April, 2014

THE GLOBAL INVESTMENT PULSE

Published By
Legend Financial Advisors, Inc.® &
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WHAT TO USE WHEN

During a recent Webcast presented by Louis P. Stanasolovich, CFP®, CCO, CEO and President of Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc. entitled "What's Better? Open-End Funds Versus ETFs And ETNs", Lou provided conclusive action steps at the end of the Webcast. They are located on page 3. During the Webcast, Lou provided his logical reasoning for these conclusions. We encourage you to watch the entire Webcast at www.legend-financial.com/financialwebcasts. The slides are also available for printing and viewing at your discretion.

What To Use When, *continued on page 3*

PROFITS: "MARGIN"-AL IMPROVEMENT IN Q4

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

We warned in December 2011 (and countless times since) that corporate profitability was "as good as it gets." That initial projection couldn't have been timed any better, as NIPA-based corporate profit margins peaked at 10.3% in the fourth quarter of 2011. However, we didn't anticipate that margins would manage to essentially levitate just below that record level for the next two years–with the just released margin figure for the fourth quarter of 2013 only one tick below (10.2%) the all-time record. See "Corporate Profits As A Percent of GDP" Chart to the top right of page 7.)

Profit margins are frequently described as the most mean-reverting data series in the financial world, but we've never agreed with that description (perhaps because we warehouse more data than the commentators making that claim). The stock market's historical or "realized" price volatility, to name just one example, shows much stronger mean reverting tendencies than profit margins.

Consider that profit margins dropped below their long-term median of 6.0% for only a single quarter during the deepest U.S. recession in more than 70 years. If a full-on reversion to the mean were ever to occur, the Great Recession could not have provided a more perfect setting. Profit margins' excellent recession performance and their subsequent rebound during a subpar recovery suggest their mean-reverting properties are either overrated… or much longer-term in nature.

Where are these near-record profit margins being earned? As we've noted for more than two years, the story has been mostly a Large Cap one, and

Profits, *continued on page 7*

QUALITATIVE ANALYSIS OF MUTUAL FUNDS PART 1 OF A SERIES

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*

Today, many financial advisors who recommend mutual funds for their clients' portfolios use mutual fund evaluation services such as Morningstar, Value Line, Lipper Analytical Services, etc. Over the last twenty years, these services, while not perfect, have certainly improved an advisor's ability to evaluate and to better understand the mutual funds they are recommending.

These services have one factor in common. With a few minor exceptions, they evaluate past history; in other words, they are based solely on quantitative analysis. While this aspect of mutual fund analysis is certainly important and should be a significant part of every advisor's due diligence, it is only one-half of the

Mutual Funds, *continued on page 4*

IN THIS ISSUE

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WHY LEGEND IS DIFFERENT?

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".
3. Legend is a Fiduciary and is therefore required by law to always work in the clients' best interests.
4. Legend designs dynamic, creative and personalized financial planning and investment solutions for its clients.

ABOUT EMERGINGWEALTH INVESTMENT MANAGEMENT, INC.

EmergingWealth Investment Management, Inc. (EmergingWealth), is the sister firm of Legend Financial Advisors, Inc.® (Legend) and is a Fee-Only Securities and Exchange Commission (SEC) registered investment advisory firm. EmergingWealth provides Investment Management services to individuals as well as business entities, medical practices and non-profit organizations whose wealth is emerging. All investment portfolios are sub-advised by Legend. Both Legend and EmergingWealth share a common advisory team, Investment Committee and Fee Schedule.

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 10 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, four times by Dental Practice Report as one of "The Best Financial Advisors for Dentists In America" 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. Lou 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.

What To Use When, *continued from page 1*

WHAT TO USE WHEN

1. If Purchasing Commodities - Buy ETNs
2. If Purchasing Gold BUllion - Buy SPDR-GLD
3. If Shorting Short Term - Use Leveraged ETFs or ETNs
4. If Shoring Longer Term - Use Open-End Mutual Funds
5. If Going Long Aggressively Short-Term - Buy Leveraged ETFs Or ETNs
6. If In A Sideways Or In A Down Market - Use Active Equity Managers
7. If Buying Individual Currencies - Buy ETFs
8. If Buying Diversified Currency Plays - Buy Open-End Mutual Funds
9. If Buying Sectors, Consider ETFs Or ETNs, If An Open-End Mutual Fund Is Not Available
10. If Buy And Hold
    - a. Buy Active (Open-End Mutual Funds) As Core Of Portfolio
    - b. Buy ETFs And ETNs For Trading Purposes
    - c. For Fixed Income - Always Use Open End Mutual Funds
        - i. ETFs Can't Adjust Their Portfolio
            - a) Do You Really Want A Long Maturity Treasury Portfolio Of Bonds In A Rising Interest Rate Market?
    - d. For Income Tax Efficiency
        - i. Use ETNs First
        - ii. Use. ETFs Second
        - iii. Use Open-End Funds Third
    - e. For Outperformance - Use The Better Performing Open-End Funds
11. If Trading Frequently
    - a. Use ETFs And ETNs

evaluation process. Qualitative analysis is just as important, if not more so, since it offers a view towards the future. This is especially true with regard to evaluating potential problems that can arise and therefore negatively affect future performance. The best approach to obtain the appropriate information to perform qualitative analysis is face to face interviews with the portfolio manager.

Qualitative Issues

Financial advisors have numerous concerns when evaluating the qualitative issues surrounding the management of a mutual fund. Listed below are a number of examples. All of these are experiences of the author. The following is the first in a series of articles about qualitative factors and their affect on investment performance.

THE IMPORTANCE OF ASSET GROWTH ON PERFORMANCE

Asset growth is a huge problem in the mutual fund industry. It causes a number of difficulties with regard to the management of the underlying portfolios and the affect it has on management companies. Advisors need to ask the portfolio manager the following questions: What happens if the assets under management continue to grow? Does the manager manage separate and/or private accounts as well? When do they decide to not accept additional monies to manage? Will the manager buy more securities? If so, it would lead to the dilution of management's best ideas. This, in turn, could lower portfolio returns.

Will the manager buy more of the same companies? If this is the case, especially in small cap and midcap issues, it will take the manager longer to buy or sell positions because the liquidity is not available. If there are not enough shares available, a manager may conceivably push up the price of a security if they are buying, or push down the price of the security if they are selling. This is an issue that plagues giant mutual fund groups such as Fidelity, Vanguard, American, etc. that are great at raising money, but are, at best, slightly above average when it comes to performance.

When looking at performance across the board, many of these giant fund groups' results are much worse than average. A large number of portfolio managers believe that many of these mega groups can move the market in either direction because they own large percentages of a number of companies.

Will the portfolio manager buy bigger companies as many groups do? Many funds build their track record on smaller cap issues and, as it attracts assets, buys bigger and bigger stocks. Their policy is to not close funds regardless of the amount of assets they have under management.

Will the manager invest overseas as well? This expansion of investment options, while good, can be dangerous. Many times domestic portfolio managers invest in foreign securities or markets that they do not completely understand.

Perhaps the best option is for a fund company to close the fund. This option allows the existing investors to be treated well over time by management and indicates a high degree of integrity on management's part. Artisan Funds does this regularly. A few fund groups took the unusual step of closing off to not only new investors, but to existing investors as well. This is often due to the large amount of cash in their portfolio and the management team not being able to find investments that meet their criteria. Companies such as these are to be praised.

PULSE

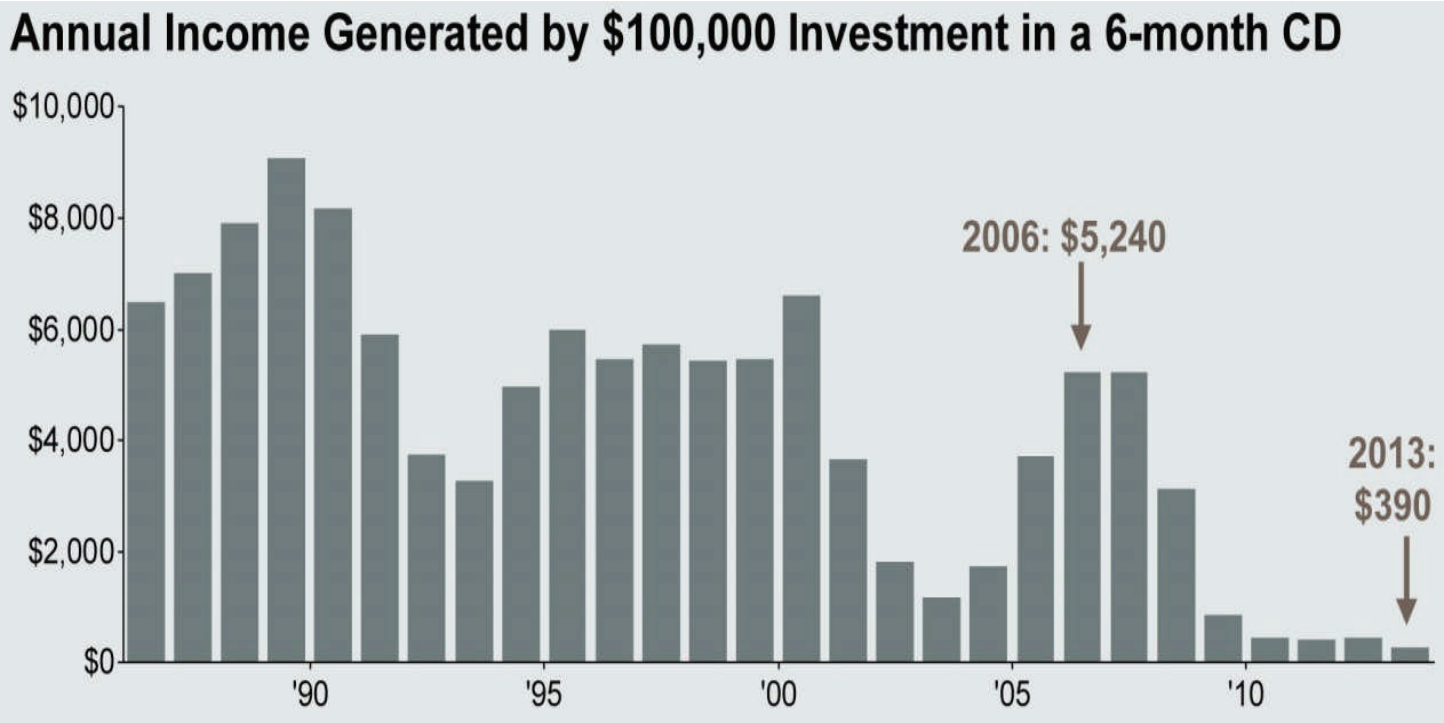
BEWARE THAT FEE-BASED FINANCIAL ADVISORS ARE NOT FEE-ONLY

Diane M. Pearson, CFP®, CDFA, PPC, Personal CFO and Shareholder, 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.

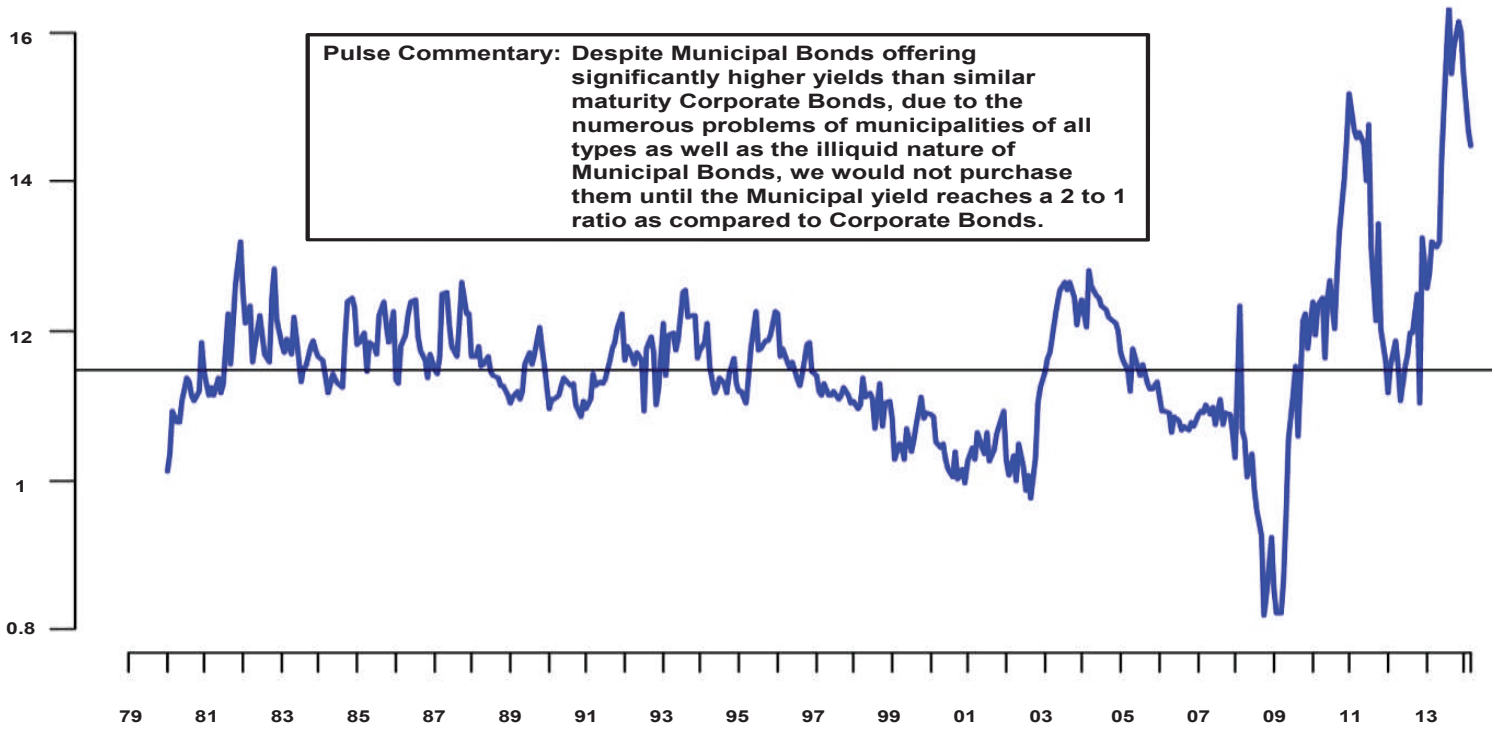
CASH ACCOUNTS



As of: March 31, 2014

Source: Federal Reserve, St. Louis Fed, Bankrate.com, J.P. Morgan Asset Management

MUNIS TAX EQUIVALENT YIELD/BARCLAYS U.S. CORPORATE BOND YIELD



Pulse Commentary: Despite Municipal Bonds offering significantly higher yields than similar maturity Corporate Bonds, due to the numerous problems of municipalities of all types as well as the illiquid nature of Municipal Bonds, we would not purchase them until the Municipal yield reaches a 2 to 1 ratio as compared to Corporate Bonds.

As of: April 8, 2014

Source: The Leuthold Group, LLC, *Perception Express*, April 8, 2014, www.leutholdgroup.com

SECULAR BEAR MARKET WATCH

April 1, 2000 to March 31, 2014
(14 years and 0 months)

	Annual Compound Return	Total Return
Consumer Price Index (Inflation)	2.41%	40.40%
90-Day Treasury Bills Index-Total Return	1.88%	29.63%
Barclays Aggregate Bond Index-Total Return	5.65%	115.97%
HFRX Global Hedge Fund Index	3.03%	51.99%
S&P 500 Index (U.S. Stock Market)	3.56%	63.18%
MSCI EAFE Index (Developed Foreign Equities)	3.84%	69.52%
MSCI Emerging Market Index (Equities)	7.83%	187.40%
Newedge CTA Index (Managed Futures)	4.72%	90.69%
Dow Jones–UBS Commodity Index-Total Return (USD)**	2.25%	36.54%
Dow Jones U.S. Real Estate Index-Total Return (USD)**	10.99%	330.74%
Gold Bullion	11.53%	360.99%

* 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

Source: Bloomberg Investment Service

As of: March 31, 2014

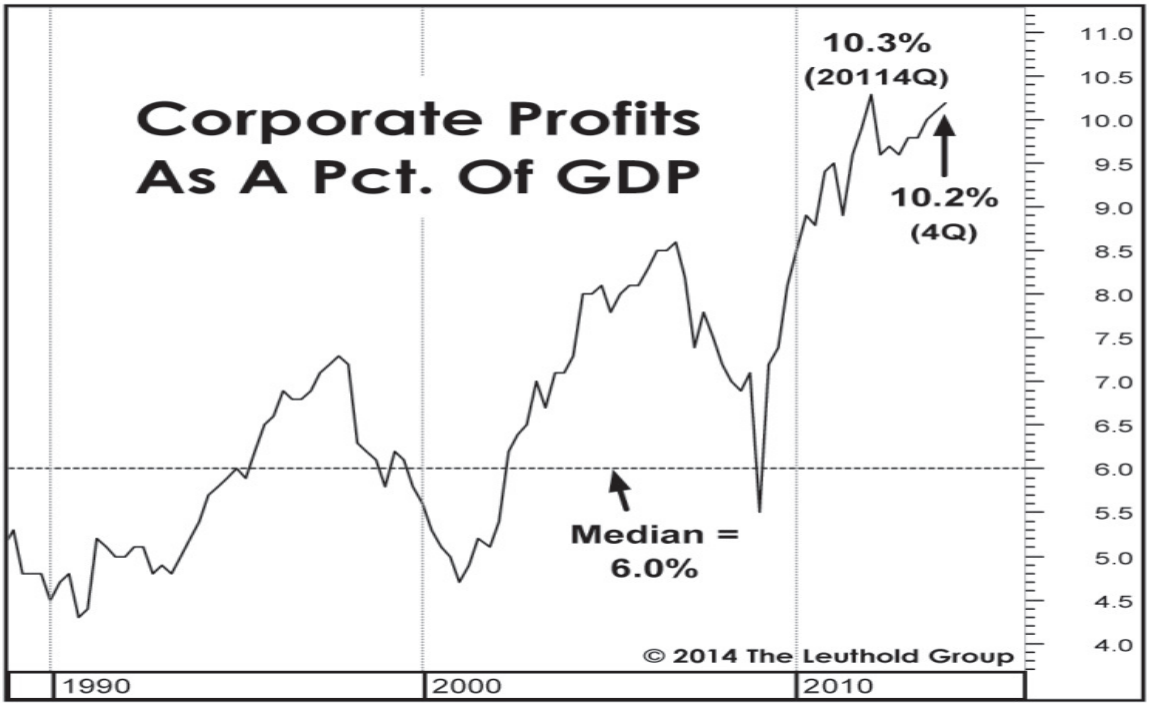
Note: During Secular Bear markets U.S. Stocks have historically returned a little more than inflation or a little less than inflation—plus or minus 1.50%—and generally last between 15 to 25 years. The last Secular Bear market (1966 to 1982) lasted 17 years and underperformed inflation by approximately 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 11 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.

Profits, *continued from page 1*

the S&P 500 median net profit margin rose to an all-time high of 10.0% in the fourth quarter. Mid Caps moved a tick above their high made earlier in this recovery. (See "Net Profit Margins By Market Capitalization" Chart to the bottom right). However, Mid Cap profit margin levels are more than two percentage points lower than Large Caps; in the mid-1990s, they were the same. Finally, median Small Cap profit margins have been range bound since late 2011, between 5.2% and 5.6%–just below their all-time high of 5.8% established late in the last expansion.

Compared to these trends across capitalization tiers, profit margin trends at the sector level are somewhat more illuminating.



Note: From National Income and Produce Accounts (NIPA); Profits are after tax and include inventory valuation allowance and capital consumption adjustment.

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Source: The Leuthold Group, LLC, *Perception Express*, April 8, 2014
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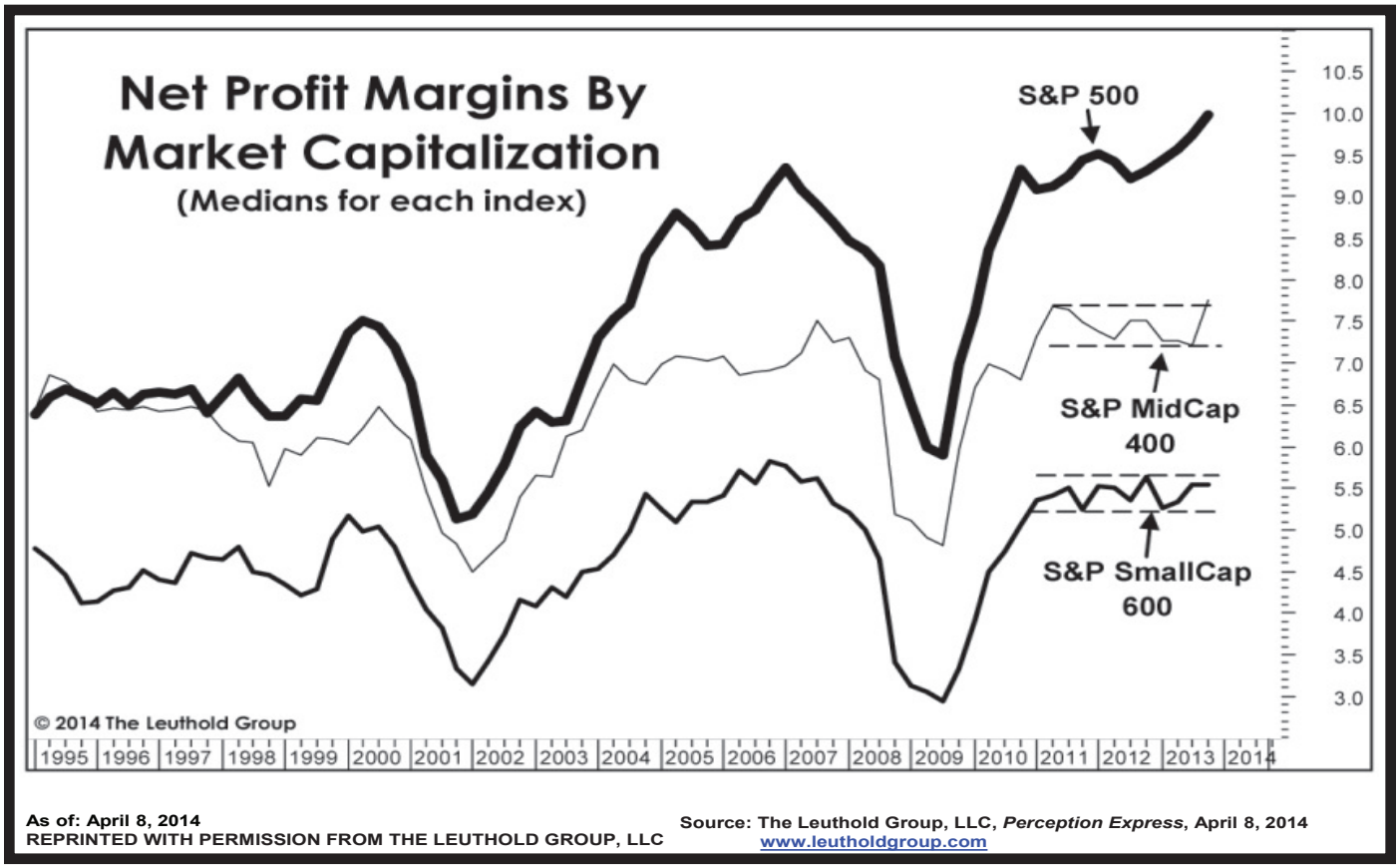

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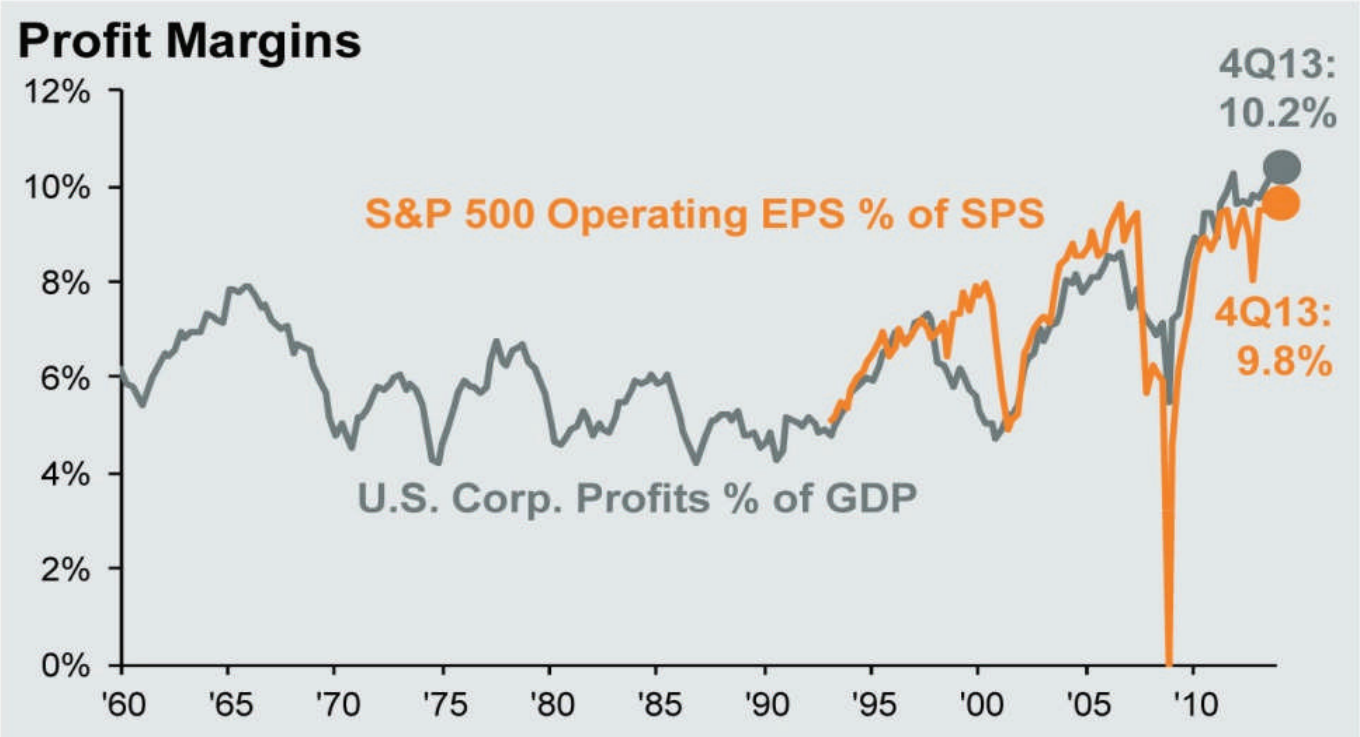
Source: This article was excerpted from "Profits: "Margin"-al Improvement In Q4", by Doug Ramsey, CFA, CMT, Chief Investment Officer, The Leuthold Group, LLC, (*Perception Express*, April 8, 2014) www.leutholdgroup.com.

S&P 500 EARNINGS PER SHARE

As of: March 31, 2014

Source: Standard & Poor's, Compustat, J.P. Morgan Asset Management

PROFIT MARGINS



As of: March 31, 2014

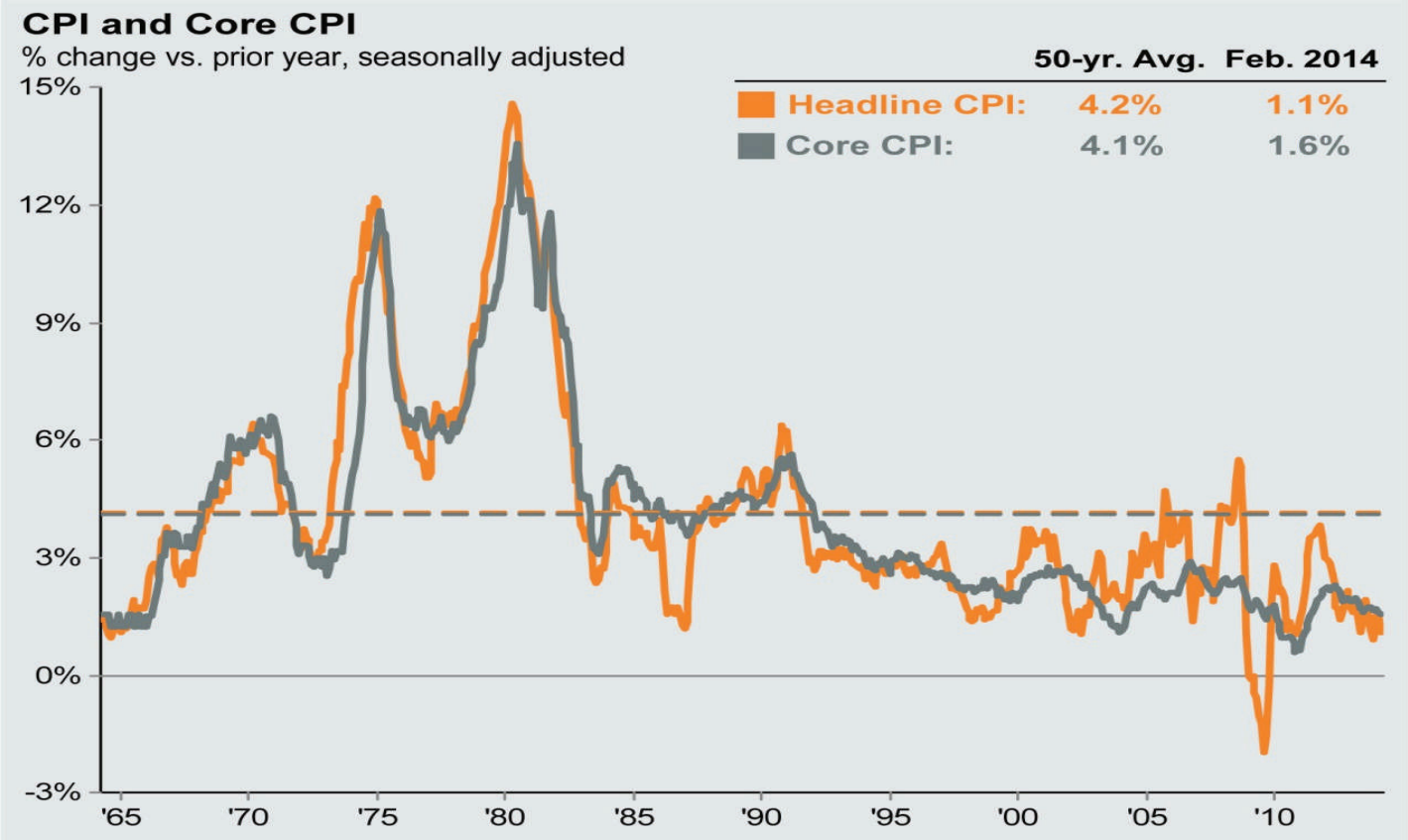
Source: Standard & Poor's, Compustat, J.P. Morgan Asset Management

CONSUMER PRICE INDEX

CPI Components	Weight in CPI	12-month Change
Food & Bev.	14.9%	1.4%
Housing	41.4%	2.5%
Apparel	3.4%	-0.6%
Transportation	16.4%	-2.3%
Medical Care	7.6%	2.3%
Recreation	5.8%	0.3%
Educ. & Comm.	7.1%	1.1%
Other	3.4%	1.9%
Headline CPI	**100.0%**	**1.1%**
Less:		
Energy	9.0%	-2.5%
Food	13.9%	1.4%
Core CPI	**77.1%**	**1.6%**

As of: March 31, 2014 Source: BLS, FactSet, J.P. Morgan Asset Management

CONSUMER PRICE INDEX



As of: March 31, 2014

Source: BLS, FactSet, J.P. Morgan Asset Management

2013 FIXED INCOME RETURNS

GLOBAL HIGH-YIELD	7.3 %
GLOBAL CORPORATE DEBT	1.8 %
MORTGAGE-BACKED SECURITIES	-1.4 %
BARCLAYS AGGREGATE BOND INDEX	-2.0 %
MUNICIPAL BONDS	-2.2 %
ASSET ALLOCATION	-2.2 %
U. S. TREASURIES	-2.7 %
DC* GLOBAL SOVEREIGNS (BONDS IN LOCAL CURRENCY)	-4.9 %
EMERGING MARKET DEBT IN U.S. DOLLARS	-6.6 %
U.S. TIPS	-8.6 %
EMERGING MARKET DEBT IN LOCAL CURRENCY	-9.0 %

***Developed Countries**

Source: Federal Reserve, St. Louis Fed, Bankrate.com, J.P. Morgan Asset Management COPYRIGHT 2014 J.P. MORGAN ASSET MANAGEMENT REPRINTED WITH PERMISSION OF J.P. MORGAN ASSET MANAGEMENT

GOVERNMENT WASTE

The National Endowment of the Arts once spent

$100,000

in tax dollars on a video game that depicts a female superhero sent to save planet Earth from climate changes.

The government once spent

$5 MILLION

in tax dollars to extend the runway of an airport in Indiana that offers no commercial service.

The government once spent

$615,000

in tax dollars to archive the Grateful Dead memorabilia at the University of California, Santa Cruz.

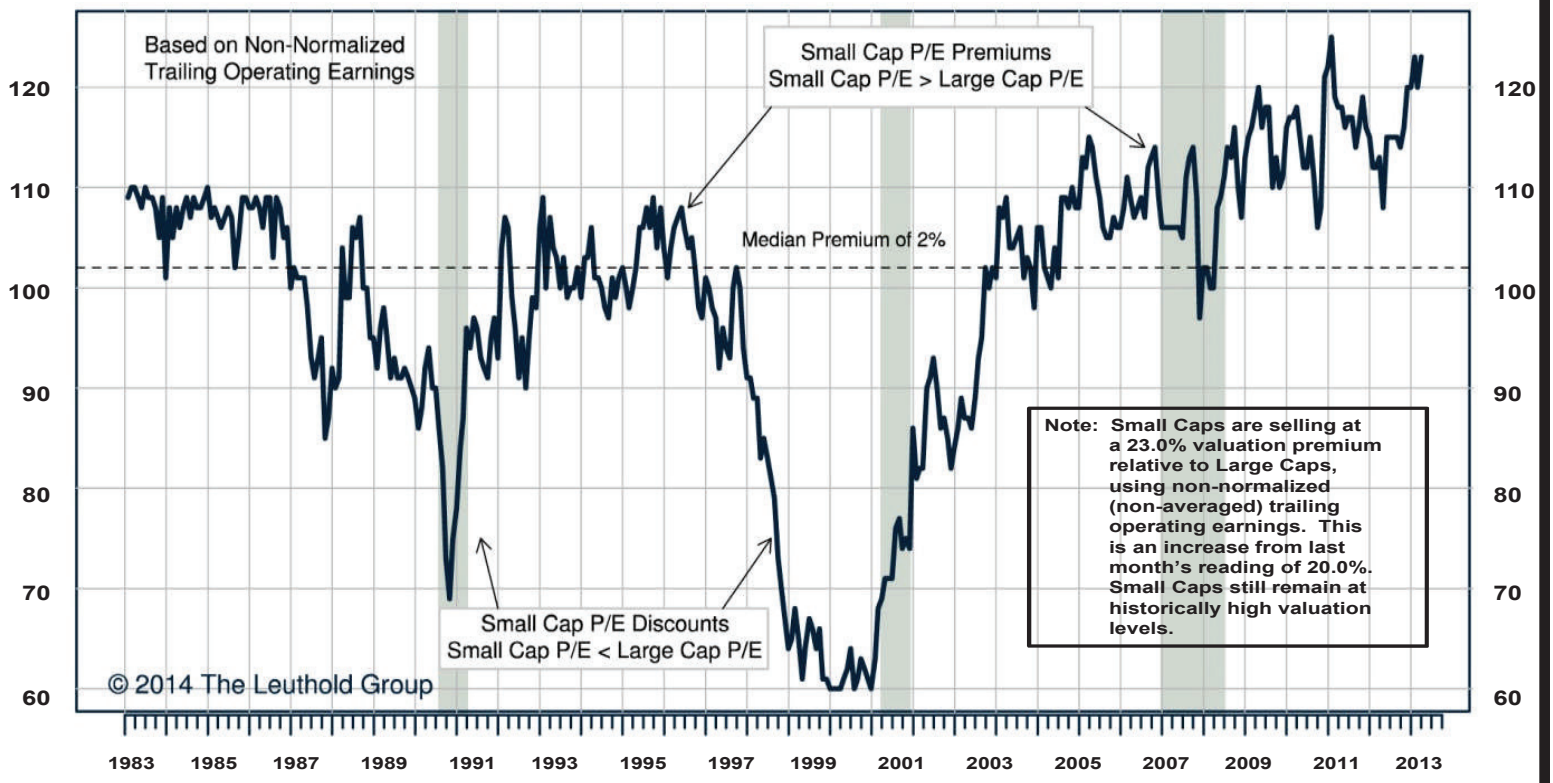
The government once spent

$27 BILLION

in tax dollars to to “re-sand” beaches, though experts find that much of it quickly washes away.

Source: Jefferson National

SMALL CAP TO LARGE CAP HISTORICAL P/E RATIO
Small Caps Are More Expensive



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Source: The Leuthold Group, LLC, *Perception Express*, April 8, 2014
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CYCLES IN LARGE AND SMALL CAP STOCKS, 1926 TO DATE

Large Cap leadership cycles have historically been neither as long nor as powerful as the typical Small Cap Cycle, consistent with Small Caps stocks' long-term (i.e., 1926-to-date) return premium of two percentage points per annum over Large Caps. Nonetheless, the median length of the six previous Large Cap Cycles since 1926 is 5½ years, with a median cumulative total return premium relative to Small Caps of almost 100.0% (See the table below.). The last such cycle, which lasted from March 1994 through March 1999, delivered a near-150.0% Large Cap performance gap—even though Large Caps' "relative" valuations at the beginning of that cycle were nowhere near as attractive as they are today.

Market Leader	Dates	Cumulative Small Cap Total Return	Cumulative Large Cap Total Return	Spread, Leader Minus Laggard	Length Of Cycle
Large Caps	January 1926 - December 1931	-75.8 %	-14.1 %	61.7 %	72 mos.
	April 1937 - June 1939	-67.8	-31.6	36.2	27
	June 1946 - December 1957	106.0	296.1	190.0	139
	January 1969 - June 1973	-45.7	16.0	61.7	54
	August 1983 - October 1990	15.3	146.3	131.0	87
	March 1994 - March 1999	61.2	206.8	145.5	61
→	*April 2011 - March 2014*	*45.0*	*50.7*	*5.7*	*36* ←
		Average (ex. current cycle):		**104.4**	**73 mos.**
		Median (ex. current cycle):		**96.4**	**67 mos.**
Small Caps	January 1932 - March 1937	700.0 %	189.7 %	510.3 %	63 mos.
	July 1939 - May 1946	1030.0	162.0	868.0	83
	January 1958 - December 1968	984.6	272.0	712.6	132
	July 1973 - July 1983	889.9	152.3	737.6	121
	November 1990 - February 1994	136.4	70.0	66.4	40
	April 1999 - March 2011	148.0	27.7	120.3	144
			Average:	**502.5**	**97 mos.**
			Median:	**611.5**	**102 mos.**

Note: Small Cap data from Ibbotson for 1926-1978; Russell 2000 thereafter. Large Cap data for S&P 500.

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YES, VALUATION MATTERS!

By Todd Bunton, CFA, Growth & Income Strategist, Zacks.com

Pulse Commentary: We loved this excerpt by Todd Bunton of Zacks.com. We thought you would too.

"There are always people who say that the rules have changed. But it only looks that way if the time horizon is too short."
- Warren Buffett

During bull markets, investors often ignore fundamentals like valuation and buy what is popular. This herd-like behavior was evident in many stocks last year.

But the recent pullback in many of these same stocks is a stark reminder of the fact that, over the long run, valuation matters.

If you want to be a successful long term investor, then you must pay attention to valuation. I will show you why valuation is so vitally important, and how you should think about your next stock investment.

Irrational Exuberance:

Last year's raging bull market was led by spectacular gains in many "glamour" stocks - popular stocks with high growth expectations and high valuation multiples. Perhaps some of these gains can be explained by improving fundamentals like earnings, but the driving force most likely behind much of the rise in prices was, ironically, higher prices. This is known as a "positive feedback loop" and can lead to speculative bubbles.

Recent Nobel Prize winner Robert Shiller has described speculative bubbles as "a period when investors are attracted to an investment irrationally because rising prices encourage them to expect, at some level of consciousness at least, more price increases. A feedback develops - as people become more and more attracted, there are more and more price increases."

We saw this behavior in tech stocks in the late 1990s. We saw it with housing prices in the mid 2000s. And we likely saw it at least to some degree among many glamour stocks in 2013.

Shiller himself warned of this in February on CNBC, stating: "We do have a little bit of bubble thinking... people are very impressed by high tech, probably too impressed... I like to look at long-term earnings."

This Time Isn't Different:

Back in November 1999, right in the midst of the dot-com hysteria, Warren Buffett wrote in Fortune magazine: "The inescapable fact is that the value of an asset, whatever its character, cannot over the long term grow faster than its earnings"

Naturally, he was largely ignored or ridiculed at the time.

During periods of irrational exuberance, people will argue passionately that the rules of investing have changed. You'll hear phrases like "valuations don't matter for this stock because blah, blah, blah" or "this time is different".

That may be true for short periods of time, but history shows us time and again that over the long run, valuations indeed matter.

Valuation Matters:

Study after study shows that over the long run, stocks with low valuation multiples outperform stocks with high valuation multiples.

One study by Louis K.C. Chan and Josef Lakonishok in 2004 took a composite of several valuation metrics (price to book value, price to earnings, price to cash flow and price to sales). Portfolios were formed every calendar year-end by sorting stocks into 1 of 10 deciles based on their composite value metrics. The difference in returns between the top decile (glamour) stocks and the bottom decile (deep value) stocks was dramatic, whether it was a small cap or large cap stock. (See the chart on the top of page 14.)

Another study by Tweedy Browne showed similar results. Their study placed stocks into deciles by P/E ratio and looked at their average annual returns over a five year period. Once again, the higher the valuation multiple was, the lower the returns were.

While glamour stocks can outpace value stocks over short periods of time, history shows that in the end, the tortoise beats the hare - by a long shot.

Good Business, Bad Stock:

I'm not advocating only buying stocks with low valuation multiples. Many such stocks are cheap for a good reason. But simply buying a stock just because you expect its earnings or cash flow to grow at a high rate over time isn't enough. You have to buy it at a reasonable price.

As the father of value investing, Benjamin Graham, wrote many decades ago: "Obvious prospects for physical growth in a business do not translate into obvious profits for investors."

Keep in mind that in most cases the market has already "priced in" a company's growth. And if its growth fails to meet (or even sometimes exceed) the market's expectations, then its stock can get pummeled. In other words, a sky-high P/E multiple will eventually contract if a company misses those lofty earnings expectations or when (not if) growth inevitably slows.

Examples like this occur every earnings season.

Investors would be well served to remember that a stock represents an ownership interest in a business. And as John Burr Williams wrote in his 1938 text The Theory of Investment Value: "The value of any stock, bond or business today is determined by the cash inflows and outflows - discounted at an appropriate interest rate - that can be expected to occur during the remaining life of the asset."

Investors often lose sight of this fact during bull markets. The key is to keep your emotions in check and think about a stock as an ownership interest in a business. Pay attention to valuations and don't overpay for expected growth. You want to buy growth at a reasonable price, not growth at any price.

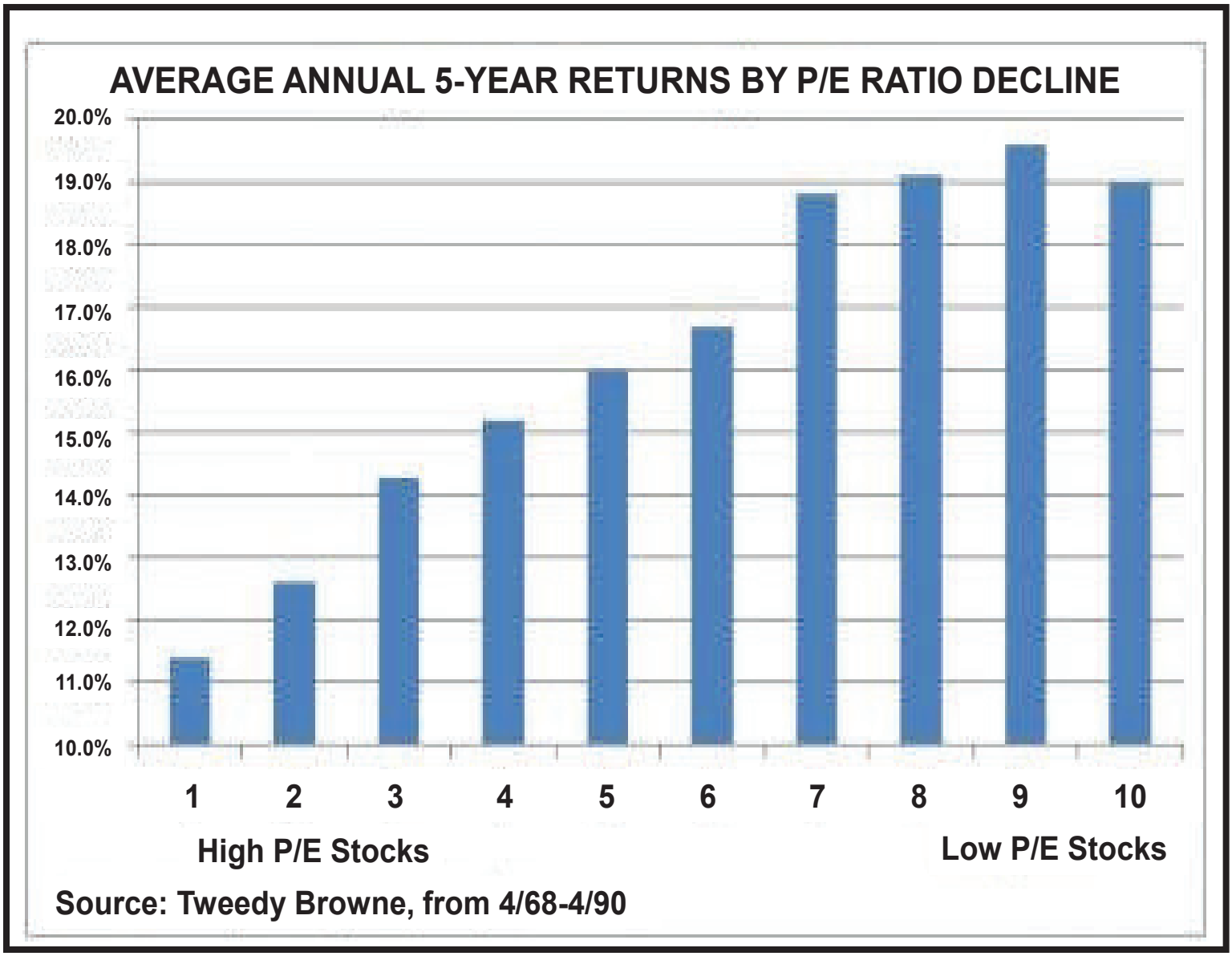
The Bottom Line:

During periods of irrational exuberance, many investors lose sight of fundamentals and chase returns. But the key to successful investing is to keep your emotions in check and stay rational. Pay attention to valuations, and when you hear someone shouting "this time is different", don't believe it.

Yes, Valuation Matters!, *continued on page 14*

Large Cap	Compound Annual Returns	Small Cap	Compound Annual Returns
Top Decile (Glamour)	4.5%	Top Decile (Glamour)	-2.8%
Bottom Decile (Deep Value)	16.4%	Bottom Decile (Deep Value)	18.3%

Source: LSV Asset Management, for periods 1969-2001



Todd Bunton, CFA is Zacks Growth & Income Strategist. He manages our Income Plus Investor which detects companies that not only pay high dividends but are also likely to see exceptional price appreciation. This is one of the essential portfolios in Zacks Ultimate.

Source: This article was excerpted from "Yes, Valuation Matters!", by Todd Bunton, CFA, Growth & Income Strategist, Zacks.com, (*Weekend Wisdom*, April 12, 2014) www.zacks.com.

PULSE

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.

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