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THE GLOBAL INVESTMENT PULSE

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THE S&P 500 VIX INDEX RISK INDICATOR REMAINS LOW

By Diane M. Pearson, CFP®, PPC™, CDFA™, Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.

The Chicago Board Options Exchange (CBOE) S&P 500 Volatility Index (VIX) has fallen to a level of 12.53 as of November 11th. At this level, risk in the near term is viewed as extremely low. As compared to the high levels of volatility experienced, in general, by the equity markets since the end of 2008, the VIX reading has been relatively subdued since the beginning of 2012. Historically, a level below 20 (as it currently stands) is generally associated with positive performance for equities, which we have seen throughout the course of this year (the S&P 500 Index has a total return of about +26.6% as of November 25, 2013).

VIX, *continued on page 12*

DIVERSIFICATION HAS BEATEN THE S&P 500 SINCE THE START OF THE SECULAR BEAR MARKET BUT A LOT OF PATIENCE IS REQUIRED

By Louis P. Stanasolovich, CFP®, CCO, CEO and President of Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc. and Editor of The Global Investment Pulse

The fourth Secular Bear market since 1901 officially began on March 23rd, 2000 (Please note that our figures begin at month end - March 31, 2000 due to data availability). Equity Secular Bear Markets historically have lasted on average between 15 and 25 years although the Japanese (the Nikkei

Diversification Has Beaten, *continued on page 7*

THE TRUTH ABOUT BEING PREPARED

By Invesco

Myth: If there's no sign of recession (or recovery) on the horizon, I don't need to prepare for one.

In 2006 and 2007, many investors took their chances that a recession in the U.S. was unlikely, swayed by quotes[1] such as these that appeared in the media at the time:

- "On balance, it is not likely that the United States will experience a recession in 2008."

[1] Sources: *The American: The Journal of the American Enterprise Institute, "The Great Recession of 2008?"* December 21, 2007; Reuters via AOL Money & Finance, *"Greenspan Still Sees Chance of Recession,"* May 12, 2007; CNNMoney.com, *"Recession Clouds Darken 2007 Outlook,"* December 26, 2006.

The Truth About Being Prepared, *continued on page 3*

MANY VARIABLE ANNUITY GUARANTEES ARE CHANGING OR GOING AWAY ALTOGETHER

By James J. Holtzman, CFP®, CPA, Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.

Insurance companies that issue variable annuity contracts are losing billions of dollars annually on the guaranteed benefits that are contained within the contracts. Originally, insurance companies offered many guarantees on these contracts in order to entice investors to purchase them believing that a bullish stock market would bail them out regarding any

Many Variable Annuity Guarantees, *continued on page 5*

IN THIS ISSUE

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ABOUT LEGEND FINANCIAL ADVISORS, INC.®

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1. Unlike brokerage firms and Fee-Based Advisors who both receive commissions and as a result are inherently conflicted; Legend is compensated exclusively by client fees, known as Fee-Only.
2. Legend's Personal CFOs have been selected over 30 times by national publications as "Best Advisors in the Country".
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LOUIS P. STANASOLOVICH, CFP®, EDITOR

Louis P. Stanasolovich, CFP® is founder, CCO, CEO and President of Legend Financial Advisors, Inc.® (Legend) and EmergingWealth Investment Management, Inc. Lou is one of only four advisors nationwide to be selected twelve consecutive times by Worth magazine as one of "The Top 100 Wealth Advisors" in the country. Lou has also been selected ten times by Medical Economics magazine as one of "The 150 Best Financial Advisors for Doctors in America", twice as one of "The 100 Great Financial Planners in America" by Mutual Funds magazine, and once by Barron's as one of "The Top 100 Independent Financial Advisors". Lou was selected by Financial Planning magazine as one of six individuals to receive the inaugural Influencer Awards for 2010. He was selected for the Wealth Creator award recognizing the advisor who has made the most significant contributions to best practices for portfolio management. He has been named to Investment Advisor magazine's "IA 25" list three times, ranking the 25 most influential people in and around the financial advisory profession, as well as being named by Financial Planning magazine as one of the country's "Movers & Shakers", recognizing the top individuals who have done the most to advance the financial advisory profession.

The Truth About Being Prepared, *continued from page 1*

- "My arithmetic says if there's a one-third probability of a recession, then there's a two-thirds probability there won't be a recession."

- One expert "puts the chance of a recession in 2007 at about 25.0%, up from a 10.0% chance a few months ago. But others say the chance of a recession next year is pretty slim."

Let's think about those odds in a different context. Would you cancel your wind-damage insurance if a meteorologist said a hurricane was unlikely this year? How about your collision insurance if your probability of damaging your car were just 33.0%? Or your health insurance if there were only a 25.0% chance of hospitalization? Of course you wouldn't. Why? Because the potential for loss is too great. However, many investors bet on a scenario of continued economic growth, and, in effect, left their portfolios unprotected. They stuck with stocks and other equity-like investments, while shunning assets–such as long-term government bonds and cash–that have historically held up during recessions. When the economy slipped into recession and the markets plunged, their portfolios suffered severe losses (See the chart below.)

While recession was the portfolio-gutting culprit in 2007, overly conservative investors unprepared for stock market growth can leave themselves vulnerable to shortfalls in retirement. Or inflation can eat away at a portfolio's value and erode an investor's buying power.

Truth: Prudent risk management means always being prepared.

Prudent risk management means being prepared for any situation that could severely damage a portfolio–even if the probability of that situation is perceived to be low. For many investors, that means connecting the dots between market realities and their motivation. For example:

Reluctance To Miss Out On Potential Gains:

Including lower-risk assets with lower-return potential in your portfolio during times of economic growth may mean missing out on some gains. But the tradeoff is downside protection for your portfolio.

A Flawed "In-And-Out" Strategy:

Some investors try to make precisions moves in and out of the markets in anticipation of gains or losses. But economic predictions aren't exact.

Faulty Understanding Of The Effect Of Losses:

Investors on the other side of the spectrum don't worry too much about losses because they believe the next bull market will make up the deficit. What they overlook, however, is that the impact of losses isn't easy to erase. For example, if your portfolio falls 20.0% in value, you need a 25.0% gain to recover the loss, while a 50.0% loss requires a 100.0% gain to recover.

Prudent risk management means being prepared for all three broad economic environments.

- Recessions can bring steep losses that are difficult to overcome.

- Inflation can erode your portfolio's value and your buying power.

- Missing out on potential gains during periods of low-inflationary growth can leave you vulnerable to shortfalls in retirement.

The best way to make sure your portfolio is always prepared for the unexpected is to work with your financial advisor to construct an asset allocation that is right for you and monitor your strategy regularly.

Source: This article was excerpted from "The Truth About Being Prepared", by Invesco (*Building Your Knowledge, Five Truths Every Investor Needs to Know*, April, 2013) www.invesco.com.

2013 CONSENSUS GDP GROWTH IS 2.0%...

When GDP Is...	Year Over Year S&P 500 Index Returns Were	Range of Returns	% of Returns Positive
< 0	-1.24%	-41.0%/+38.0%	45.0%
0.0% – 2.0%	0.70%	-28.0%/+47.0%	43.0%
2.0% – 3.0%	11.32%	-23.0%/+45.0%	85.0%
3.0% – 4.0%	15.23%	-9.0%/+53.0%	84.0%
> 4.0%	11.16%	-17.0%/+46.0%	77.0%

As of: April, 2013
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Source: Bloomberg L.P. via Invesco, *Global Investment Outlook – Back To The Future*, April, 2013, www.invesco.com

PULSE

SMALL CAP BEAR MARKETS?

By Doug Ramsey, CFA, CMT, Chief Investment Officer, and Greg Swenson, CFA The Leuthold Group, LLC

Our historical analysis of bear markets has always focused on the Dow Jones Industrial Average (DJIA) and S&P 500, in part because of the historical availability of these measures on a real-time, daily basis. To provide further perspective on Small Caps' cyclical behavior, we applied a conventional 20.0% bear market (20.0% loss) filter to Ibbotson's monthly Large and Small Company Stock total return series. The results make clear that large drawdowns are a much more frequent fact of Small Caps investors' lives (See the chart on page 4.).

Ibbotson's Large Company Stock measure is the S&P 500. However, our requirement of a 20.0% total return loss on a month-end basis eliminates some shallower bear markets, such as 1966, 1990 and 1998. If we were to advocate "buy and hold" (and we don't), we might make the following argument: S&P 500 owners who've (1) reinvested dividends; and (2) checked portfolios only at month-end have suffered through a mere six bear markets in the last 53 years. (Absent from the pitch would be the observation that three of the six bears generated total return losses of 40% or more.)

Small Cap bear episodes are certainly more frequent, even for those who dutifully reinvest dividends and monitor only those account balances received monthly in the mail. Since 1960, there have been 13 Small Cap bear markets by our fairly stringent definition, with the latest (a 25-percenter) occurring in the middle of 2011.

From a fundamental perspective, some of these Small Cap stock declines have probably proven especially difficult to anticipate: Seven of the 13 (including the last one) were "non-economic" in the sense they neither predicted nor were part of a U.S. recession. Even market technicians receive fewer warnings: Small Cap stocks (almost by definition) frequently make their highs in conjunction with the peak in market breadth.
Put another way, Small Cap stocks appear more prone to "fall of their own weight" than Large Caps.

Source: This article was excerpted from "Small Cap Bear Markets?", by Doug Ramsey, CFA, CMT, Chief Investment Officer, and Greg Swenson, CFA, The Leuthold Group, LLC, (*Perception Express*, November 7, 2013) www.leutholdgroup.com.

SMALL CAPS VERSUS LARGE CAPS: TOTAL RETURN DECLINES OF 20.0% OR MORE SINCE 1960

(Measured On Monthly Closing Basis)

Small Cap* Total Return Losses of 20% or Greater				Large Cap* Total Return Losses of 20% or Greater		
Monthly Dates	Decline (%)	Duration (Mos.)		Monthly Dates	Decline (%)	Duration (Mos.)
March 1962 - October 1962	-23.9 %	7	→	December 1961 - June 1962	-22.3 %	6
April 1966 - October 1966	-21.7	6				
December 1968 - June 1970	-52.2	18	→	November 1968 - June 1970	-29.3	19
February 1972 - December 1974	-49.6	34	→	December 1972 - September 1974	-42.6	21
August 1978 - October 1978	-24.5	2				
May 1981 - July 1982	-21.8	14				
June 1983 - July 1984	-21.3	13				
August 1987 - November 1987	-35.5	3	→	August 1987 - November 1987	-29.5	3
September 1989 - October 1990	-31.6	13				
April 1998 - August 1998	-29.8	4				
February 2000 - September 2002	-35.1	31	→	August 2000 - September 2002	-44.7	25
May 2007 - February 2009	-52.9	19	→	October 2007 - February 2009	-50.9	16
April 2011 - September 2011	-25.1	5				
Average	**-32.7 %**	**13.0**		**Average**	**-36.6 %**	**15.0**
Median	**-29.8 %**	**13.0**		**Median**	**-36.1 %**	**17.5**

* Small Caps measured by Ibbotson Small Company Stock return series from 1960 through 1978, and by the Russell 2000 thereafter

* Large Caps = S&P 500

As of: November 7, 2013
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Source: The Leuthold Group, LLC, *Perception Express*, November 7, 2013
www.leutholdgroup.com

SMALL CAP VALUATIONS: PAST SIX HISTORICAL PEAKS VERSUS TODAY

Date of Monthly Peak	Leuthold Small Cap Median Normalized P/E	Leuthold Small Cap Median Trailing P/E	Subsequent Decline* (%)
August 1987	20.9x	18.8x	-35.5%
September 1989	18.4	14.7	-31.6
April 1998	29.2	21.8	-29.8
February 2000	19.5	15.5	-35.1
May 2007	28.9	21.6	-52.9
April 2011	25.5	20.3	-25.1
Average	**23.7x**	**18.8x**	**-35.0%**
Median	**23.2x**	**19.6x**	**-33.3%**
→ *October 2013*	→ *29.0x*	→ *22.0x*	*N/A*

*** Total return loss for the Russell 2000 from month-end high to month-end low.**

As of: November 7, 2013

Source: The Leuthold Group, LLC, *Perception Express*, November 7, 2013

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Many Variable Annuity Guarantees, *continued from page 1*

mistakes they made in the pricing of all these optional benefits. Overtime, these benefits became more sophisticated and more plentiful over the past fifteen years.

Now that the insurance companies are losing enormous sums of money each year they want to change the game and limit their losses. Therefore, they are making changes in the provisions of the contracts to ensure their losses might actually be turned into gains for them. These changes could be relatively simple such as requiring a minimum amount of the assets, such as 40.0%, will need to be invested into fixed income investments. In other circumstances, some contracts are requiring policyholders to select certain options by a required date or they will lose the benefit altogether.

Further dogging the insurance companies is the fact that insurance regulators are requiring greater reserves (meaning building a greater safety net to ensure that the insurance companies can pay off their guarantees should they be required to do so). These greater amounts of reserves will run into the billions of dollars.

The bottom line for purchasers of variable annuities is the benefits will not nearly be as good moving forward. If an investor has purchased contracts in the past they are likely to change significantly if they haven't already. Watch your mailbox for these changes.

PULSE

UPCOMING EDUCATIONAL WEBCASTS OFFERED BY:

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Register Now

Supercharge Your Education Planning: Funding And Taxation Strategies

Presented by:
Diane Pearson, CFP®, PPC™, CDFA™
Personal Chief Financial Officer (Personal CFO)
Legend Financial Advisors, Inc.®
Monday, December 9, 2013 7:00 – 8:00 p.m. EST
and
Wednesday, December 11, 2013 12:00 – 1:00 p.m. EST

In an era of ever-increasing tuition cost's for higher education, prudent planning is more important than ever! Many education funding vehicles and strategies exist, but which are the best ones and why?

Webcast Attendees will learn the best education planning funding strategies as well as their benefits from a taxation standpoint.

Join Webcast presenter Diane Pearson, CFP®, PPC™, CDFA™ Personal Chief Financial Officer (Personal CFO) and Shareholder at Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc. for an informative one–hour educational presentation. Diane, a nationally–renowned financial advisor, will lead the discussion on supercharging your education planning, funding and taxation strategies.

Participants of this Webcast will learn about:

1. Tax benefits while funding college costs
2. Investment flexibility, accessibility of funds and control of assets
3. Who makes the investment decisions and why this matters
4. Financial aid availability
5. Contribution limitations

With proper planning, you will be able to design and implement an education funding strategy that best suits your family's needs.

Register for this upcoming educational Webcast at:
http://www.legend-financial.com/financialwebcasts

Diversification Has Beaten, *continued from page 1*

225 Index) Secular Bear Market is in year 24 and is currently at 15,515.24 a far cry from its Intraday peak on December 29, 1989 of 38,957.44. It would appear the 25 year upper limit will be broken. Obviously, these are long-term markets that barely outperform inflation at best. Previous U.S. Secular Bear Markets occurred during the following periods:

1901 to 1920

1929 to 1950

1966 to 1982

In order to perform well on a nominal basis and outperform inflation over the long-term, patience through thick and thin is required when using a diversified investment approach. Unfortunately, most investors are not patient with their investments these days. Thanks to the media delivering information both good and bad, many investors want to chase returns, want to change investments if they are not keeping up with the S&P 500 over a year or two, expecting consistent CD-like returns and yet are expecting to avoid anything but the smallest of losses. This type of thought process does not usually make a winning strategy.

A better, more simple and successful way to invest throughout history over long periods of time (think 30 to 40 years) and especially since the start of the most recent Secular Bear Market is illustrated below. This type of strategy requires patience and a hands-off approach to investing yet it performed better from a return and a volatility standpoint. Please keep in mind this strategy is to illustrate diversified investing only and is not actual performance.

If you look closely at the asset classes on the "Secular Bear Market Watch illustration on page 9 starting with the 90-Day Treasury Bills Index-Total Return and the nine asset classes following, you will notice that certain asset classed performed better than others. Also, if you look on the Individual Asset Class and Equal-Weighted Portfolio Performance During The Secular Bear Market (chart on page 10) performances ebbed and flowed over time, trailing, then exceeding each other.

Please note charts are on page 8 and page 9.


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THE GLOBAL INVESTMENT PULSE

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BOUGHT A VARIABLE ANNUITY? OOPS!
Sky High Expense Ratios Can Significantly Impact Future Returns Negatively

BONDS SHOW THEIR VOLATILITY

MANAGED FUTURES: A RETURN TO STARDOM?

IN THIS ISSUE

READING THE GLOBAL INVESTMENT PULSE

READING *THE GLOBAL INVESTMENT PULSE*

We have attempted through our articles and charts to address readers of all knowledge levels of investing.

Much of the valuable information in our newsletter is illustrated through the use of charts (Many times a picture is worth a thousand words, as they say.). Therefore, in order to gain a thorough understanding of what is being illustrated, it is best to read the subheading, boxed information (which is often a mini-article in and of itself), notes and footnotes.

At times, an article or chart may be complicated, so please feel free to call us to explain the information in more understandable detail. We are here to serve you.

From The Editor,
Louis P. Stanasolovich, CFP®
CCO, CEO and President

Legend Financial Advisors, Inc.® &
EmergingWealth Investment Management, Inc.

FEE-BASED FINANCIAL ADVISORS ARE NOT FEE-ONLY

By Diane M. Pearson, CFP®, PPC™, CDFA™,
Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.

Back in the late 1980's the public and media understood that there were three types of advisors: Commission-Only, Fee and Commission or Fee-Only. At that time, there was a movement among Fee and Commission advisors to separate themselves from the "commissions" stigma. As a result, they began calling themselves "Fee-Based" in order to sound as if they were similar to Fee-Only advisors. Many people believe that the term, Fee-Based, is misleading because Fee-Based advisors often do not provide unbiased advice to their clients due to their recommending investment and insurance products which produce "additional compensation" in the form of commissions and/or product fees for them or their firm.

In contrast to Fee-Based or Commission-Only advisors, Fee-Only advisors do not receive any commission-type compensation whatsoever. In fact, many advisors such as the ones at Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc. are fiduciaries. Fiduciaries are required by law to act in the client's best interest at all times.

PULSE

SECULAR BEAR MARKET WATCH

April 1, 2000 to October 31, 2013
(13 years and 7 months)

	Annual Compound Return	Total Return
Consumer Price Index (Inflation)***	2.34%	36.77%
90-Day Treasury Bills Index-Total Return	2.10%	32.08%
Barclays Aggregate Bond Index-Total Return	5.76%	114.07%
HFRX Global Hedge Fund Index	2.96%	48.66%
S&P 500 Index (U.S. Stock Market)	3.11%	51.73%
MSCI EAFE Index (Developed Foreign Equities)	3.72%	64.29%
MSCI Emerging Market Index (Equities)	8.33%	196.73%
Newedge CTA Index (Managed Futures)	4.85%	90.45%
Dow Jones–UBS Commodity Index-Total Return (USD)**	1.78%	27.10%
Dow Jones U.S. Real Estate Index-Total Return (USD)**	6.50%	135.40%
Gold Bullion	12.15%	375.47%

* Compound and Total Returns include reinvested dividends. MSCI Indexes do not include dividends prior to 2002. Newedge Index is equally-weighted.
** USD = U.S. Dollar
*** Performance as of September 31, 2013. Data is not released until the third Wednesday of the month.

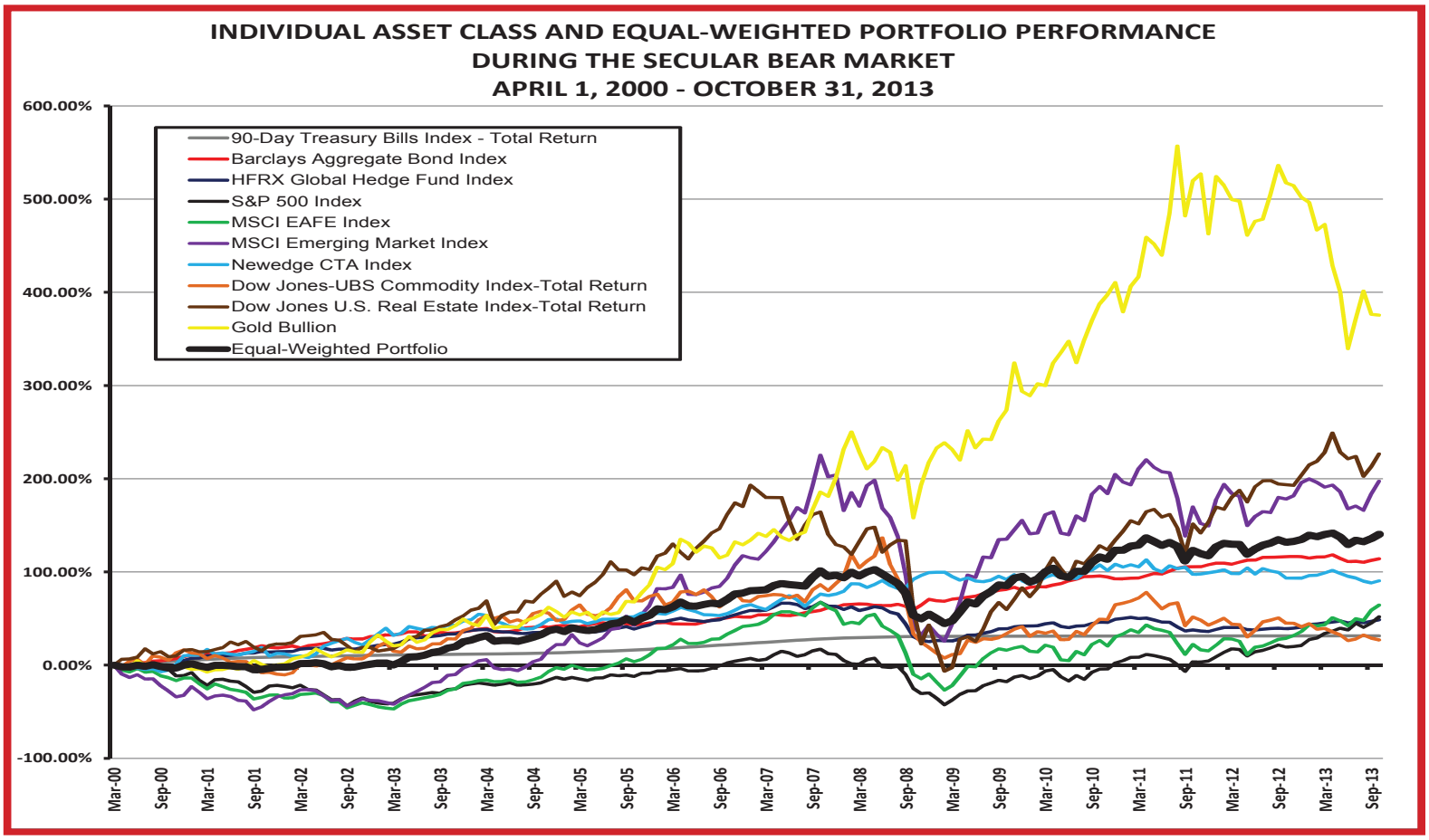
Source: Bloomberg Investment Service

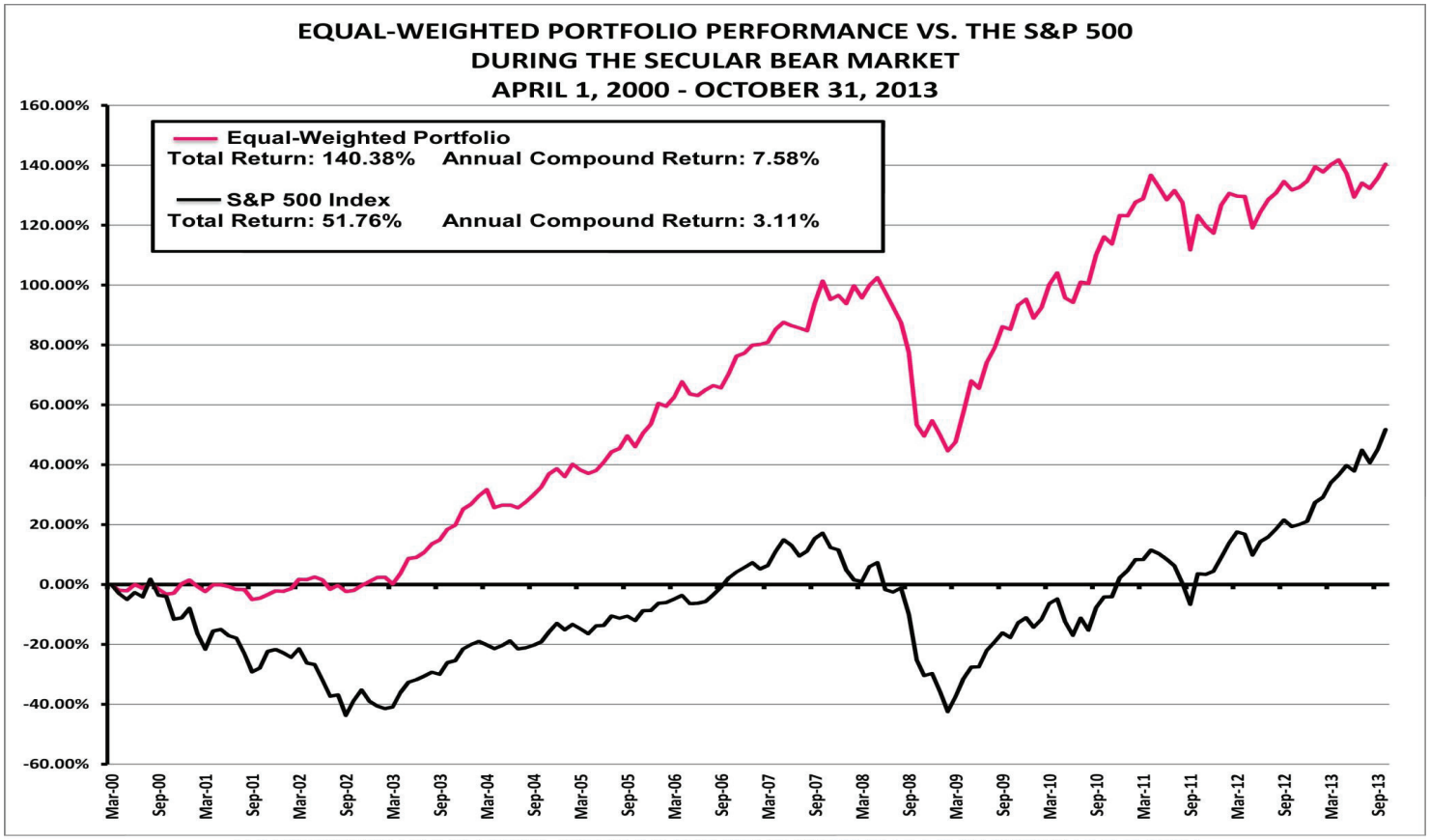
As of: October 31, 2013

Note: During Secular Bear markets U.S. Stocks have historically returned a little more than inflation or a little less than inflation—plus or minus 1.50%—and generally last between 15 to 25 years. The last Secular Bear market (1966 to 1982) lasted 17 years and underperformed inflation by approximately one-half of one percent per year. The other Secular Bear markets since 1900 were 1901 to 1920 and 1929 to 1949. In both cases, the U.S. Stock market outperformed inflation by approximately 1.50% per year. All of the aforementioned performance numbers are pre-tax.

The performance of the U.S. Stock market so far in the current period (April 1, 2000 to the present) certainly appears to indicate that we are in a Secular Bear market. Long-term returns (over the next 10 years) for the S&P 500 will probably be slightly better than the last 13 years and 7 months. Current 10 year normalized P/Es (long-term valuations) indicate approximate annual compound returns of slightly less than 3.00% over the next 10 years. Of course during the next 10 years, returns during various periods will be significantly higher and lower than the expected return. For example, the more the stock market rises in the near term, the less returns after that period will be and vice versa.

PULSE





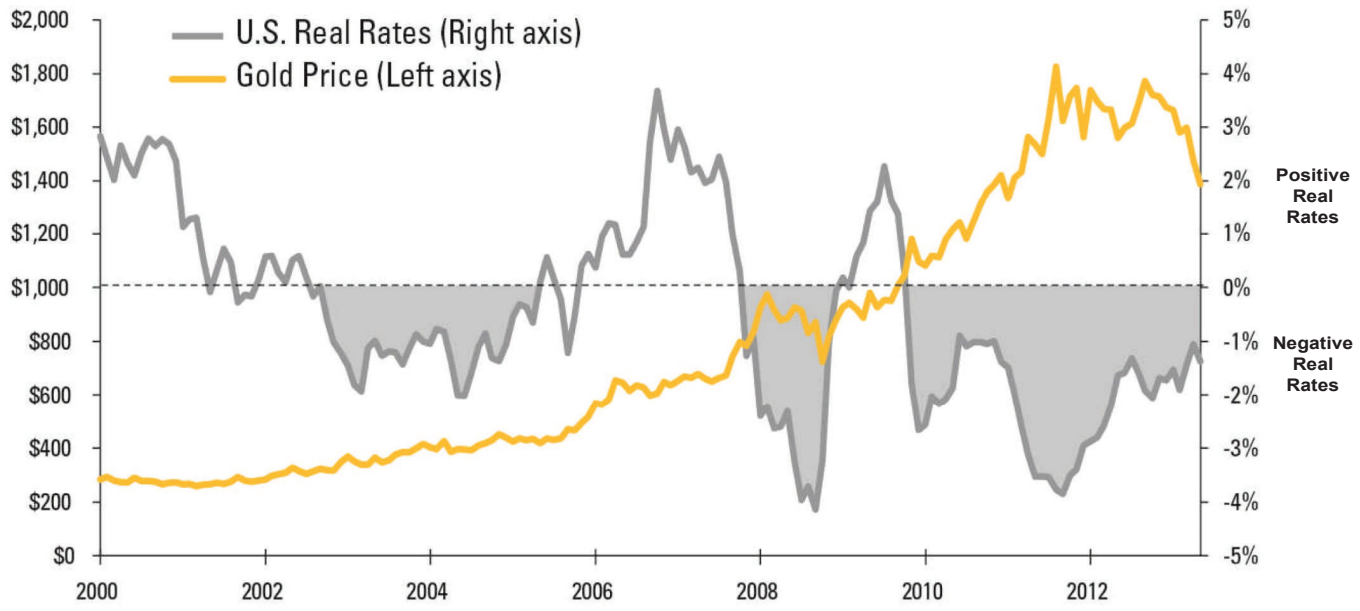
* PERFORMANCE OF THE EQUAL-WIEGHTED PORTFOLIO INCORPORATES AN ANNUAL REBALANCE.

As of: October 31, 2013

SOURCE: BLOOMBERG INVESTMENT SERVICE

GOLD AND U.S. REAL (AFTER INFLATION) INTEREST RATES

Gold and U.S. Real (After Inflation) Interest Rates



As of: October, 2013

Source: Bloomberg, U.S. Global Investors via "Opportunities in Resources and Emerging Markets", by Frank Holmes, CEO and Chief Investment Officer, U.S. Global Investors, www.usfunds.com

GOLD WOULD NEED TO BE MUCH HIGHER TO COVER U.S. MONEY SUPPLY

Price of Gold Needed to "Cover" U.S. Money Supply

Note: "Cover ratio" as determined in 1937 when gold was revalued to $35.00.

As of: October, 2013

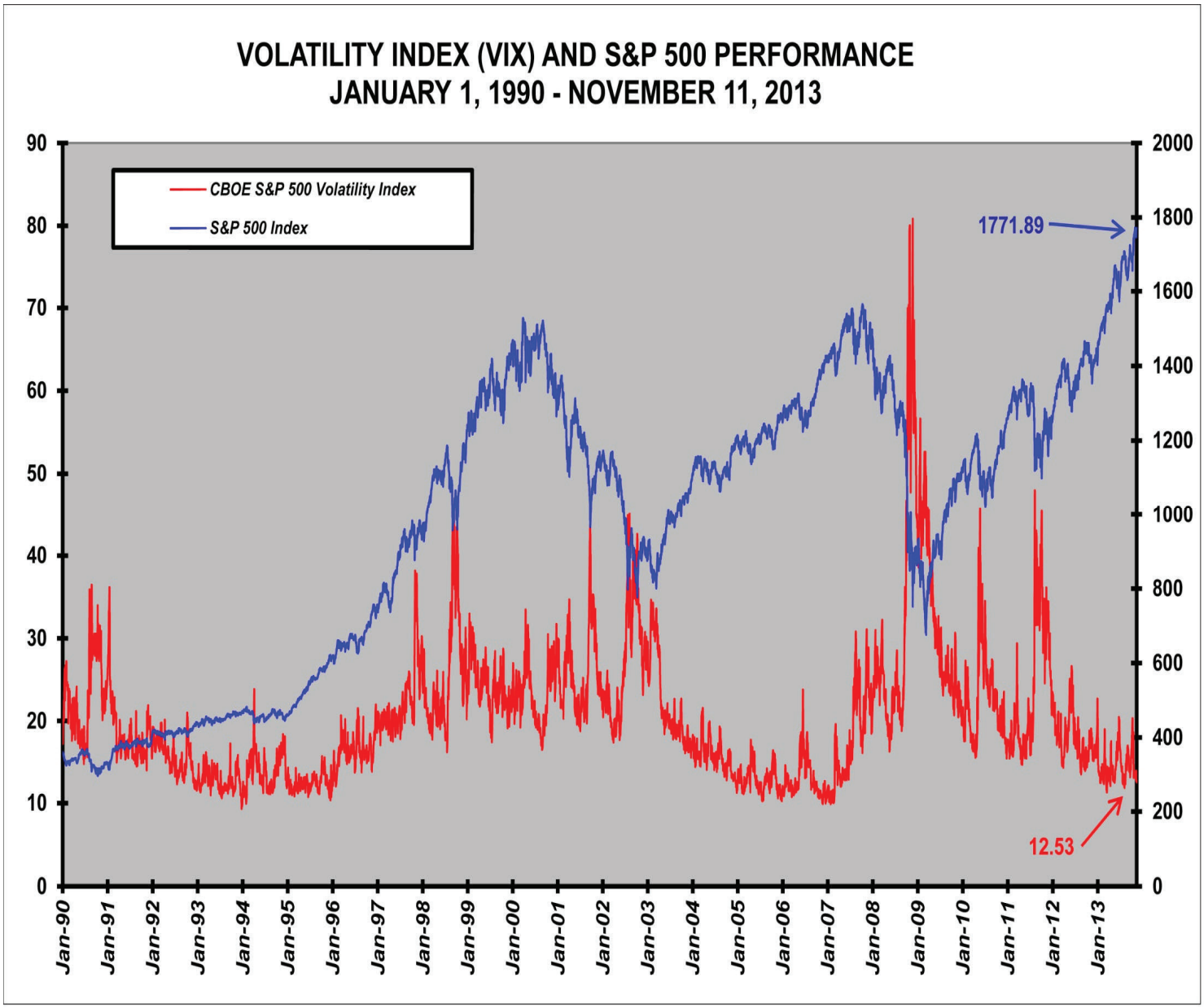
Source: DundeeWealth, U.S. Global Investors via "Opportunities in Resources and Emerging Markets", by Frank Holmes, CEO and Chief Investment Officer, U.S. Global Investors, www.usfunds.com

VIX, *continued from page 1*

In fact, the VIX has only popped above 20 briefly a couple of times in 2013 due to the "Fiscal Cliff" issue in early January and the U.S. Government budget shutdown this Fall. Once those brief concerns subsided, risk dropped in both cases for the moment. As a result, U.S. stock market volatility remains low. (See chart below.).

As a reminder, the VIX indicator was developed by the CBOE. The CBOE Volatility Index (Chicago Options: VIX) is one of Wall Street's most widely accepted methods to gauge U.S. Stock Market volatility. Using short-term near-the-money call and put options, the Index measures the implied volatility of S&P 500 Index options over the next 30-day period.

In general, the rule is to buy stocks when the VIX is high and falling, and sell stocks when it is rising. The long investment strategy for the VIX is to wait for peaks above 30. The next step when it is over 30, is to let the VIX start to decline before investing in the U.S. Stock Market. But wait! Remember 2008? The S&P 500 VIX eventually reached 80 before it finally declined. Investing too early can be just as hazardous to one's financial health as not protecting oneself in a downward market. It's best to remain cautious until the VIX starts to fall.



As of: November 11, 2013

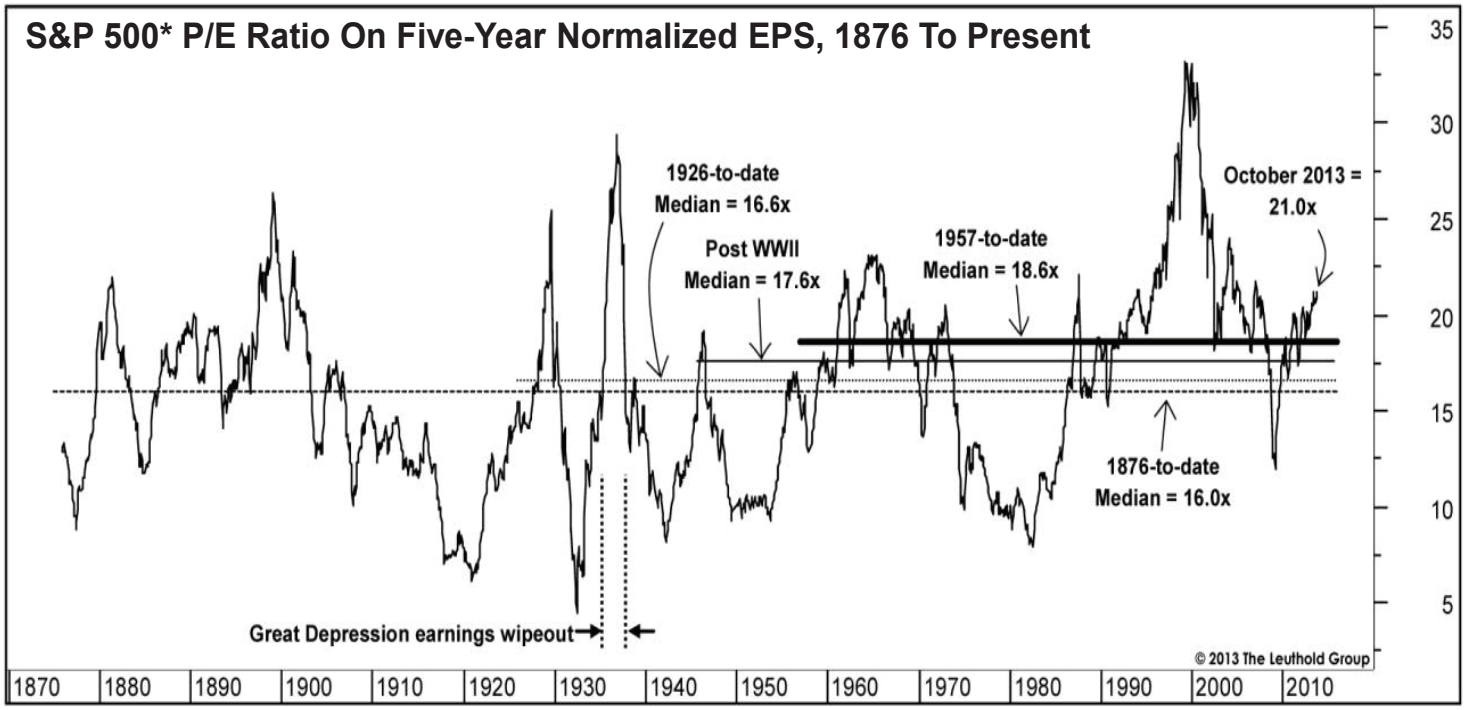
SOURCE: BLOOMBERG INVESTMENT SERVICE

PULSE

U.S. STOCKS ARE IN TOP 18.0% OF HIGHEST VALUATIONS OF ALL TIME

We don't view the past two market peaks (2000 and 2007) as appropriate valuation targets for the current bull market. Who in their right mind would target levels that preceded respective losses of 50.0% and 57.0% in the S&P 500?

The Five-Year Normalized Earnings Per Share (EPS) (Normalized Earnings are averaged over the number of years selected divided by the market price at that point in time. This is a different but similar calculation to the Shiller P/E.) figure for the S&P 500 has risen more rapidly in 2013 than the actual EPS and stands at $83.50. This puts the S&P 500 Normalized P/E (Price/Earnings) at 21.0x (21 times earnings), ranking in the 82nd percentile (meaning only 18.0 have been higher) of all months since 1926. But the severity of the market's current overvaluation depends on one's historical vantage point; the more recent the time horizon, the less threatening it appears (See the chart below.).



*** S&P 500 Index values and EPS prior to 1928 estimated by the Cowles Commission.**

As of: November 7, 2013

Source: The Leuthold Group, LLC, *Perception Express*, November 7, 2013
www.leutholdgroup.com

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JUST FOR FUN

A pound of dimes has the same exact worth as a pound of quarters.

"It's a racket. Those stock market guys are crooked."
- Al Capone, 1929

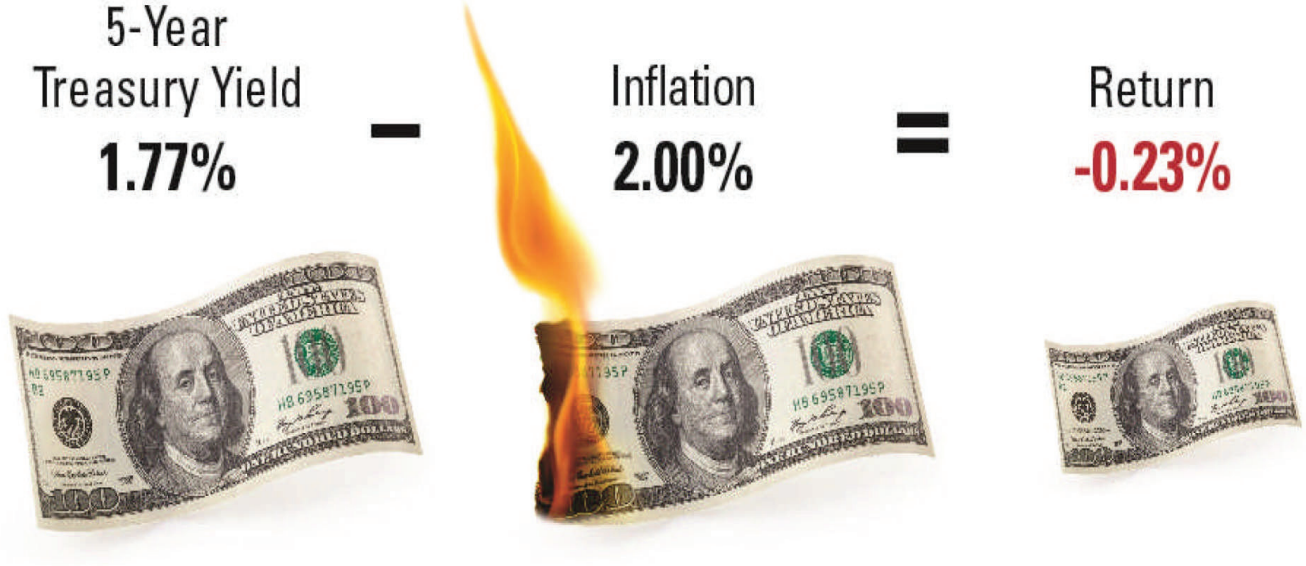
In short, the way to wealth, if you desire it, is as plain as the way to market. It depends chiefly on two words, industry and frugality; that is, waste neither time nor money, but make the best use of both.
- Benjamin Franklin

Shiller P/E at 3rd Highest in History

"The Shiller P/E (A long-term stock market valuation measure 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 P)E 10 Ratio.) is now 25.4, which exceeds every pre-bubble observation in history except for the weeks of August 26, 1929 and September 3, 1929."
- John P. Hussman, Ph.D., President, Hussman Funds, "Chumps, Champs, and Bamboo", *Weekly Market Comment*, November 18, 2013.

GREAT ROLL OVER OR RIP OFF CREATES OPPORTUNITY

Destructive Force of Inflation



Note: 5-Year Treasury Yield as of 9/10/13; Inflation as of 7/31/13

As of: July, 2013

Source: Data from Bloomberg, U.S. Global Investors via "Opportunities in Resources and Emerging Markets", by Frank Holmes, CEO and Chief Investment Officer, U.S. Global Investors, www.usfunds.com

IT'S NOT THE POLITICAL PARTY, IT'S THE POLITICAL POLICIES

Declining Value of the U.S. Dollar Since 1970

Richard Nixon

Alan Greenspan

Ben Bernanke

Note: Dollar deflated by CPI. 1971 = $1.00

As of: October, 2013

Source: Bureau of Labor Statistics, U.S. Global Investors via "Opportunities in Resources and Emerging Markets", by Frank Holmes, CEO and Chief Investment Officer, U.S. Global Investors, www.usfunds.com

WHAT LIES AHEAD FOR CHINA? MCKINSEY LISTS 10 FORCES

By Frank Holmes, CEO and Chief Investment Officer, U.S. Global Investors

By 2022, research by McKinsey suggests that 75.0% of urban consumers in China will earn around $9,000 to $34,000. This income level, which is currently between the average earned in Brazil and Italy, is only 4.0% of what Chinese households were bringing home in 2000.

This major income shift is one of the 10 significant issues underlined in McKinsey's Ten forces forging China's future. The special report gives a glimpse of what's in store for China, and also highlights what these changes mean for investors.

McKinsey's list includes the following:

1. The Great Rebalancing:

As a share of Gross Domestic Product (GDP), China's household consumption is less than half of that of the U.S., raising the question of how the country will learn to balance its reliance on exports and investment with the need to increase its overall consumption.

2. Infrastructure Advances:

By the year 2020, China will add 43,000 kilometers of expressways, 70 airports and will expand port facilities, all contributing to China's already-incredible 8.5 percent rise in infrastructure growth.

3. The Green Challenge:

Heavy smog was a visual reminder of China's need to reduce massive energy consumption as well as create incentives for green products and services.

4. Manufacturing Makeover:

A new challenge for Chinese companies is to pinpoint the causes of manufacturing inefficiency by looking beyond the age-old "faster, cheaper" theory to necessary operation improvements.

5. Rise of the Upper Middle Class:

With a rise in wages, a wealthier upper-middle-class is emerging and will soon account for a changing consumer, one that focuses more on luxury goods or upgrades from inexpensive brands.

6. E-Tailing Extraordinaire:

With a large impact in small and midsized cities, the e-tail market is booming, with 2012 e-tail revenues as high as $210 billion and commanding 5.0% to 6.0% of total retail sales.

7. Innovation's New Spark:

Steering away from its title of "imitator" or "copier" of other nation's fashions, China is beginning to make a name for itself with novel ideas, scientific research and a generation of young graduates to lead the country down a path of innovation.

8. Financier to the World?

China's new economic team is faced with reforms to establish the country as a true global financial hub, following up on its already successful financial landscape, which includes its domestic financial assets of $17.4 trillion trailing that of only the U.S. and Japan.

9. Investor Confidence:

The abrupt fall of the stock market capitalization of Chinese companies listed in the U.S., in regards to allegations of fraud, have given the entrepreneurs in China a new challenge to finance growth and expansion.

10. Cultivating Human Capital:

For China to develop to its full potential, its workforce needs "better teamwork, communications and presentations skills," says McKinsey.

McKinsey believes these issues are critical drivers for one of the world's largest and fastest-growing economies.

Source: This was excerpted from "What Lies Ahead For China? McKinsey Lists 10 Forces", by Frank Holmes, CEO and Chief Investment Officer, U.S. Global Investors, (*Frank Talk – Insight For Investors,* August 15, 2013), www.usfunds.com.

PULSE

EMERGING WORLD HOLDS 50% OF THE GLOBAL POPULATION, JUST 23% OF GROSS DOMESTIC PRODUCT (GDP)

E-7	Population (million)*	Nominal GDP (bn USD) 2012*
China	1343	8227
India	1205	1842
Indonesia	249	878
Brazil	199	2253
Pakistan	190	231
Russia	143	2015
Mexico	115	1177
Total	3444	16623
	49% of world total	23% of world total

G-7	Population (million)*	Nominal GDP (bn USD) 2012*
U.S.	314	15685
Japan	127	5960
Germany	81	3400
France	66	2613
U.K.	63	2435
Italy	61	2013
Canada	34	1821
Total	747	33927
	11% of world total	47% of world total

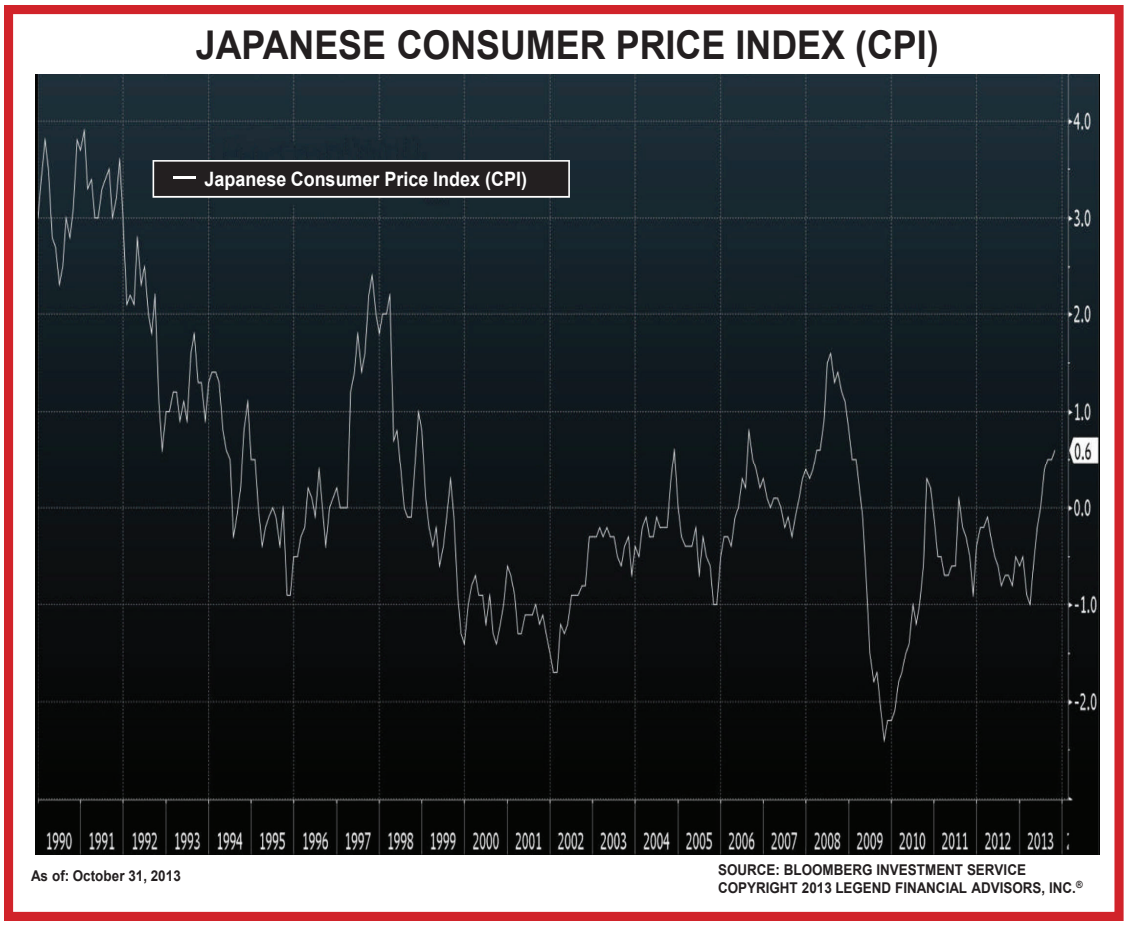
As of: December, 2012

Source: U.S. Global Research via "Opportunities in Resources and Emerging Markets", by Frank Holmes, CEO and Chief Investment Officer, U.S. Global Investors, www.usfunds.com

JAPAN OFFERS EQUITY PROFIT POTENTIAL DUE TO THEIR CURRENCY MANIPULATION

By Louis P. Stanasolovich, CFP®, CCO, CEO and President of Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc. and Editor of The Global Investment Pulse

The Japanese government led by Japan's Prime Minister, Shinzo Abe, continues to fight deflation. Japan had been plagued by deflation for most of the past 15 years (see the Japanese Consumer Price Index to the right) Their stated goal is to have achieved a 2.0% inflation rate by the end of 2014. To achieve this goal they are willing to double the Japanese money supply which means the Yen, their currency, would probably decline against other currencies such as the U.S. Dollar. So far, so good so long as inflation does not get too far out of hand.



Beyond the positive outcome of breaking Japan's chronic deflationary syndrome, the weaker Yen also benefits Japanese equity prices in that Japan's equity market is largely comprised of companies that rely heavily on exports. While these companies are paying their production costs (workers, machinery, etc…) with Yen, they are making sales in other currencies that are presumably increasing in value on a relative basis. Put another way, the money they are collecting in sales is now worth more while the money they are spending to make the product is the same. This may also allow these same companies to lower their prices abroad, which makes Japanese products more competitive on the global stage (likely causing more of them to be sold).

For foreign investors (think U.S. investors), this is a double-edged sword. If Japan's desired outcome is achieved, foreign investors could benefit by having exposure to the Japanese equity market due to the reasons mentioned above. However, the means to the end in this case is a weaker Yen, which detracts from the gains achieved by foreign investors. Gains could certainly still be made, but not to same degree had there been no currency exposure. Local investors (Japanese investors), will be rewarded more handsomely in this scenario as they do not have currency exposure when they purchase shares of stock within their own market.

There are ways to synthetically reproduce the exposure to the Japanese equity market as if a foreign investor was a local investor, but it should be noted that with potentially higher rewards comes additional risk and that the performance is notably more volatile than a traditional investment in Japanese stocks as a foreign investor. This is a strategy that many hedge funds and institutional investors are attempting to take advantage of over the past year. As one can observe, by comparing the Japanese Yen per U.S. Dollar and the Japanese Nikkei 225 index (See chart on the top of page 17) both have climbed in conjunction with one another. While their recent performance has waned somewhat especially versus their 2012 Fall performance, new highs were reached a few days ago. In theory this investment strategy should work. However, there are a few possibilities that could derail it.

1. The Bank of Japan and or the Japanese government could stop pushing down the value of their currency.

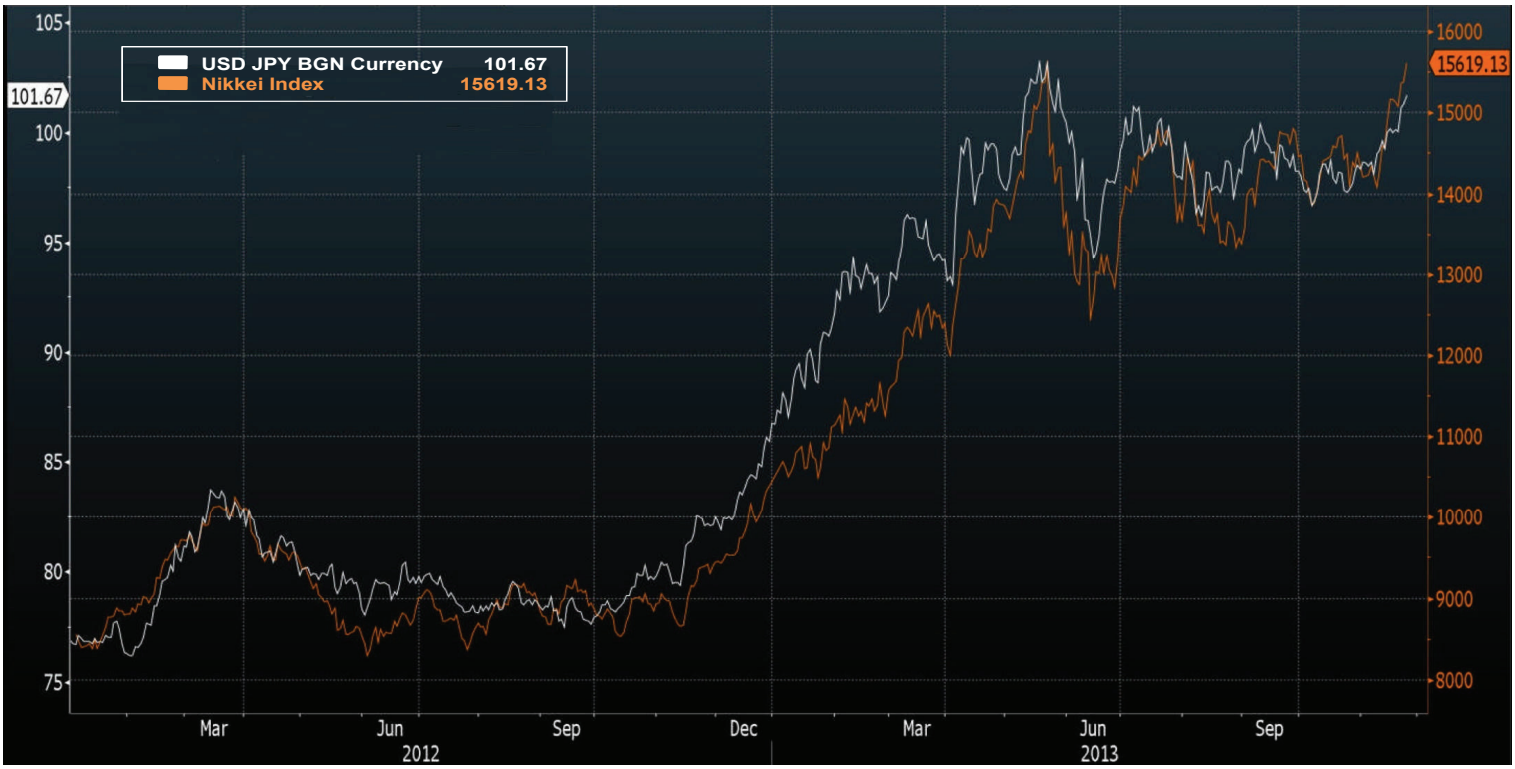
2. One percent inflation is expected in 2013. The Japanese could say good enough. We achieved our goal.

3. The Japanese could simply say the inflation strategy is costing too much from a fiscal standpoint.

4. High inflation could rear its ugly head and cause the Nikkei 225 to drop precipitously. Equity markets historically have not embraced inflation too much over two percent per year regardless of country.

On the face of it, investing in Japanese equities utilizing a foreign currency especially the U.S. Dollar seems like a sound strategy. However, proceed with caution, don't invest too much in such a strategy (limit it to 5.0% or 10.0% of investment assets) and be ready to sell Japanese equities when the Japanese switch policies.

JAPANESE YEN/U.S. DOLLAR RATIO AND THE JAPANESE STOCK MARKET SINCE 2012



As of: November 26, 2013

SOURCE: BLOOMBERG INVESTMENT SERVICE

PULSE

BARCLAYS U.S. HIGH YIELD BOND YIELD MINUS TREASURY BOND YIELD

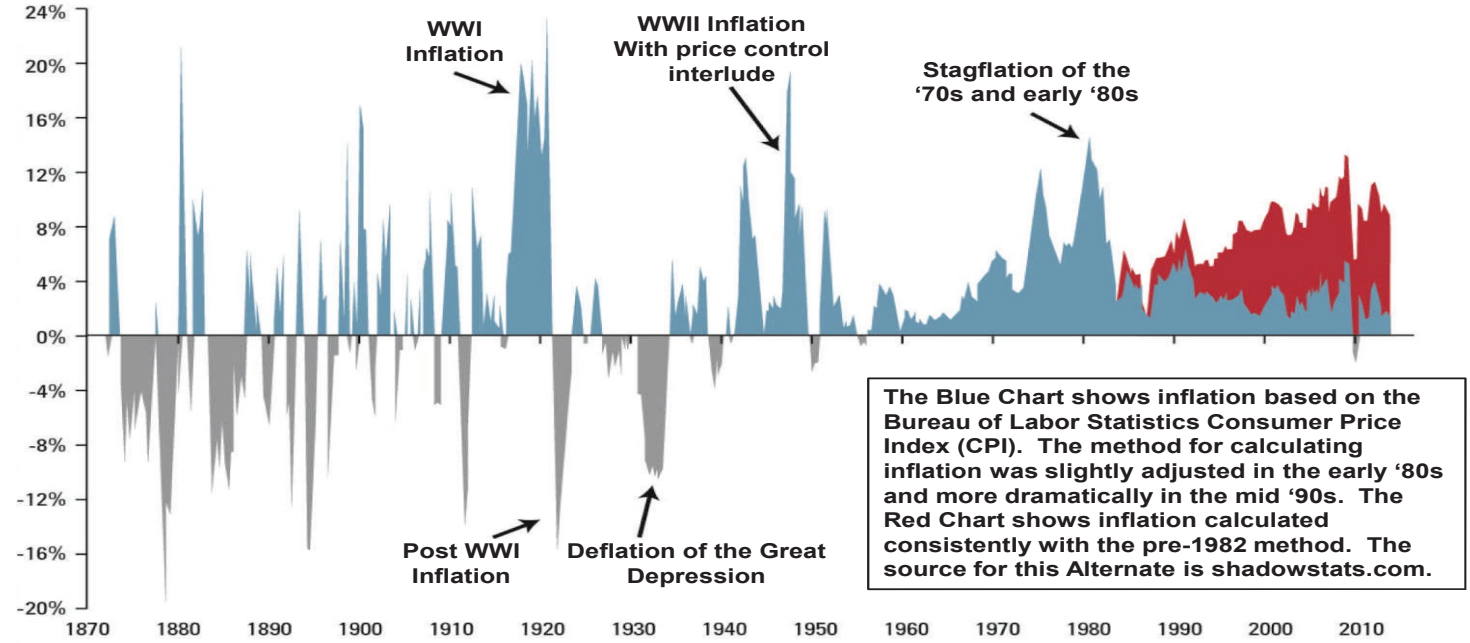
High Yield Bonds Still Offer Good Relative Returns To That Of Treasuries

As of: November 7, 2013

Source: The Leuthold Group, LLC, *Perception Express*, November 7, 2013, www.leutholdgroup.com

MANIPULATION OF CPI CALCULATION?
9.38% VERSUS 1.75 DEBATE

Monthly Inflation: 1872 to Present
Bureau of Labor Statistics Annualized Inflation Rate = 1.75%

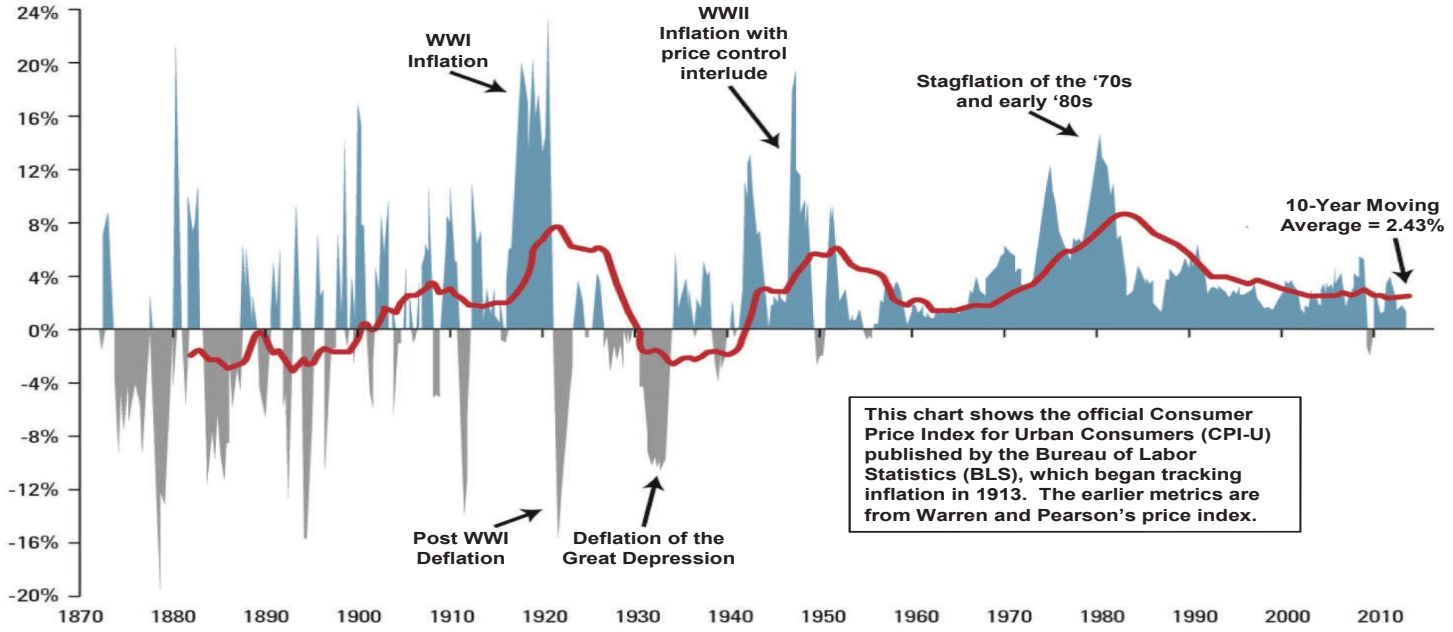


As of: October, 2013

Source: dshort.com, U.S. Global Investors via "Opportunities in Resources and Emerging Markets", by Frank Holmes, CEO and Chief Investment Officer, U.S. Global Investors, www.usfunds.com

10-YEAR ROLLING AVERAGE CONSUMER PRICE INDEX/CPI (INFLATION) SINCE 1972 IS 2.43%

Monthly Inflation: 1872 to Present
Bureau of Labor Statistics Annualized Inflation Rate = 1.75%



As of: October, 2013

Source: dshort.com, U.S. Global Investors via "Opportunities in Resources and Emerging Markets", by Frank Holmes, CEO and Chief Investment Officer, U.S. Global Investors, www.usfunds.com

LEGEND FINANCIAL ADVISORS, INC.® & EMERGINGWEALTH INVESTMENT MANAGEMENT, INC.'S

INVESTMENT MANAGEMENT SERVICES

Legend Financial Advisors, Inc.® (Legend) and EmergingWealth Investment Management, Inc. (EmergingWealth) offer Personalized Investment Management Services to individuals and institutions. Investment portfolios are developed to match the client's return and risk requirements, which are determined by the clients' completion of a Risk Tolerance Questionnaire, with the guidance of a Legend Personal Chief Financial Officer (Personal CFO) or EmergingWealth Advisor, respectively. Each type of investment portfolio is managed to achieve the short, intermediate and long-term investment objectives of the client, as may be applicable.

INVESTMENT PROCESS

Investment Portfolios:

Unlike most financial advisory firms that offer one style of investment or portfolio type, we offer a wide array of investment portfolios that usually fit with the large majority of client needs. If necessary, we will create customized solutions as well. For the types of investment portfolios, please see our Investment Portfolios, Potential Return and Risk Spectrum Chart on the next page. For a detailed description of our portfolios, please contact Louis P. Stanasolovich, CFP®, our CCO, CEO and President of both firms for a confidential discussion at (412) 635-9210 or e-mail us at legend@legend-financial.com.

Investment Research:

Our Investment Committee performs extensive research to identify opportunities, mitigate risks and structure investment portfolios. Emphasis is placed on developing portfolios that maximize the potential return relative to the amount of risk taken.

In-depth due diligence including face-to-face interviews in many instances with portfolio managers for open-end mutual funds is performed on each investment we select for a portfolio. Factors (both from a qualitative and quantitative standpoint) that we conduct a thorough analysis of each investment include, but is not limited to, liquidity (including the primary investment and/or the underlying investments, if utilizing pass through vehicles such as open-end mutual funds or exchange-traded products), income taxation, all related costs, return potential, drawdown potential (historical declines from peak-to-trough), volatility and management issues (Anything having to do with the management team of a stock, open-end mutual fund or an exchange-traded product.).

All portfolios for EmergingWealth are subadvised by Legend.

Client Education:

Education is very important to us. We are dedicated to educating each client about the different investment portfolio types and how they relate to market volatility, time horizons, and investment returns. It is our goal to ensure that the client understands and agrees with our investment philosophy. Furthermore, we assist each client in selecting a risk tolerance level with which they are comfortable. Ultimately, an investment portfolio is designed to meet the client's objectives.

PERFORMANCE REPORTING

Many investment firms only offer monthly brokerage statements, which provide minimal information; typically only account and investment balances. We, on the other hand, provide detailed quarterly reports that outline performance, income and management fees (among other items) in a simple, easy-to-read report. In addition, each performance report is sent with an extensive index page that illustrates the investment environment during the reporting period.

FEES

To find out more about the fees for either Legend or EmergingWealth's Investment Management services, please contact Louis P. Stanasolovich, CFP®, our CCO, CEO and President of both firms for a confidential discussion at (412) 635-9210 or e-mail us at legend@legend-financial.com.

PULSE

LEGEND FINANCIAL ADVISORS, INC.®, AND EMERGINGWEALTH INVESTMENT MANAGEMENT'S INVESTMENT PORTFOLIOS, POTENTIAL RETURN AND RISK SPECTRUM