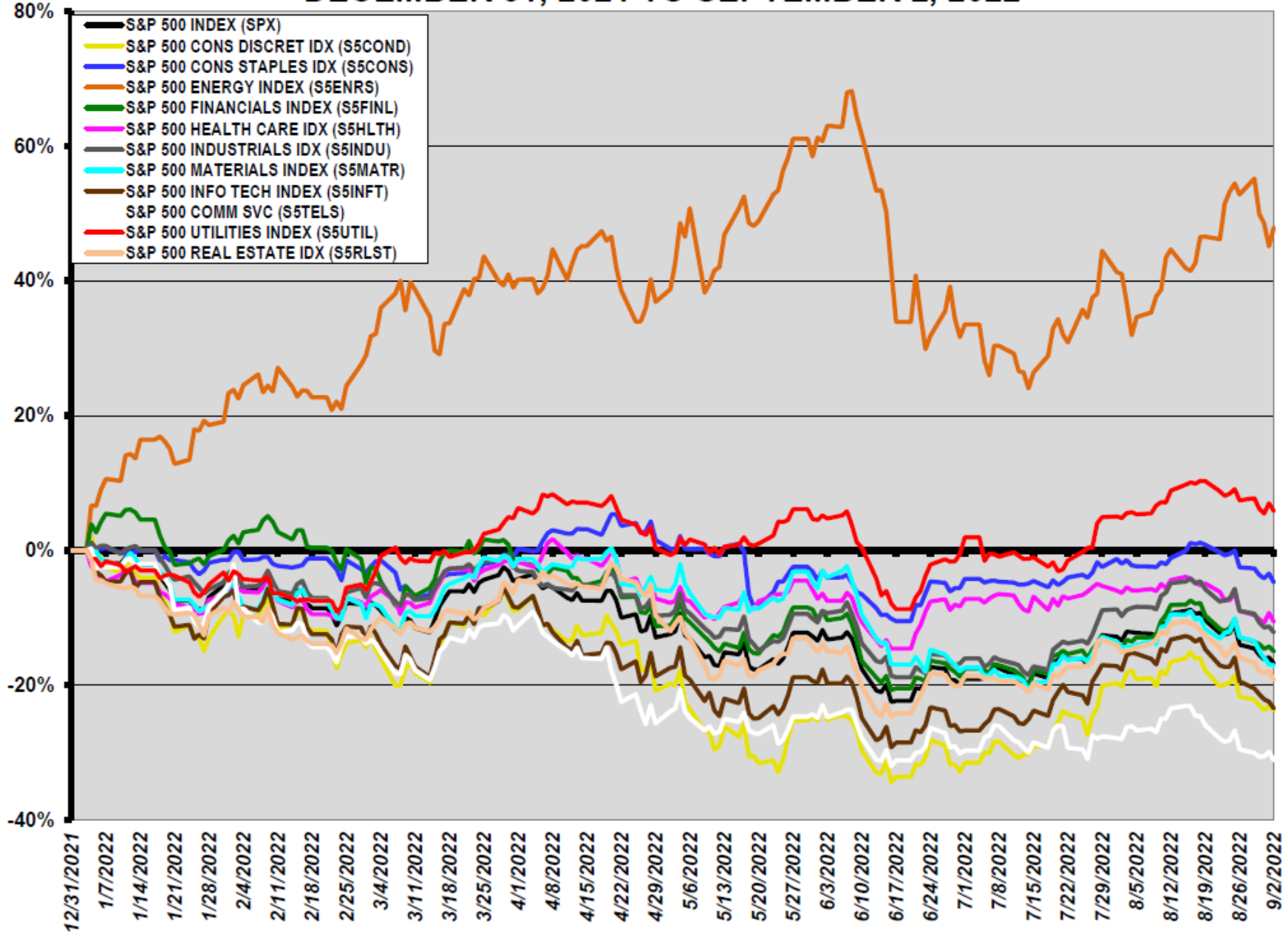


INDEXES

DECEMBER 31, 2021 TO SEPTEMBER 2, 2022



U.S. SECTORS DECEMBER 31, 2021 TO SEPTEMBER 2, 2022



SHILLER PRICE/EARNINGS RATIOS

Long-Term Stock Market P/E Valuations Fell A Bit In December-Still In Highest Valuation Levels

P/E

45

40

35

30

25

20

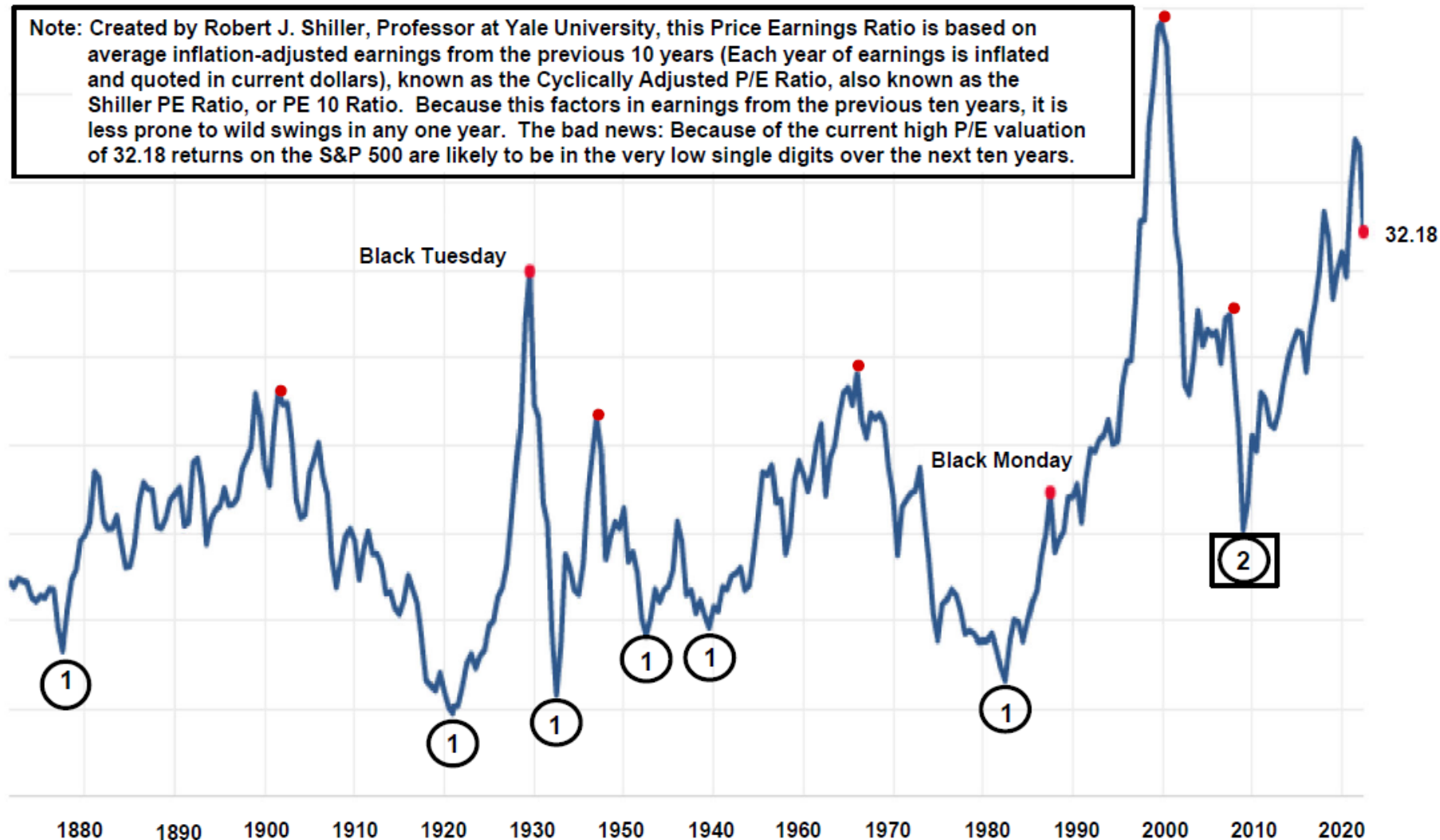
15

10

5

0

Note: Created by Robert J. Shiller, Professor at Yale University, this Price Earnings Ratio is based on average inflation-adjusted earnings from the previous 10 years (Each year of earnings is inflated and quoted in current dollars), known as the Cyclically Adjusted P/E Ratio, also known as the Shiller PE Ratio, or PE 10 Ratio. Because this factors in earnings from the previous ten years, it is less prone to wild swings in any one year. The bad news: Because of the current high P/E valuation of 32.18 returns on the S&P 500 are likely to be in the very low single digits over the next ten years.



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As of: April 8, 2022

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① Great Time To Buy

② Good Time To Buy

● Terrible Time To Buy

Source: www.multpl.com

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U.S. STARTING VALUATIONS HAVE DEMONSTRATED A STRONG IMPACT ON FUTURE RETURNS

Subsequent nominal returns (annualized)*

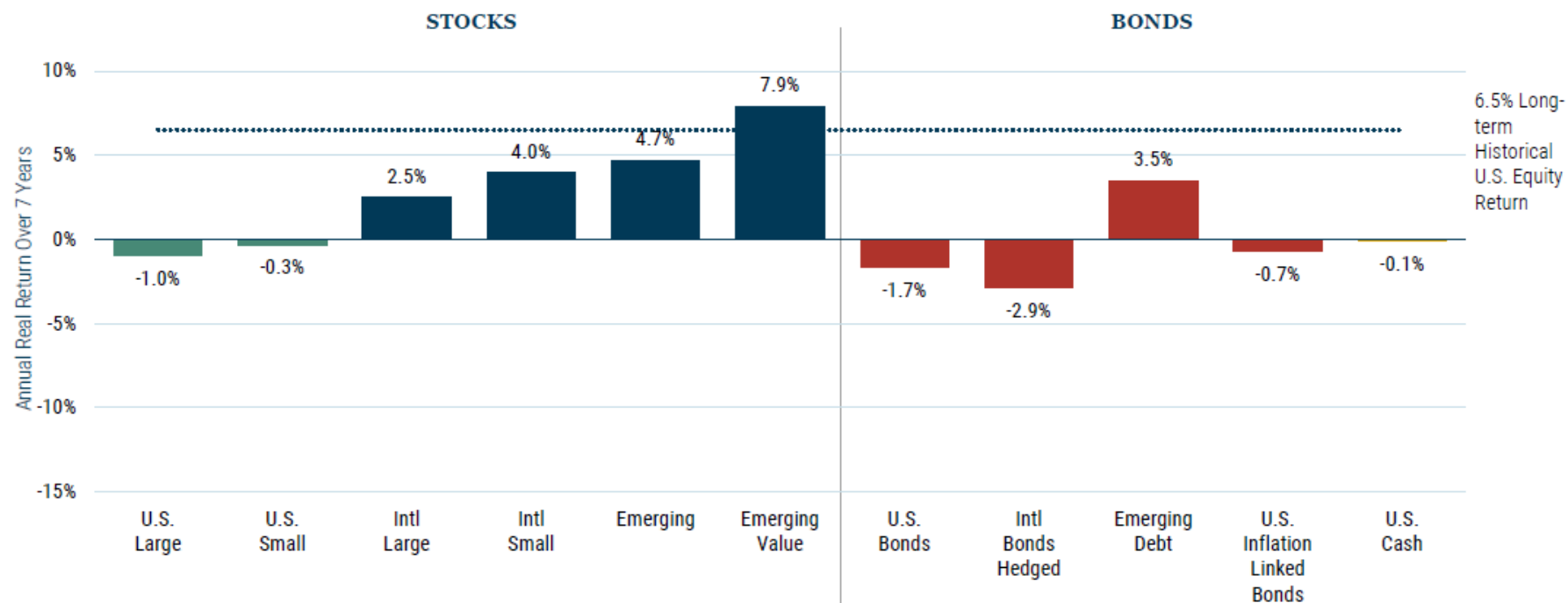
Starting Shiller P/E	5-Year	10-Year
<10x	15.1%	14.8%
10-15x	9.3%	10.6%
15-20x	6.2%	5.6%
20-25x	4.2%	1.7%
>25x	0.4%	2.6%

Current level: 32.18

* Median of the annualized subsequent returns calculated at each month end, using Shiller P/E and S&P 500 monthly returns from December 31, 1927 to November 21, 2014

7-YEAR ASSET CLASS REAL RETURN FORECASTS*

As of June 30, 2022



Source: GMO

*The chart represents local, real return forecasts for several asset classes and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from those anticipated in forward-looking statements. U.S. inflation is assumed to mean revert to long-term inflation of 2.2% over 15 years.

Name	Ticker	Equity Style Box	% Change	% Total Return YTD
AlphaCentric Income Opportunities I	IOFIX		0.00	-17.95
Amplify BlackSwan Gr & Trsry Cor ETF	SWAN		0.83	-21.75
Angel Oak Multi-Strategy Income Instl	ANGIX	■	-0.11	-7.49
BlackRock GNMA Instl	BGNIX		-0.37	-9.94
BNY Mellon Income Stock Inv	MIISX	■	1.43	0.78
Doubleline Selective Credit I	DBSCX		-0.13	-4.89
DoubleLine Total Return Bond I	DBLTX		-0.11	-9.70
Eaton Vance Floating Rate I	EIBLX	■	0.24	-2.27
Guggenheim Floating Rate Strats Instl	GIFIX		0.13	-1.53
Guggenheim High Yield Inst	SHYIX		0.51	-8.13
Guggenheim Macro Opportunities Instl	GIOIX	■	0.16	-7.56
Guggenheim Total Return Bond Instl	GIBIX		0.08	-13.46
iShares 10-20 Year Treasury Bond ETF	TLH		-0.08	-21.60
iShares 1-3 Year Treasury Bond ETF	SHY		-0.09	-3.51
iShares 20+ Year Treasury Bond ETF	TLT		0.22	-25.91
iShares 7-10 Year Treasury Bond ETF	IEF		0.01	-12.40
iShares Core US Aggregate Bond ETF	AGG		-0.01	-11.32
iShares iBoxx \$ Invmt Grade Corp Bd ETF	LQD		0.23	-16.68
JPMorgan Mortgage-Backed Securities I	OMBIX		-0.10	-8.21
Loomis Sayles Bond Instl	LSBDX	■	0.34	-11.30
Loomis Sayles Core Plus Bond Y	NERYX		0.08	-11.34
Loomis Sayles Sr Floating Rate and F/I Y	LSFYX		0.12	-3.28
MainStay MacKay Short Dur Hi Yld I	MDHIX	■	0.33	-2.96
Metropolitan West Total Return Bd M	MWTRX		-0.11	-12.68
Natixis Vaughan Nelson Select A	VNSAX	■	1.13	-13.19
Nuveen Flexible Income I	NWQIX	■	0.79	-11.95
Nuveen Floating Rate Income I	NFRIX		0.06	-1.96
Osterweis Strategic Income	OSTIX		0.48	-6.37
Performance Trust Strategic Bond	PTIAX		0.00	-11.16
PIMCO Emerging Mkts Lcl Ccy and Bd Instl	PELBX		0.56	-10.29
PIMCO Enhanced Short Maturity Active ETF	MINT		0.01	-1.53
PIMCO GNMA and Government Secs Instl	PDMIX		-0.31	-10.13
PIMCO Income Instl	PIMIX	■	0.19	-7.10
PIMCO International Bond (USD-Hdg) Instl	PFORX	■	0.10	-8.49
PIMCO Investment Grade Credit Bond Instl	PIGIX	■	0.23	-15.09
PIMCO Low Duration Credit Instl	PSRIX		0.23	-2.94
PIMCO Real Return Instl	PRRIX		0.00	-9.12
PIMCO Total Return Instl	PTTRX		-0.11	-12.30
ProShares Inflation Expectations	RINF		0.12	9.26
ProShares UltraShort 20+ Year Treasury	TBT		-0.49	69.57
ProShares UltraShort 7-10 Year Treasury	PST		0.19	28.30
SPDR Blackstone Senior Loan ETF	SRLN		0.38	-3.66

Name	Ticker	Equity Style Box	% Change	% Total Return YTD
abrdn Physical Palladium Shares ETF	PALL		1.40	14.30
AdvisorShares Dorsey Wright Short ETF	DWSH		-2.43	8.84
AdvisorShares Pure US Cannabis ETF	MSOS	☐☐	2.79	-51.07
American Beacon AHL Mgd Futs Strat Y	AHLYX		-0.99	15.23
American Funds Growth Fund of Amer F1	GFAFX	☐☐	2.09	-23.27
AQR Long-Short Equity I	QLEIX	☐☐	0.92	6.99
AQR Managed Futures Strategy I	AQMIX	☐☐	-0.71	34.57
ARK Genomic Revolution ETF	ARKG	☐☐	2.17	-38.37
ARK Innovation ETF	ARKK	☐☐	4.45	-52.85
Baron Real Estate Institutional	BREIX	☐☐	1.46	-22.92
Carillon Eagle Small Cap Growth A	HRSCX	☐☐	1.92	-20.53
Consumer Discret Sel Sect SPDR® ETF	XLY	☐☐	1.90	-19.24
Delaware Healthcare I	DLHIX	☐☐	0.85	-6.80
Dodge & Cox Stock I	DODGX	☐☐	1.65	-7.33
Driehaus Small Cap Growth Institutional	DNSMX	☐☐	1.50	-27.08
Fidelity® Contrafund®	FCNTX	☐☐	1.78	-22.63
Fidelity® MSCI Communication ServicesE...	FCOM	☐☐	2.90	-28.65
Fidelity® Puritan®	FPURX	☐☐	1.00	-14.36
First Eagle Global I	SGIIX	☐☐	1.50	-9.22
First Trust Global Wind Energy ETF	FAN	☐☐	0.67	-9.68
Global X Copper Miners ETF	COPX	☐☐	3.90	-12.96
Global X FinTech ETF	FINX	☐☐	3.41	-38.50
Global X Lithium & Battery Tech ETF	LIT	☐☐	2.62	-8.69
Grayscale Bitcoin Trust (BTC)	GBTC		11.07	-60.73
Grizzly Short	GRZZX		-2.18	15.14
Intel Corp	INTC	☐☐	2.31	-36.79
Invesco QQQ Trust	QQQ	☐☐	2.19	-22.57
Invesco S&P 500® Equal Weight ETF	RSP	☐☐	1.38	-9.60
Invesco S&P 500® Equal Weight Tech ETF	RYT	☐☐	1.55	-19.06
Invesco S&P 500® Equal Wt Cnsm Disc E...	RCD	☐☐	1.72	-21.87
Invesco S&P 500® High Beta ETF	SPHB	☐☐	2.16	-13.93
Invesco Solar ETF	TAN	☐☐	0.05	14.06
iPath® Bloomberg Cmdty TR ETN	DJP		2.12	22.75
iShares Gold Trust	IAU		0.56	-6.41
iShares Russell 1000 Growth ETF	IWF	☐☐	1.92	-21.08
iShares Russell 2000 Growth ETF	IWO	☐☐	2.04	-20.21
iShares S&P Small-Cap 600 Growth ETF	IJT	☐☐	1.81	-18.10
iShares S&P Small-Cap 600 Value ETF	IJS	☐☐	1.99	-10.25
iShares Semiconductor ETF	SOXX	☐☐	2.40	-30.51
iShares Transportation Average ETF	IYT	☐☐	1.83	-14.36
iShares US Home Construction ETF	ITB	☐☐	2.00	-30.18
iShares US Insurance ETF	IAK	☐☐	0.50	4.02

iShares US Medical Devices ETF	IHI		1.60	-18.69
Leuthold Core ETF	LCR		0.78	-8.00
Leuthold Core Investment I	LCRIX		0.62	-8.58
Loomis Sayles Global Allocation Y	LSWWX		1.35	-21.06
Nuveen Short-Term REIT ETF	NURE		0.87	-14.09
ProShares Long Online/Short Stores ETF	CLIX		2.79	-33.14
Renaissance IPO ETF	IPO		4.39	-42.43
Schwab Fundamental US Large Company ...	FNDX		1.42	-6.36
Schwab US Large-Cap ETF™	SCHX		1.62	-14.63
Schwab US Large-Cap Growth ETF™	SCHG		2.07	-21.67
Schwab US Large-Cap Value ETF™	SCHV		1.17	-8.41
SPDR® S&P 500 ETF Trust	SPY		1.55	-13.76
SPDR® S&P Biotech ETF	XBI		0.67	-21.39
SPDR® S&P Metals and Mining ETF	XME		3.80	13.56
SPDR® S&P Regional Banking ETF	KRE		1.23	-8.61
The Merger Fund I	MERIX		0.06	0.75
VanEck Steel ETF	SLX		4.97	4.04
Vanguard Growth ETF	VUG		2.12	-22.82
Vanguard Growth Index Admiral	VIGAX		2.04	-22.86
Vanguard Real Estate ETF	VNQ		1.09	-16.44
Vanguard S&P 500 ETF	VOO		1.54	-13.75
Vanguard S&P Small-Cap 600 Value ETF	VIOV		2.02	-10.10
Virtus KAR Small-Cap Growth I	PXSGX		1.98	-21.87
WisdomTree Cloud Computing ETF	WCLD		4.27	-40.61

U.S. STOCK MARKET FLUCTUATIONS What Past Market Declines Can Teach Us

A History Of Declines (January 1, 1900 – December 31, 2021)

<u>Type of Decline</u>	<u>Percentage Decline</u>	<u>Number of Declines</u>	<u>Average Frequency</u>	<u>Average Length</u>
Dip	-5.0% to -10.0%	391	About 3 times a year	46 days
Correction	-10.0% to -15.0%	127	About once a year	115 days
Severe Correction	-15.0% to -20.0%	Included in corrections total	About once every 2 years	216 days
Bear Market*	-20.0% to -30.0%	17	About once every 6.25 years	11 months
Severe Bear Market*	-30.0% or more	16	About once every 8.25 years	22.8 months

* Either a Bear Market or a Severe Bear Market occurs approximately every 3.7 years.

Source: American Funds Distributors, Inc., Bloomberg, Dow Jones,
Ned Davis Research, Edward Jones, The Leuthold Group, LLC

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WHAT IS THE **TRADITIONAL** DEFINITION OF A RECESSION?

1. Two consecutive quarters of contracting real gross domestic product (GDP) – Not an official definition
2. First Quarter 2022: GDP decreased at an annual rate of 1.60%
3. Second Quarter 2022: GDP decreased at an annual rate of .90%
4. Current economy is unique due to COVID, stimulus, job growth, wage growth, strong consumer spending while interest rates are increasing

WHAT IS THE **FORMAL** DEFINITION OF A RECESSION?

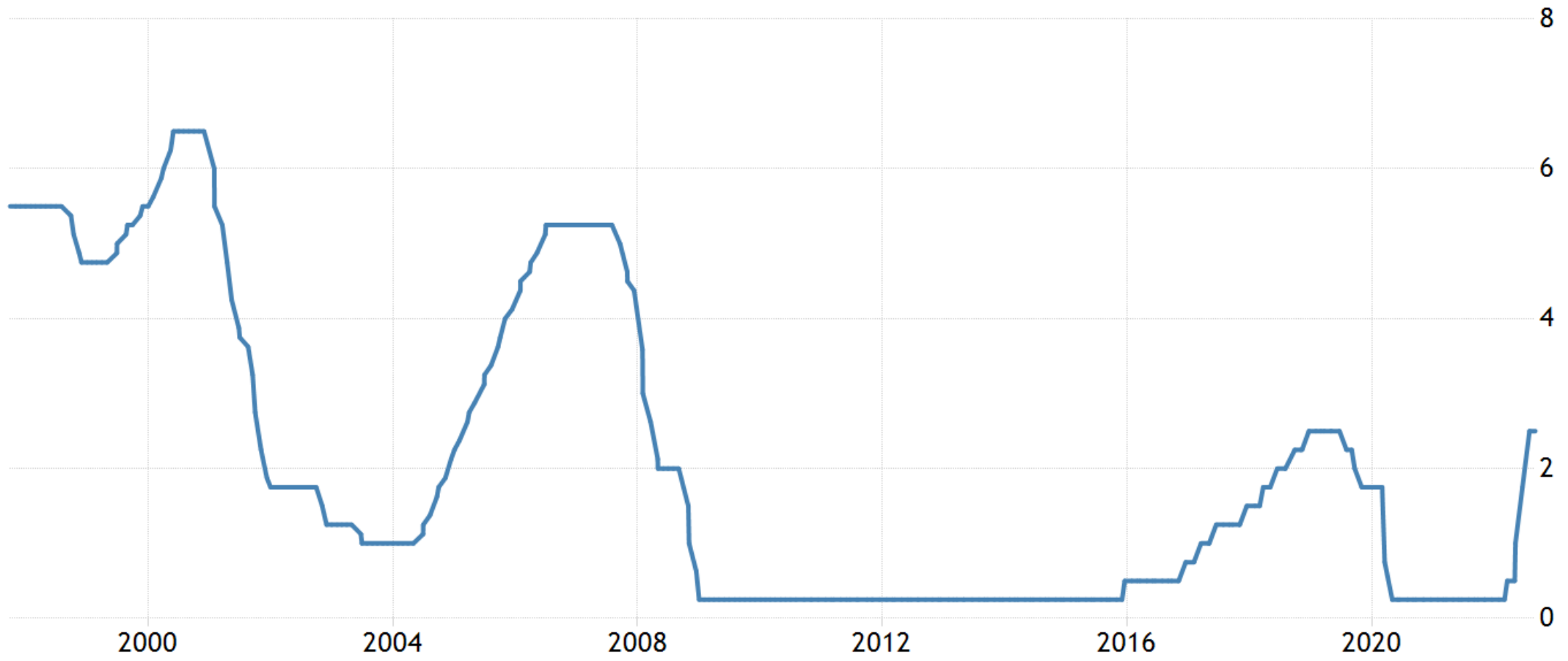
1. National Bureau of Economic Research determines when the U.S. is in a recession
2. NBER has a committee of eight members
3. Definition of recession “a significant decline in economic activity that is spread across the economy and that lasts more than a few months”.

WHAT ARE SHORT-TERM INTEREST RATES?

1. Federal Reserve Controls the Federal Funds Rate
2. Impacts money market rates, home equity line of credit rates, credit cards, car loans, etc.
3. Businesses pay more for loans – usually adjustable interest rates
4. Federal Reserve raises interest rates to slow down inflation by reducing spending

WHAT ARE LONG-TERM INTEREST RATES?

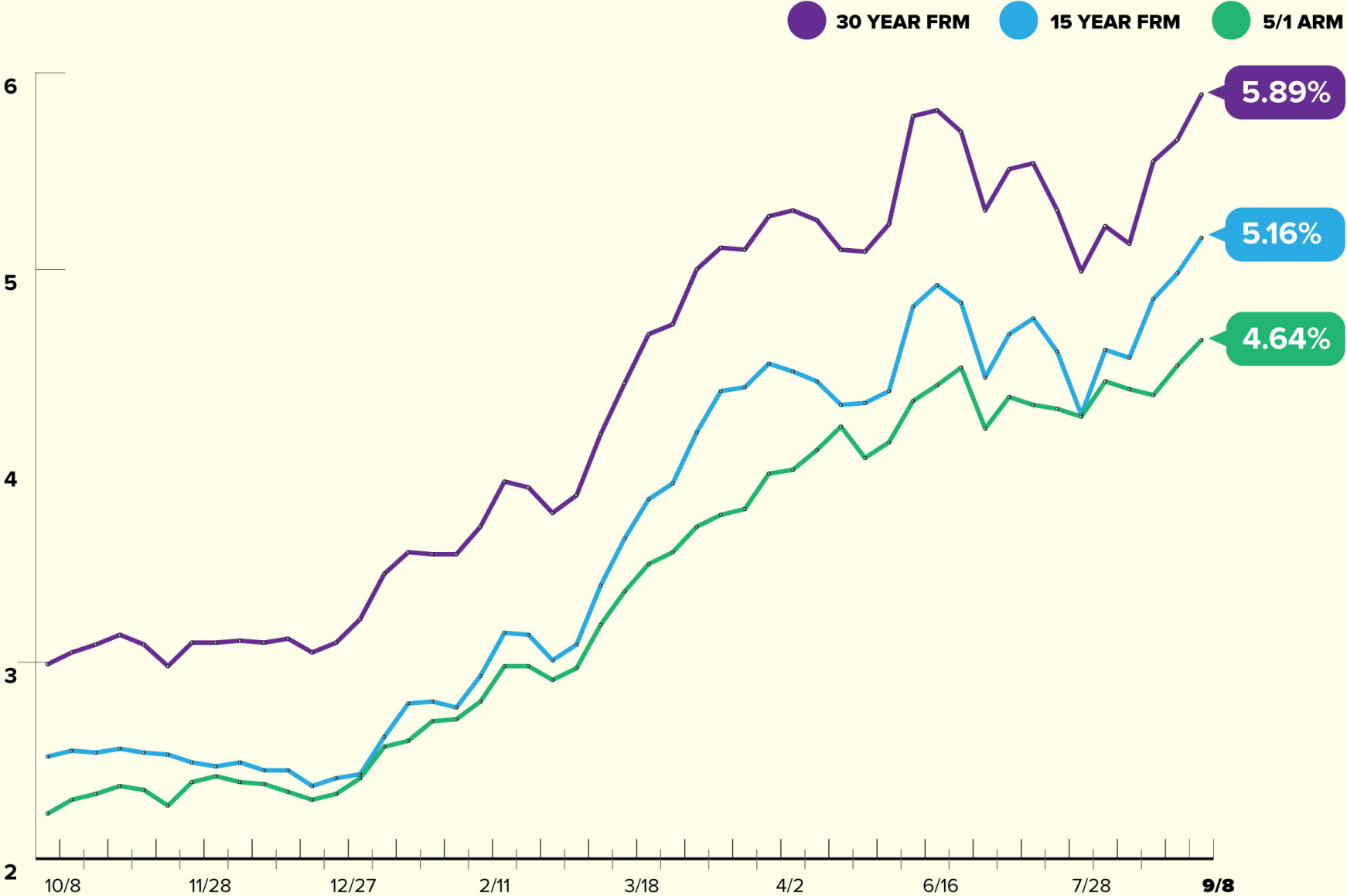
1. The market determines long-term interest rates. If there are inflation expectations, then long-term interest rates will rise. (i.e., mortgage rates)
2. Central banks do not control long-term interest rates. However, the Federal Reserve influences long-term interest rates by selling or buying Treasury Bonds and Mortgage-Backed Bonds.



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FEDERAL FUNDS RATE

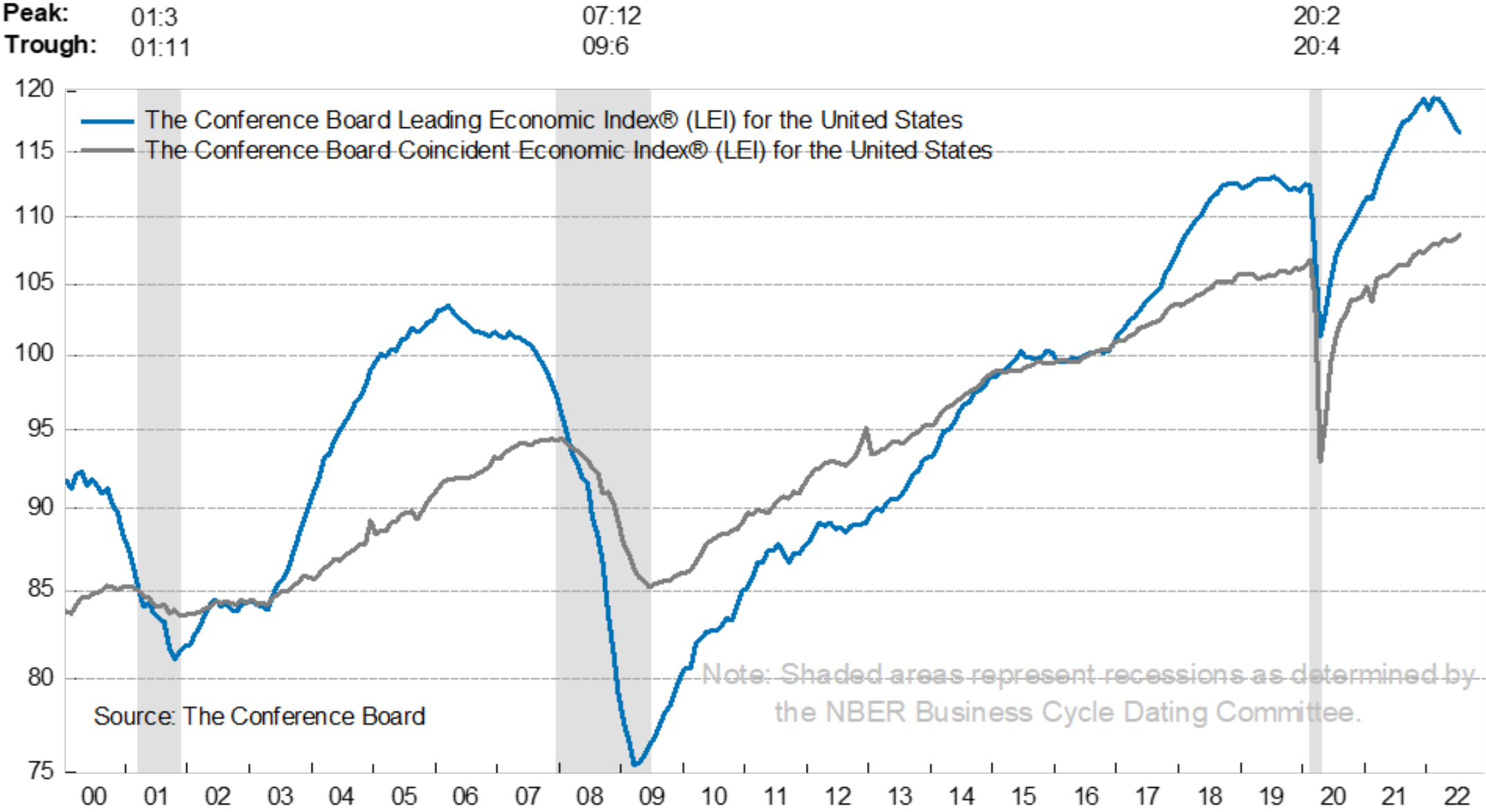
Mortgage Rate Trends



SOURCE: Freddie Mac

IMPACT OF INCREASING INTEREST RATES ON THE ECONOMY

1. Decreasing Consumer Spending
2. Decreasing Corporate Profits
3. Increasing U.S. Deficits
4. Increasing Interest Rates For Bank Accounts
5. Slower Home Sales



WHAT ARE THE 10 COMPONENTS OF INDEX OF LEADING ECONOMIC INDICATORS

1. Average weekly hours worked by manufacturing workers
2. Average number of initial applications for unemployment insurance
3. The volume of manufacturers' new orders for consumer goods and materials
4. The new orders index
5. The volume of new orders for capital goods (except aircraft), unrelated to defense

WHAT ARE THE 10 COMPONENTS OF INDEX OF LEADING ECONOMIC INDICATORS

6. The number of new building permits for residential buildings
7. The S&P 500 stock index
8. The inflation-adjusted monetary supply (M2)
9. The spread between long and short interest rates
10. Average consumer expectations for business conditions

IS THE MARKET DISCONNECTED FROM THE ECONOMY?

1. After a decade of zero percent interest rate policy and liquidity injections into the economy, the market has become disconnected from the economy.
2. Valuations are a way to measure investor psychology
3. At the peak of every market, investor greed runs too high (e.g., crypto, meme stocks)
4. “This time is different” comments usually ends up meaning that it isn’t and market fundamentals take hold again.

IS THE MARKET DISCONNECTED FROM THE ECONOMY?

6. Markets can remain very high longer than an investors believes is logical
7. The more the Federal Reserve supports the economy, the stock market often becomes overvalued

IS THE MARKET DISCONNECTED FROM THE ECONOMY?

EXAMPLE: 2008-2009 RECESSION

1. Stock market started going down in 2007 while the economy was still performing well.
2. There were signs that the economy was not healthy but overall, that was not being reflected daily.
3. March 9, 2009: stock market hit the lowest point while the economy continued to do terrible until September 2009

IS THE MARKET DISCONNECTED FROM THE ECONOMY?

EXAMPLE: 2020 COVID RECESSION

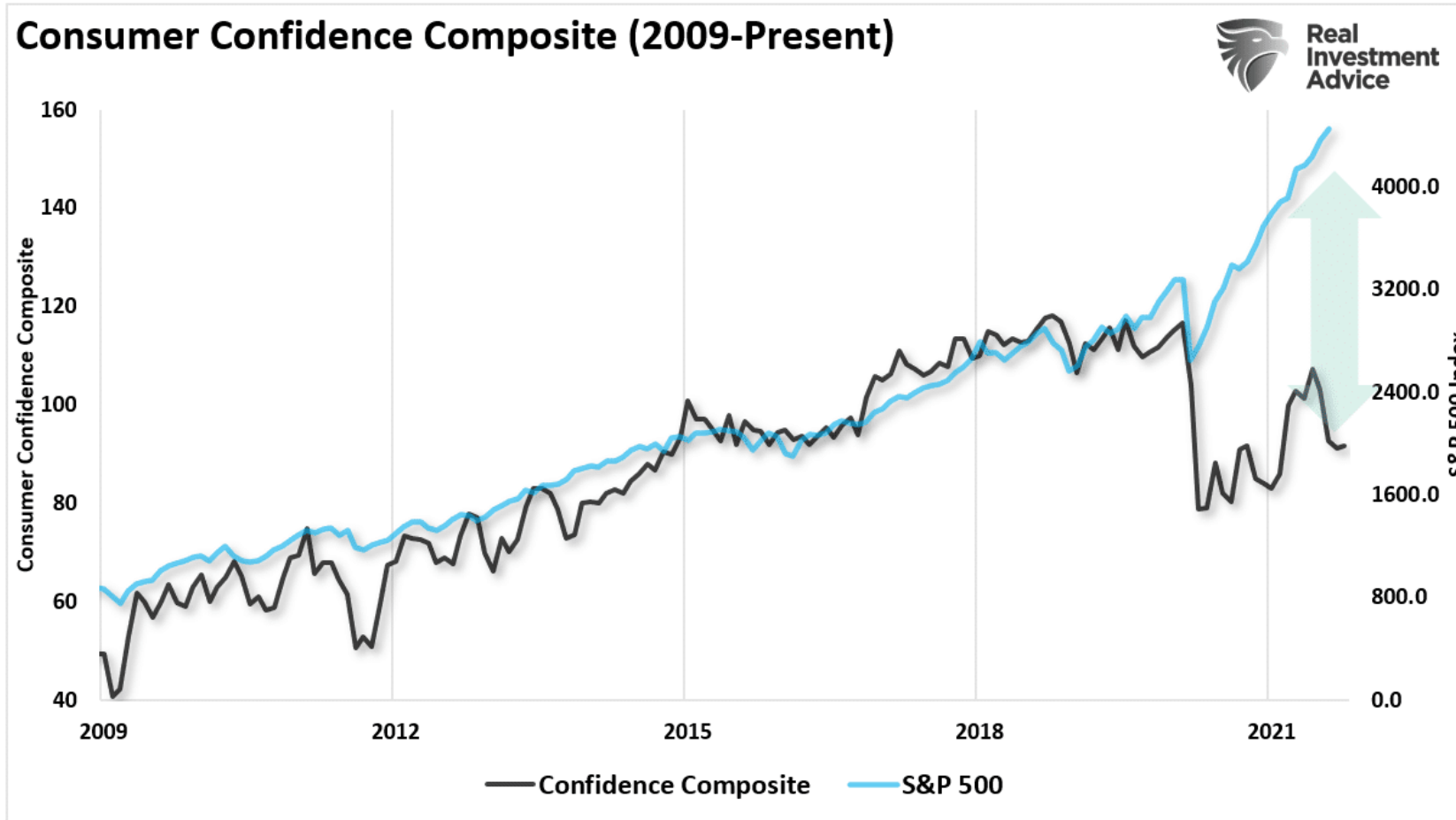
1. Stock market hit the peak on February 19, 2020. The economy was starting to do poorly due to shutdowns, but the worst was yet to come.
2. Stock market hit the low point on March 23, 2020. The economy continued to shutdown and COVID was still getting worse, but the stock market started a historic run

IS THE MARKET DISCONNECTED FROM THE ECONOMY?

EXAMPLE: 2022

1. Stock market hit the peak on January 3, 2022 and has been in bear market territory with the NASDAQ reaching a severe bear market. The economy continued to improve all year.
2. Stock market may have hit the low point already? The economy is starting show some signs of weakness from increasing interest rates.
3. Is the stock market ready to rally even though the economy is showing continued signs of slowing down?

CONSUMER CONFIDENCE



WHAT IS LEGEND DOING?

1. Reduced Exposure To Technology
2. Increased Large Cap Value
3. Harvested Gains From Metals And Mining
4. Increased Small Cap Value
5. Added Commodity Exposure
6. Carrying More Cash Than Normal
7. Added Managed Futures

WHAT IS LEGEND DOING?

1. Reduced Floating Rate and Added Traditional Bonds
2. Where possible, we harvested tax losses in consumer discretionary positions.
3. We added biotech in our more aggressive portfolios
4. More recently, we added an asset allocation fund that hedges part of their portfolio. This allowed us to increase our equity exposure without adding too much volatility
5. We also allocated available cash to underweight positions in our portfolio's small cap exposure.
6. Lastly, in our stock portfolios, we have added a handful of companies as the downturn in the first half of the year created more attractive entry points.

POTENTIAL PORTFOLIO CHANGES

1. Adding Merger/Arbitrage to our less aggressive portfolios
2. Reduce floating rate loans
3. Add traditional bonds
4. Increasing Emerging and/or Developing market exposure

12-MONTH OUTLOOK

1. Watching for recession
2. When does The Federal Reserve stop increasing economy interest rates? 3.25% - 3.75%
range is expected
3. U.S. Growth outlook has decreased in the next 12 months to approximately .50% from 1.50%.
4. Watching potential earnings declines
5. Watching the dollar. Will it stop increasing
6. Quantitative tightening (Federal Reserve not reinvesting maturing bonds and selling bonds)

QUESTIONS AND ANSWERS



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