April, 2015

THE GLOBAL INVESTMENT PULSE

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A GREAT RECESSION RISK INDICATOR

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

Depicted by the chart on the top of page 18, which was produced by The Leuthold Group, is a graphical representation of the U.S. is an economic slowdown or even a recession. The Leuthold Group tracks approximately 5,500 U.S. companies over a calendar quarter as they

Risk Indicator, *continued on page 18*

U.S. TREASURY BOND MARKET FORECASTS LONG-TERM INFLATION BELOW 2.0%

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 chart on the bottom of page 15 illustrates the U.S. Long-Term Implied Inflation Rate as indicated by the U.S. Treasuries Bonds and Notes Yield Curves minus the U.S. Treasury Inflation-Protected Securities, also known

Treasury Bond, *continued on page 15*

See our new Performance By Investment Style Charts on page 6

See our chart of Mutual Fund Conference Calls and Meetings that occurred in the First Quarter of 2015 on page 13.

UNDERSTANDING THE INFLATION AND CORE INFLATION RATES

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 Inflation Rate, also known as the Consumer Price Index (CPI) and the Core Inflation Rate (Core CPI), that the Federal Reserve Board (Fed) focuses on are listed below. Generally, both are the same, except that the Core CPI does not include food and energy.

In other words, try living without food and energy. One would have to live in a tent in the woods burning firewood while trapping food and/or fishing in a nearby stream. Pardon the sarcasm, but it's so easy to pick on some of these Government Agencies. Unfortunately, the Fed is viewed as one of the smarter ones. See "CPI and CORE CPI" chart on page 18

Core Inflation Rates, *continued on page 18*

WARREN BUFFETT'S TWO INVESTING RULES
Rule #1: Don't Lose Money. Rule #2: Don't Forget Rule #1.

BUYER BEWARE:
CHEAP EUROPEAN STOCKS COULD BE DANGEROUS TO ONE'S FINANCIAL HEALTH

By: William Hester, CPA, The Hussman Funds

Euro-area stocks have a significant speculative component priced into them relative to the change in fundamentals over the last few years. The cheaper the stock, the more speculation has been priced in, on average. The risk at present is that this speculative component is highly correlated with U.S. markets, and that correlation has been rising over the last two decades. In the event of a U.S. market correction, it is likely that European value stocks (and European stocks in general) would do as poorly, or worse, than the much more expensive U.S. market.

Chart 1, on the top of page 16, shows the rolling drawdowns of the MSCI U.S. Index and the MSCI European Value Index (using monthly data, in U.S. dollars). The fact that both markets tend to experience their deepest losses simultaneously is why it's sometimes said that "international diversification helps except when you need it most." What's interesting about the graph is where the red line - the European Value Index - typically sits in relation to U.S. stocks during bear market declines, especially in more recent data. During many of the declines, the European Value Index has either fallen about as much as the U.S. market, or has fallen farther. And, not surprisingly, this tendency was more pronounced during the financial crisis. The Index continues to sit below the highs it set back in 2007.

Buyer Beware, *continued on page 16*

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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 12 consecutive times by Worth magazine as one of "The Top 100 Wealth Advisors" in the country. Lou has also been selected 11 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, three 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.

OIL DEMAND NOT DISSIPATING

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

Fracking has pushed daily U.S. oil output to 32-year highs, improvements to our vehicles' internal combustion engines have increased the number of miles we can drive on a tank of gas to all-time highs.

Requiring less fuel to get farther doesn't mean demand is slipping though. Quite the opposite, actually. Car and truck sales are expected to climb for the sixth straight year in 2015, a winning streak we haven't seen in over 50 years.

Automobile pricing and information Website TrueCar predicts that 17 million lightweight vehicles will be driven off U.S. car lots by the end of 2015, a ten-year high.

Since 2009–when sales plummeted to roughly ten million units, their most depressed state since 1982–year-over-year sales growth has surged as the U.S. has pulled itself out of the recession. In each of the past 12 months, 200,000 or more new jobs were made available to Americans, the most since 1977.

Americans are not only buying more vehicles–some as new additions, others to replace aging clunkers–but they are also taking them on the road more, especially now that national average fuel prices have fallen more than 31.0% from a year ago.

In fact, Americans drove a record 3.05 trillion miles on U.S. highways in January for the 12-month period, breaking the previous record set in November 2007. And with the busy summer travel season ahead of us, we should expect to see this number rise even more. See "Americans Drove a Record Number of Miles on US Highways in January" chart below

Three trillion miles, by the way, is the equivalent of taking more than 200 round trips to Pluto.

That is a lot of fuel being consumed–even if our vehicles are more fuel-efficient.

According to the Energy Information Administration (EIA), gasoline consumption in 2015 will rise one percent over the previous year to reach nine million barrels a day–a little under the number of barrels of oil the U.S. now produces daily.

Add to that the fuel consumption coming from U.S. airlines, which are also working on improving fuel-efficiency. The number of miles flown on both domestic and international carriers is flying higher, along with the number of seats per flight.

Source: This article was excerpted from "Innovation and Efficiency Drive U.S. Oil Supply and Demand", by Frank Holmes, CEO and Chief Investment Officer, U.S. Global Investors, (*Advisor Alert*, March 27, 2015), www.usfunds.com

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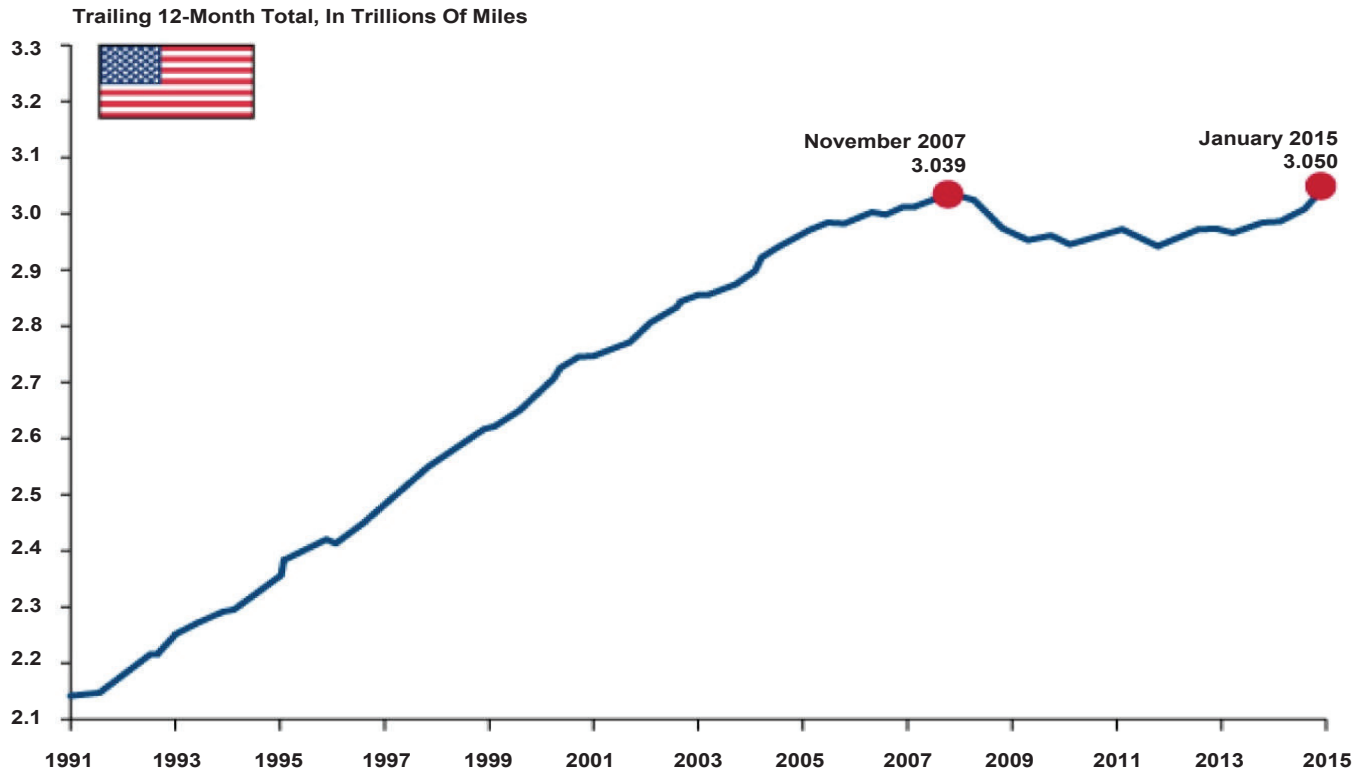
AMERICANS DROVE A RECORD NUMBER OF MILES ON U.S. HIGHWAYS IN JANUARY



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OIL IS STILL COMING

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

Technological advances such as hydraulic fracturing, or fracking, have made the oil-extraction process much more efficient than anything we have seen before. Amazingly, output continues to climb even as the number of rigs in operation has dropped for the fifteenth week in a row.

"Productivity is up 50.0% over the last five years," says Brian Hicks, portfolio manager of the U.S. Global Resources Fund (PSPFX). "There's already been some slowdown, but we are still seeing the strong momentum from last year."

That momentum could be enough to propel us toward 10 million barrels a day, something we haven't see in this country since 1970.

This incredible rise in efficiency has lead some analysts to foresee a possible "storage crisis" in North America. It is possible–though, again, unlikely–that we will eventually reach a point when there just isn't any more commercial storage space. "Crisis" is certainly a loaded word, but such an event could serve as the catalyst that forces companies to make meaningful production cuts.

Source: This article was excerpted from "Innovation and Efficiency Drive U.S. Oil Supply and Demand", by Frank Holmes, CEO and Chief Investment Officer, U.S. Global Investors, (*Advisor Alert*, March 27, 2015), www.usfunds.com

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U.S. MUNICIPAL BONDS: FAVORABLE?

By Jun Zhu, CFA, Senior Analyst, The Leuthold Group, LLC

The Barclays U.S. Municipal Bond yield was basically flat at 2.0% in March. The ratio of the Municipal tax equivalent yield (assuming a 39.6% income tax rate) to U.S. Corporate Bond yields rose slightly to 1.14x. This ratio is still below its historical median. Net inflows into municipal bonds continued but at a slower pace. Issuance is expected to decline in April while the amount of redemptions and maturing debt falls too. We remain favorable for now but we are ready to downgrade municipals if valuations get too stretched or higher interest rate risk becomes clear.

Source: This article was excerpted from "U.S. Municipal Bonds: Maintain Favorable", By Jun Zhu, CFA, Senior Analyst, The Leuthold Group, LLC, (*Perception Express*, April 8, 2015), http://leuth.us/bond-market.

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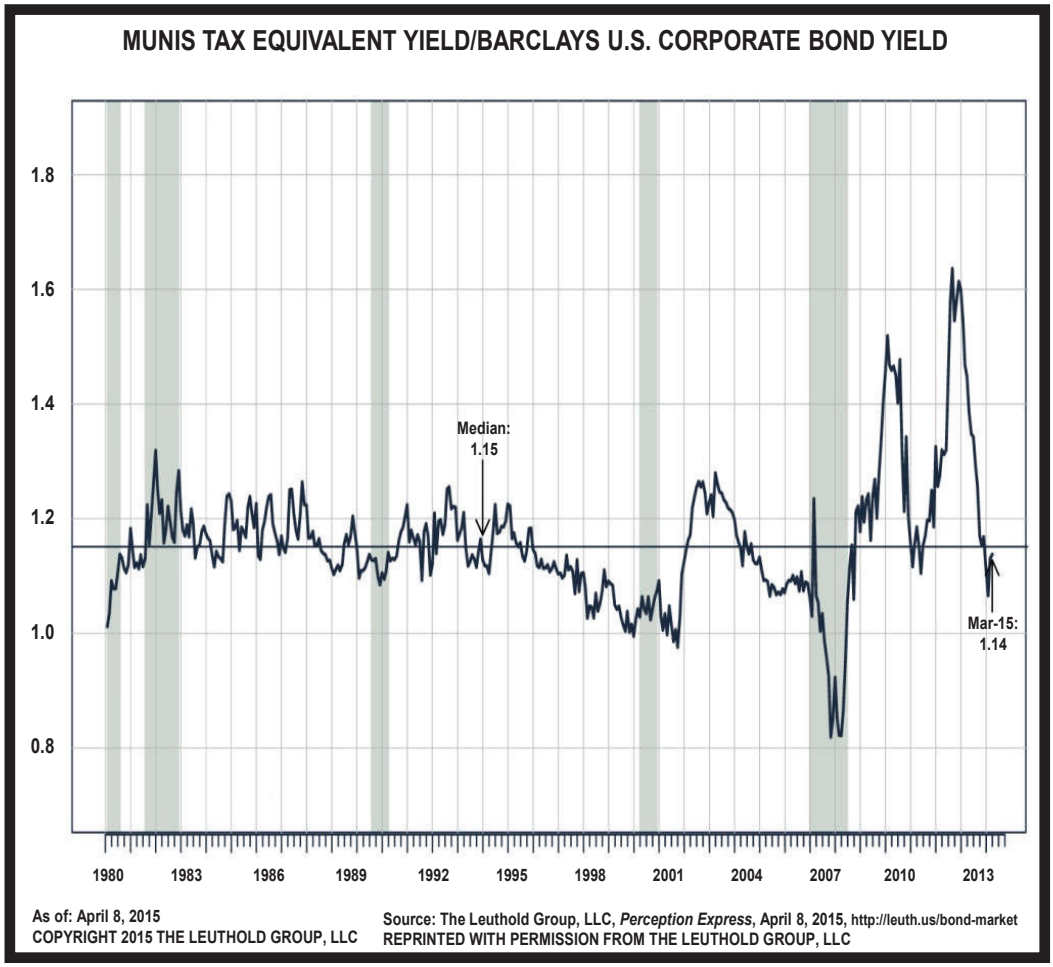

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EUROPEAN EQUITY MARKET PERFORMANCE
2015 YEAR-TO-DATE AS OF APRIL 29, 2015

	Style		
Capitalization Size	Value	Blend	Growth
Large-Cap	In Local Currency: 10.37% In USD: 5.66%	In Local Currency: 11.53% In USD: 7.52%	In Local Currency: 12.77% In USD: 9.50%
Mid-Cap	In Local Currency: 14.44% In USD: 9.45%	In Local Currency: 13.58% In USD: 8.87%	In Local Currency: 13.05% In USD: 8.51%
Small-Cap	In Local Currency: 15.24% In USD: 10.87%	In Local Currency: 19.95% In USD: 9.77%	In Local Currency: 14.58% In USD: 10.18%

All performance based on MSCI EUROPEAN Style Indexes

As of: April 29, 2015

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U.S. DOMESTIC EQUITY MARKET PERFORMANCE
2015 YEAR-TO-DATE AS OF APRIL 29, 2015

	Style		
Capitalization Size	Value	Blend	Growth
Large-Cap	1.98%	0.64%	6.45%
Mid-Cap	2.45%	3.84%	7.80%
Small-Cap	1.63%	3.66%	5.82%

All performance based on MSCI EUROPEAN Style Indexes

As of: April 29, 2015

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CHINESE INVESTING

By Jun Zhu, CFA, Senior Analyst, The Leuthold Group, LLC

As concerns of China's economic slowdown make headlines, it might be surprising that China is the best performer among Emerging Market (EM) countries. Since last September, the MSCI China Index (only tracking stocks accessible for international investors) has returned 16.0%, significantly better than the rest of the pack in the EM space. (See Table 1 to the right).

Additionally, China's domestic equity market, the so called A-shares listed on the Shanghai and Shenzhen Stock Exchanges, had even better numbers. From the end of June 2014, the Shanghai Stock Composite is up 83.0% while the Shenzhen Composite is up 79.0%, a sharp contrast to MSCI EM index's 6.0% decline during the same period (See Chart 1, below).

Over the past few months a series of events, most notably the successful launch of the Shanghai-Hong Kong Stock Connect scheme, served as catalysts to strong market performance. Two concurrent rate cuts by the central bank further spurred enthusiasm.

We've been long term bulls on China. The EM stock portfolio within our Core Portfolio has been overweight China for quite some time. We were also quite early in calling attention to the untapped potential of China's then closed domestic A-shares market. Our long term view towards China is positive (especially relative to other large EM countries), but short term, we see signs of the A-shares segment overheating and caution against near term corrections.

Effect Of Shanghai-Hong Kong Stock Connect Scheme Is Mostly One-Sided:

In November 2014, the "Through Train" scheme to connect the Hong Kong Stock Exchange and Shanghai Stock Exchange was formally launched. Under this plan, foreign investors are able to invest directly in the A-shares market, while Chinese investors, for the first time, have direct access to Hong Kong listed stocks.

TABLE 1
EMERGING MARKET PERFORMANCE
SINCE SEPTEMBER 30, 2004

CHINA	16.0%
PHILIPPINES	11.0%
SOUTH AFRICA	6.0%
TAIWAN	6.0%
INDIA	5.0%
INDONESIA	3.0%
HUNGARY	-1.0%
MSCI EMERGING MARKETS	**-2.0%**
SOUTH KOREA	-4.0%
THAILAND	-4.0%
CHILE	-5.0%
TURKEY	-6.0%
PERU	-7.0%
EGYPT	-7.0%
QATAR	-12.0%
MALAYSIA	-12.0%
MEXICO	-14.0%
POLAND	-17.0%
CZECH REPUBLIC	-18.0%
RUSSIA	-20.0%
UAE	-26.0%
BRAZIL	-27.0%
COLUMBIA	-38.0%
GREECE	-50.0%

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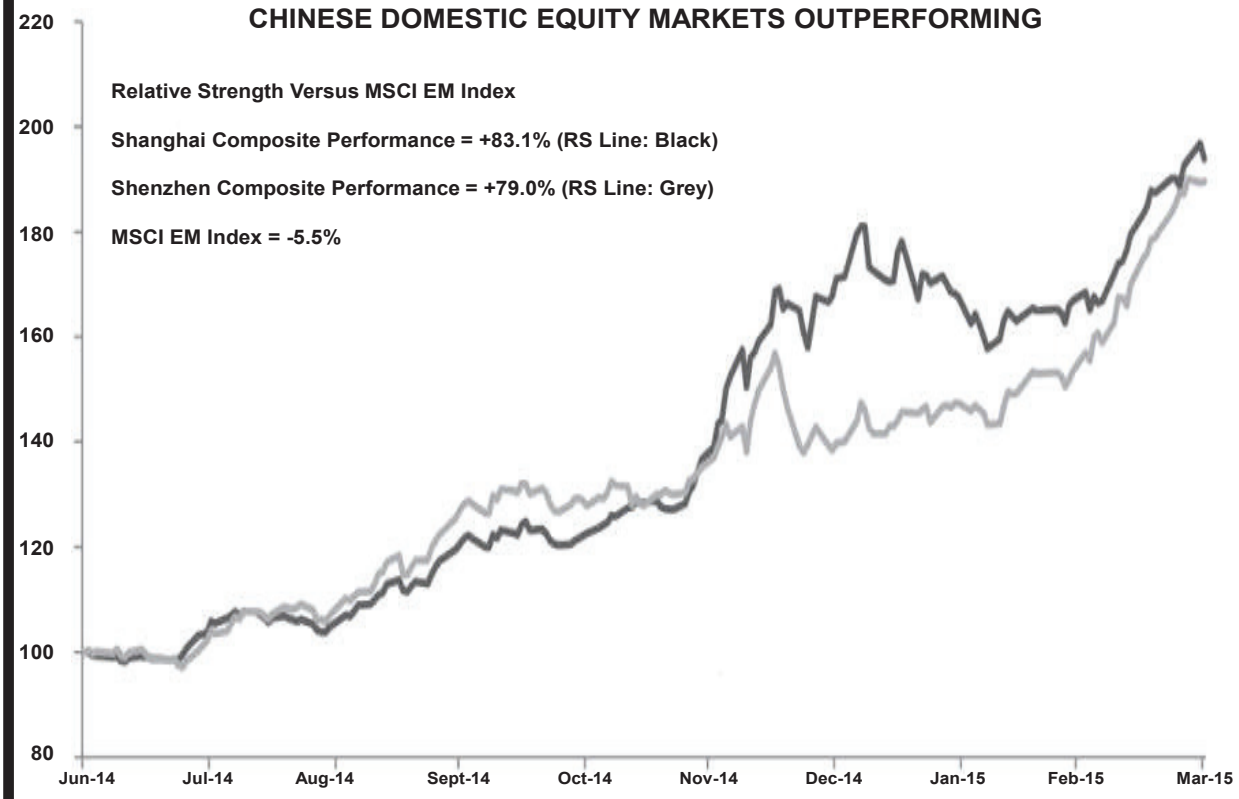
CHART 1
CHINESE DOMESTIC EQUITY MARKETS OUTPERFORMING



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Chinese Investing, *continued on page 8*

Chinese Investing, *continued from page 8*

The pilot program, as of now, only includes 260 Hong Kong listed stocks and 560 A-share listings. It also caps the total allowed investment in A-shares at 300 billion Renminbi (RMB) and at 250 Billion RMB for Hong Kong listings.

Interestingly, however, in the first five months since the launch of the Connect, the capital flow to the Shanghai Stock Exchange is more active than the flow from mainland to Hong Kong. By the end of March, the cumulative net flow to the Shanghai Exchange reached 105 billion RMB, already accounting for 35.0% of the total allowed quota. However, cumulative net buying by China mainlanders in the Hong Kong stock exchange only reached 13.0% of the quota (See Chart 2 below).

Below are our explanations for the difference in popularity.

1. Only mainland institutional investors or high net worth individuals with Qualified Domestic Institutional Investor (QDII) designation can buy Hong Kong listed stocks, while any foreign investors can buy Shanghai listed stocks through the Connect. Restrictions on who can participate on the mainland side certainly slows down the uptake.

2. Buying local shares is the easiest way to profit for mainland investors anticipating foreign capital inflow to boost A-shares. Also, the China A-shares market hovered around multi-year lows when the scheme was launched, offering better values.

3. The Chinese domestic equity market is very much momentum driven, partially because a large percentage of market participants are retail investors. When the market consensus is that Shanghai listed stocks will benefit, mom and pop investors pull money from under their mattress or from real estate investments, and put it into the stock market. (Keep in mind that China's savings rate is the highest among EM countries, so when money flows from savings to the stock market, it has a ripple effect).

CHART 2
CUMULATIVE CAPITAL FLOW AS PERCENTAGE OF TOTAL QUOTA UNDER SHANGHAI-HONG KONG STOCK EXCHANGE CONNECT

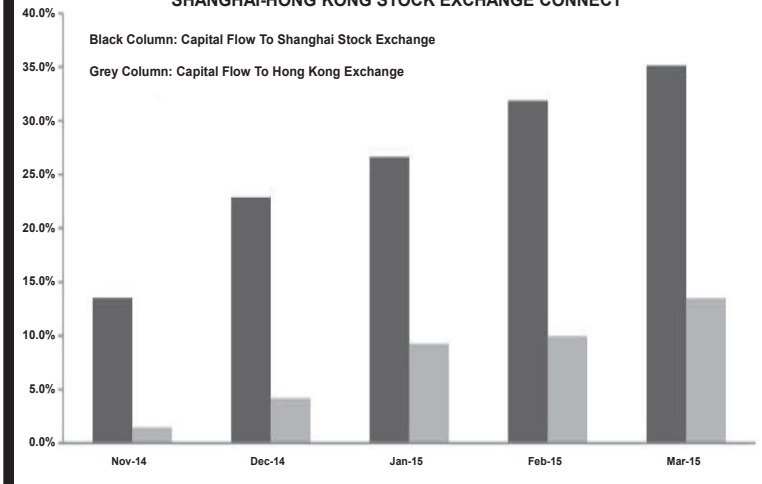

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CHART 3
SHANGHAI LISTED STOCKS ARE THE BIGGEST BENEFICIARY OF SHANGHAI-HONG KONG STOCK CONNECT

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TABLE 2

China Central Bank's Loosening Moves

November 21, 2014	Cut benchmark one-year loan rate to 5.6% from 6.0% Cut the one-year deposit rate to 2.75% from 3.00%
December, 2014	Pumped 400 billion Renminbi (RMB) into banking system
February 4, 2015	Lowered banks' reserve requirement
February 28, 2015	Cut benchmark one-year loan rate to 5.35% from 5.6% Cut the one-year deposit rate to 2.5% from 2.75%
March 4, 2015	Lowered interest rates on the standing lending facility

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Chart 3, above, shows that immediately upon the launch of Stock Connect in November 2014, the Shanghai stock composite shot up 31.0% over two months, while A-shares listed on the Shenzhen Exchange, which are not part of the Connect, were only up 2.5%. Meanwhile, the Hang Seng index was basically flat during Nov-Dec 2014, and continues to lag in 2015.

Loosening Monetary Policy Provides A Second Boost Of Energy To A-Shares:

If the Shanghai-Hong Kong Stock Connect kicked off the run-up of the A-shares market, then the central bank's moves to lower borrowing costs for business gave it another shot of energy (See Table 2 to the left). The frequency and magnitude of these moves are quite dramatic. After two rate cuts, the benchmark one-year loan rate is now standing at 5.35%, not much higher than the 5.31% back in 2009 when China's central bank lowered rates to shock the economy out of the worldwide recession.

However, the reaction of the A-shares market has also been dramatic. The second benchmark rate cuts in late February sent the Shanghai Composite and the Shenzhen Composite up 20.0%

Chinese Investing, *continued on page 9*

Chinese Investing, *continued from page 8*

and 26.0%, respectively, pushing valuations higher. If corporate earnings in the next couple of quarters fail to show signs of accelerating growth, market enthusiasm may be dampened.

Signs Of A-Shares Market Overheating:

The momentum of A-shares may continue for some time. Recall that the prior episode of stock market frenzy China saw the Shanghai composite rising more than 300.0% in two years (2006-2008). Price action is a self-fulfilling prophecy in a momentum driven market and China's A-shares market is certainly an example. However, investors should pay attention to signs of overheating.

The A-shares trading activity shot up to its highest level since 2003 (and higher than the 2006-2008 level measured as a percentage of total market cap of listed stocks). The most recent data is for February (See Chart 4 below), and we suspect March trading could have reached another record high.

The number of active stock trading accounts has also increased in the past few months. As of February, there were 145 million, an historical high (See Chart 5 below).

Signs of overheating surely show in the valuations. According to data compiled by the China Securities Regulatory Commission, the Price-To-Earnings (PE) ratio of the Shanghai Stock Exchange is now 17x, a 170.0% increase from its low reached in May 2014. The PE ratio of the Shenzhen Stock Exchange is at 39x, a 159.0% increase from last May.

Comparing historical PE ratios of the two market segments, the current readings are not at extremes (See Chart 6 below), even though they're high in absolute terms. At their peaks (2007), the PE ratio of Shenzhen listings was 76x, and the PE ratio of the Shanghai Exchange was at 70x. We don't expect current A-share valuations to reach 2007 levels. Back then, China's broad economy was growing at a pace of 14.0%, while now the rate is just half of that.

Another valuation metric we track is the valuation discrepancy of dual listed shares. These companies have shares

CHART 4
TRADING ACTIVITY ON CHINESE DOMESTIC EXCHANGES HAS INCREASED DRAMATICALLY

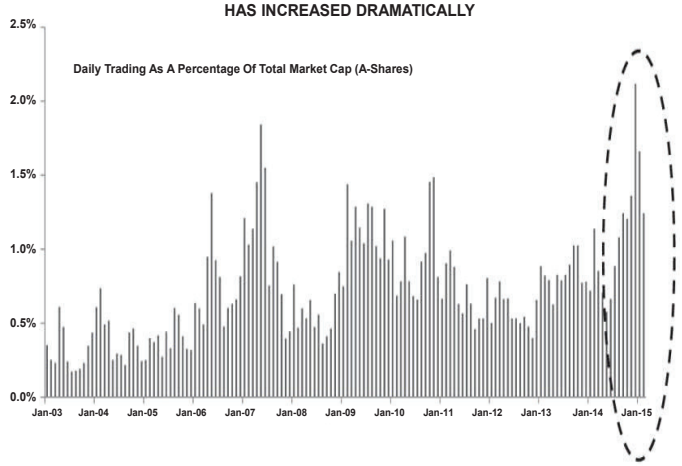

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CHART 5
TOTAL NUMBER OF STOCK TRADING ACCOUNTS

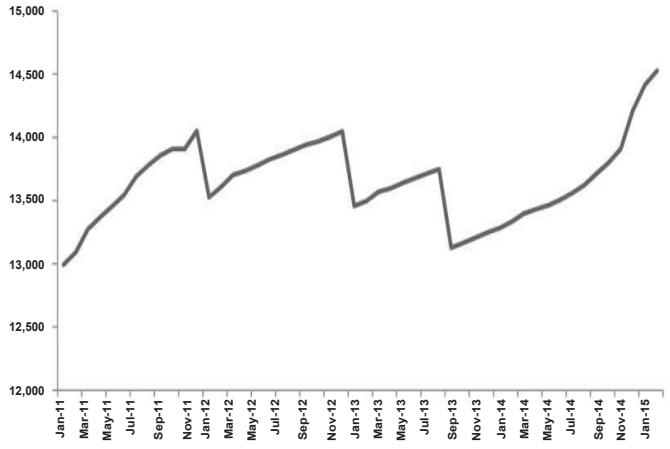

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CHART 6
MARKET PRICE-TO-EARNINGS (P/E) RATIOS TICK UP

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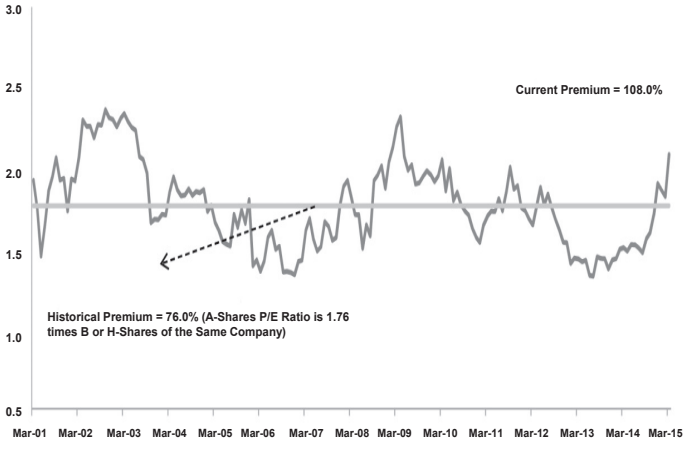
CHART 7
A-SHARES PREMIUM FOR DUAL LISTING SHARES



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Chinese Investing, *continued on page 10*

Chinese Investing, *continued from page 9*

listed on domestic exchanges as A-shares, and on Hong Kong exchanges as H-shares. Dual listing valuation discrepancies between two classes of the same company represent different sentiment of local investors versus international investors.

Historically, A-shares of dual listed companies trade at a 76.0% premium (See Chart 7 on the bottom of page 8). Last time we presented this valuation chart the premium stood at only 43.0%, leading to our conclusion that valuations were tilted in favor of A-shares. With the recent A-shares run-up, the premium is now at 108.0%, much higher than the historical median reading. From a valuation standpoint, Hong Kong listed Chinese companies (H-shares) are now more attractive than domestically traded A-shares.

A-Shares' Near Term Risks—A Summary:

As noted, among EM country opportunities, China's economy and equity markets are relatively more attractive. However, considering the likelihood of a near term correction in the A-shares market, we suggest investors avoid gaining exposure from that segment. Hong Kong listed companies that do the majority of their business in the Greater China area are likely better prospects for now. See Table 3 below.

By employing more aggressive measures to open up the A-shares market, China's disconnected equity segments may finally integrate. But during the process, there will likely be periods when valuations and performance of Chinese listings on the Hong Kong Exchange diverge from their respective A-share listings. Based on our current assessment, we think A-shares represent higher risk. However, that does not mean this segment of the Chinese equity market will not become attractive again down the road.

Investment in A-shares might be mandatory for some investors if MSCI or FTSE include A-shares in their benchmarks. By FTSE's estimate, a complete inclusion of Chinese A-shares would represent a 38.0% weight, which means we need to keep track of any new investment vehicle encompassing exposure to that part of the Chinese equity market. Table 4 below is a summary of current ETFs investing in A-shares.

Source: This article was excerpted from "China A-Shares: Market Getting Too Hot?", By Jun Zhu, CFA, Senior Analyst, The Leuthold Group, LLC, (*Perception Express*, April 8, 2015), http://leuth.us/equity-strategies

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TABLE 3

Current Risks Of China A-Shares Outweigh Potential Opportunities

Downside Risk	Upside Potential
- Valuations bubbly	- Further opening up of A-Share market
- Central bank may not cut rates further as rate is now close to 2009 low	- Anticipated inclusion of A-Shares in MSCI EM and FTSE EM index
- A new policy just announced allowing foreign investors to short-sell A-Shares through Shanghai-Hong Kong Stock Connect channel	
- Government may enforce measures to cool down A-Shares (it has done that before)	
- Local investors may start to find Hong Kong listings more attractive and reverse the capital flow	
- New policies to make it easier to invest in Hong Kong listings may also divert capital flow out of A-Shares	
- Delayed inclusion of A-Shares in major world indexes	

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TABLE 4

Ticker	ETF Name	Inception	Market Cap Focus
ASHR	db x-trackers Harvest CSI 300 China A-Shares Fund	November, 2013	Large Cap
ASHS	db x-trackers Harvest CSI 500 China A-Shares Small Cap	May, 2014	Small Cap
KBA	KraneShares Bosera MSCI China A-Share ETF	March, 2014	All Cap
PEK	Market Vectors China ETF	October, 2010	Large Cap
CNXT	Market Vectors ChinaAMC SME-ChiNext ETF	July, 2014	SMID
CHNA	PowerShares China A-Share Portfolio	October, 2013	Large Cap
AFTY	CSOP FTSE China A50 ETF	March, 2015	Large Cap

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PULSE

THE REALITIES OF OIL STORAGE CAPACITY

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

Storage at Cushing, Oklahoma, a major hub for U.S. oil storage, reached 54.4 million barrels, a new high. Cushing is important to monitor because it is the nation's largest storage facility and serves as the pricing point for West Texas Intermediate (WTI) grade crude oil. Since it was upgraded in 2011, maximum capacity now stands at 85 million barrels.

If the current fill rate keeps up–2.12 million barrels a week–the cap could be reached as soon as June. The reality is that it seems unlikely that it will occur. Why? Vehicle sales are up, as is the number of miles being driven on U.S. highways, and the busy summer travel season is fast approaching.

Source: This article was excerpted from "Innovation and Efficiency Drive U.S. Oil Supply and Demand", by Frank Holmes, CEO and Chief Investment Officer, U.S. Global Investors, (*Advisor Alert*, March 27, 2015), www.usfunds.com

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HISTORICAL VALUATIONS, GROWTH VERSUS VALUE
U.S. LARGE, MID AND SMALL CAP STOCKS

Growth Stocks Offer More Potential Than Value

	Median Price-To-Earings (P/E)		Historical Averages 1982 to Date		Percent Above/Below Historical Average Valuation		Today's	Historical Average	2000 Extreme
	Growth Stocks	Value Stocks	Growth Stocks	Value Stocks	Growth Stocks	Value Stocks	G/V* Ratio	G/V* Ratio	G/V* Ratio
Large Cap	21.9x	13.8x	19.8x	10.7x	11.0%	29.0%	1.59	1.99	5.80
Mid Cap	24.4x	14.9x	23.3x	11.9x	5.0%	25.0%	1.64	2.10	9.30
Small Cap	29.0x	14.0x	27.4x	11.9x	6.0%	17.0%	2.08	2.45	12.50

Growth stocks have narrowed the valuation gap since the last half of 2014, but remain relatively cheap.

* Growth To Value

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GROWTH AND VALUE PERFORMANCE IN BEAR MARKETS, 1929 TO DATE

Bear Market Dates	Large Cap Growth	Large Cap Value	Best Performing Style
September 1929 - June 1932	-82.2 %	-88.4 %	Growth
September 1933 - March 1935	-0.7	-56.9	Growth
March 1937 - March 1938	-47.1	-63.8	Growth
November 1938 - April 1942	-25.6	-10.9	Value
June 1946 - June 1949	-13.3	-15.3	Growth
August 1956 - December 1957	-14.2	-25.4	Growth
January 1962 - June 1962	-25.6	-17.2	Value
February 1966 - September 1966	-16.1	-17.7	Growth
December 1968 - June 1970	-28.5	-31.1	Growth
January 1973 - August 1974	-43.0	-21.4	Value
January 1977 - February 1978	-17.5	-3.6	Value
December 1980 - July 1982	-19.9	8.1	Value
September 1987 - November 1987	-31.3	-26.0	Value
July 1990 - October 1990	-15.6	-16.0	Growth
July 1998 - August 1998	-15.8	-13.1	Value
April 2000 - September 2002	-49.1	-34.4	Value
October 2007 - February 2009	-50.9	-52.2	Growth
Average For All Bear Markets:	**-29.2** % ◄·····► **-28.5** % Over long haul, G/V performance in bear markets has been essentially the same.		**Growth Better In 9 bear markets, Value better in 8 bear markets.**

Growth and Value data from Fama-French Benchmark Portfolios, Tuck School of Business.
Bear market performance is based on monthly total returns.

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PULSE

AFTER 15 YEARS, THE NASDAQ COMPOSITE FINALLY HITS A NEW ALL-TIME HIGH

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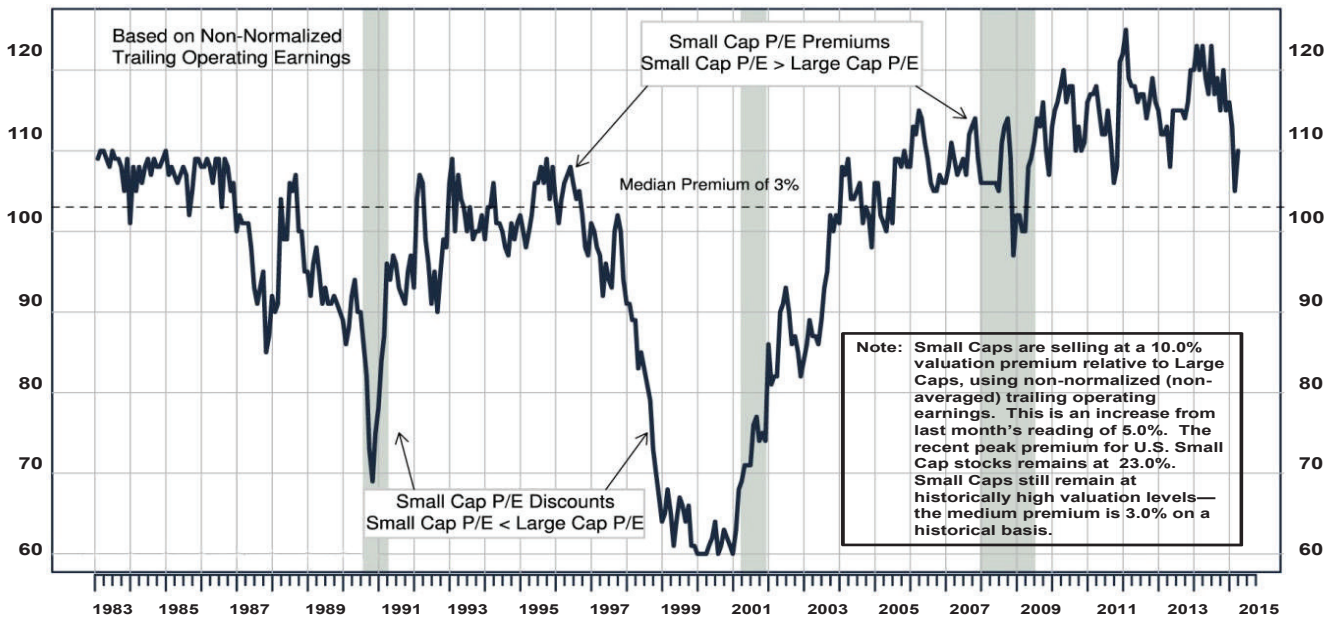
SMALL CAP TO LARGE CAP HISTORICAL PRICE TO EARNINGS (P/E) RATIO
Small Caps Are More Expensive But Barely So



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SUMMARY OF MUTUAL FUND CONFERENCE CALLS AND MEETINGS

JANUARY 1, 2015 THROUGH MARCH 31, 2015

Investment Management Private Meetings	Ticker	Date
1. Jensen Investments		January 6, 2015
2. Eaton Vance Floating Rate Institutional	EIBLX	January 20, 2015
3. Delaware Healthcare	DLHIX	February 11, 2015
4. Cohen & Steers Preferred	CPXIX	February 17, 2015
5. Principal Real Estate	PIREX	February 25, 2015
6. BBH Core Select	BBTEX	March 17, 2015
7. Performance Trust	PTIAX	March 24, 2015
8. Loomis Sayles Core Plus Bond	NERYX	March 25, 2015
9. Delaware Value	DDVIX	March 31, 2015
Investment Management Conference Calls		
1. Angel Oak Multi Strategy Income	ANGIX	January 8, 2015
2. Oakmark Select Equities	OAKLX	January 15, 2015
3. PIMCO All Asset	PAAIX	January 21, 2015
4. PIMCO All Asset All Authority	PAUIX	January 22, 2015
5. Eaton Vance Floating-Rate Loan	EIBLX	January 26, 2015
6. Eaton Vance Floating-Rate Municipal Income	EILMX	January 27, 2015
7. Eaton Vance Municipal Opportunities	EMOIX	January 27, 2015
8. First Eagle Global Overseas, US Value and Gold	SGIIX, FEVIX, FEGIX	January 28, 2015
9. Franklin Templeton Global Bond	TGBAX	February 2, 2015
10. Invesco Balanced Risk Allocation	ABRYX	February 17, 2015
11. J O Hambro International Select	JOHCM	February 23, 2015
12. Loomis Sayles Bond, Investment Grade Bond, and Strategic Income	LSBDX, LSIIX, NEZYX	March 24, 2015
13. Mainstay Marketfield	MFLDX	March 30, 2015

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THE U.S. DEBT CEILING

The U.S. debt ceiling, previously suspended by Congress on February 10, 2014, has now been reset to $18.152 trillion. The debt ceiling has been raised or suspended 81 times since 1961, 33 times under Democratic presidents and 48 times under Republican presidents. The debt ceiling was raised 18 times during the eight-year Reagan administration, more than any other president since 1961 (Source: Peter G. Peterson Foundation).

U.S. GOVERNMENT DEBT

Total outstanding debt of The United States of America was $17.226 trillion as of December 26, 2013, up from $16.433 trillion as of December 31, 2012. Congress has no debt ceiling in place today, but rather will permit "normal spending" to occur for the next 39 days to February 7, 2014, at which time a new deb ceiling must be agreed upon. (Source: Treasury Department)

THE S&P 500'S MAY PERFORMANCE

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

The monthly total return for the S&P 500 during the month of May since 1990 has been an average gain of +1.22%, the 6th best performing month over the last 25-years. The S&P 500 consists of 500 stocks (selected by the Standard and Poors Committee) selected for the index. Criteria includes market capitalization (shares outstanding times their price), liquidity domicile, public float, sector classification, financial viability, length of time that the company is publicly-traded and its listing exchange. The index is capitalization-weighted. Therefore, the companies with higher capitalizations are weighted proportionally (higher) in the index.

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SECULAR BEAR MARKET WATCH

April 1, 2000 to March 31, 2015
(15 years and 0 months)

	Annual Compound Return	Total Return
Consumer Price Index (Inflation)	2.12%	36.51%
90-Day Treasury Bills Index-Total Return	1.77%	29.67%
Barclays Aggregate Bond Index-Total Return	5.65%	128.32%
HFRX Global Hedge Fund Index	2.85%	52.53%
S&P 500 Index (U.S. Stock Market)	4.14%	83.91%
MSCI EAFE Index (Developed Foreign Equities)	3.56%	69.04%
MSCI Emerging Market Index (Equities)	7.31%	188.28%
Newedge CTA Index (Managed Futures)	5.95%	138.18%
Dow Jones–UBS Commodity Index-Total Return (USD)**	-0.03%	-0.41%
Dow Jones U.S. Real Estate Index-Total Return (USD)**	12.26%	467.04%
Gold Bullion	10.12%	324.96%

* 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

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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 worse than the last 14 years and 10 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.

A TALE OF TWO MARKETS

A SECULAR BEAR IN TWO PARTS

	April 1, 2000 to December 31, 2011 (11 years and 9 months)		January 1, 2012 to December 31, 2014 (3 years and 0 months)	
	Annual Compound Return	Total Return	Annual Compound Return	Total Return
Consumer Price Index (Inflation)	2.38%	31.82%	1.33%	4.05%
90-Day Treasury Bills Index-Total Return	2.22%	29.44%	0.06%	0.18%
Barclays Aggregate Bond Index-Total Return	6.41%	107.69%	2.66%	8.20%
HFRX Global Hedge Fund Index	2.65%	36.07%	3.17%	9.83%
S&P 500 Index (U.S. Stock Market)	0.37%	4.42%	20.34%	74.47%
MSCI EAFE Index (Developed Foreign Equities)	1.21%	15.17%	11.79%	39.80%
MSCI Emerging Market Index (Equities)	8.07%	149.14%	4.37%	13.73%
Newedge CTA Index (Managed Futures)	6.03%	99.06%	4.20%	13.17%
Dow Jones-UBS Commodity Index-Total Return (USD)**	3.08%	42.79%	-9.47%	-25.84%
Dow Jones U.S. Real Estate Index-Total Returns (USD)**	10.61%	227.26%	15.45%	54.00%
Gold Bullion	15.83%	462.79%	-8.90%	-24.43%

* 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 Services

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PULSE

Treasury Bond, *continued on page 15*

as TIPS, yield curve. The long-term (10 years to 30 years) inflation rate is expected to be just below 2.0%. Also indicated by the chart below (?) is that short-term inflation (under 4 years) is expected to be under 1.5% and intermediate inflation (4 to 10 years) is expected to be approximately 1.75%.

Therefore, the news appears to be that we are in for a very long, moderate recovery, which is generally good for the stock market were it not for very high stock market valuations and historically low interest rates, which will likely counteract or mute a rising stock market. However, this type of bond market forecasting which utilizes U.S. Treasury interest rates historically has meant steady low to moderate economic growth. However, we are sure we will have a few hiccups along the way.

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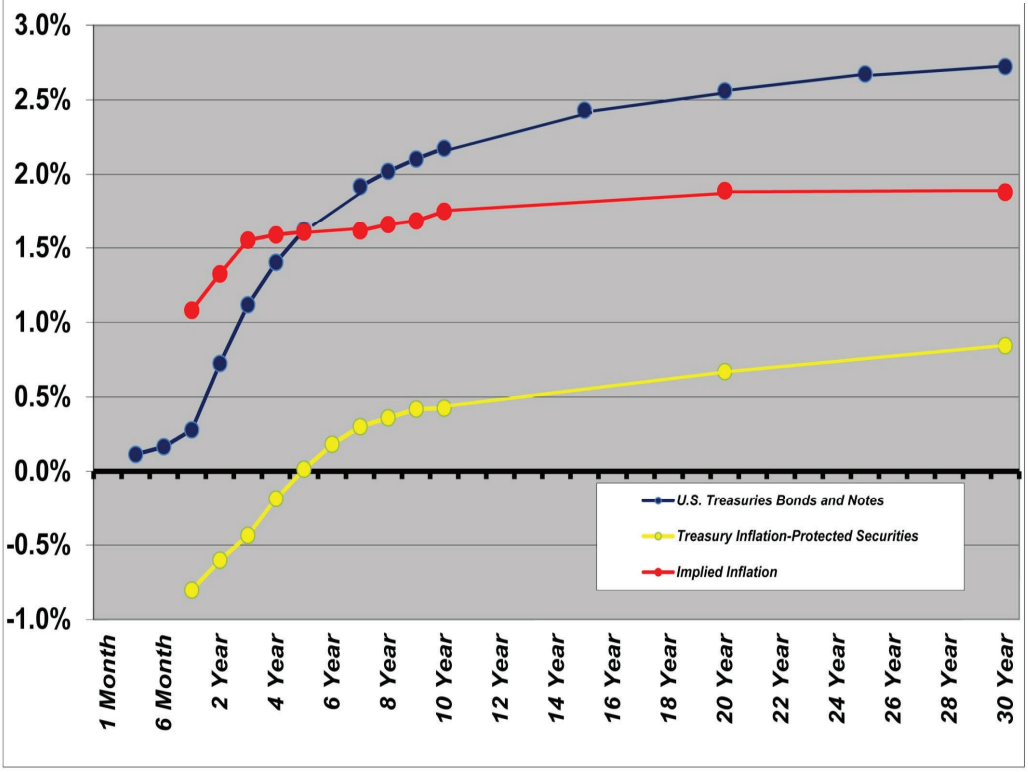
U.S. LONG-TERM IMPLIED INFLATION RATE STAYS BELOW 2.0%



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PULSE

Buyer Beware, *continued from page 1*

Another interesting aspect of the European Value Index is that at times it can rally faster and harder after a large decline in the U.S. stock market (see the period following the 1987 crash and the 2000-2003 bear market). This also shows up in the data, especially over the last 15 years. Relative to the U.S. market, the European Value Index's downside capture – what it loses in relation to the U.S. market when U.S. stocks are falling – is 112.0%. Its "upside capture" is 115.0%. Put differently, European Value often behaves as if it were simply a more speculative and volatile subset of U.S. stocks.

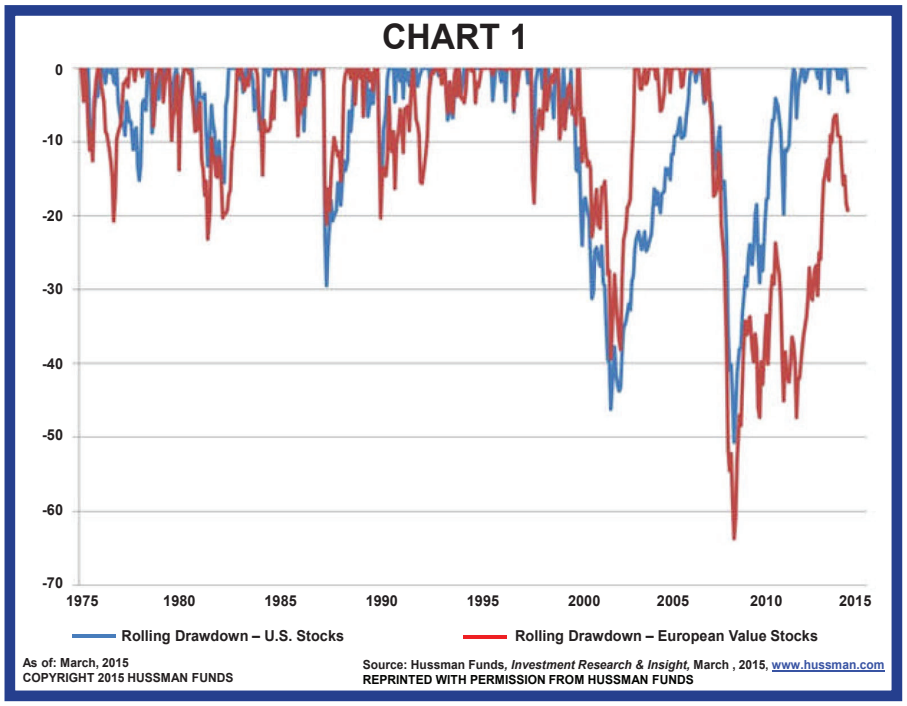
Chart 2, to the bottom right, shows the broad MSCI regional indexes, and their upside and downside capture relative to the U.S. during two periods. The blue markers show the variations of international indexes relative to the U.S. from 1970 to 2000. This is the period where international stocks offered some diversification benefits – falling by a smaller amount in U.S. bear markets, but capturing a majority of the gains of the U.S. market when it rose. The red markers show how these international indexes have done relative to the U.S. from 2000 until today. There has been a major increase in correlation, and reduction in the benefit of holding global markets as diversifiers in a portfolio.

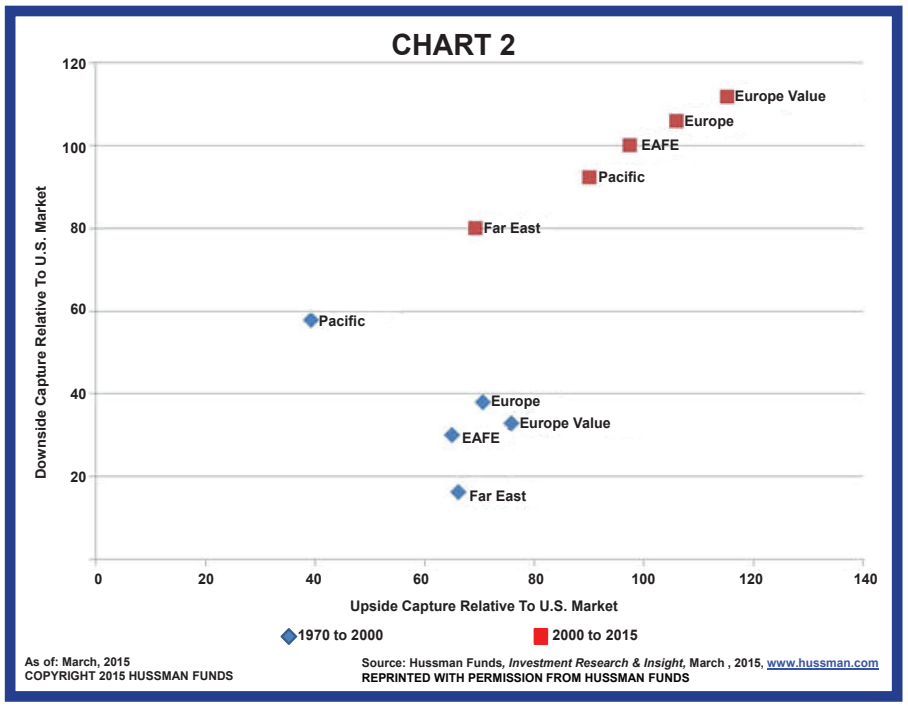
Simply put, it is best to own European value stocks when the U.S. markets have experienced losses and the market begins to recover. The downside risks are amplified when the U.S. market exhibits conditions that have typically led to bear markets, crashes, or steep corrections. If the high correlation between U.S. markets and international markets persists, it may be best to consider the majority of international stocks as amplifiers to U.S. market returns, rather than modifiers.

On the topic of not fighting the Central Bank, Europe's high correlations with US markets tends to trump European Central Bank (ECB) interest rate cuts. As John Hussman noted last week, the "Don't fight the Fed" argument doesn't fit the data once investor preferences have shifted to risk aversion (based on market internals, credit spreads, and other risk-sensitive measures). This has been particularly true during the past 15 years. The same can be said of European markets. Starting in October 2000, the Dow Jones Euro Stoxx Index fell 63.0% through March of 2003, during which time the ECB cut its rate from 4.75% to 2.50%. In July of 2008, even after European stocks already declined by nearly 25.0% in unison with U.S. markets, the ECB raised its interest rate once. Three months later the ECB, began to lower rates aggressively, and during this period Euro-area stocks would fall another 45.0%. ECB Quantitative Easing (QE) would likely be ineffective at supporting Euro-area stocks during a decline in US stocks.

Improving European Fundamentals:

There's little doubt that European economies are showing some improvement in the last couple of months, following a steep drop in the Euro and a pickup in export activity. The Citigroup Economic Surprise Index for the region reached 60 earlier this month, rare levels of altitude for this index in the last few years. Both the





Eurozone manufacturing and composite PMI are above 50, and analysts are increasing their forecasts for earnings this year.

It's important to note, however, that the correlation of individual country markets with the U.S. market swamps the correlation of individual country markets, as well as the fundamentals of these markets. All of this local fundamental data will become less compelling if the U.S. markets turn lower. In Chart 3, on the top of page 17, I've plotted the average correlation between changes in local earnings and changes in the local country index for developed markets; the average correlation between changes in local Gross Domestic Product (GDP) and the local country index; and the average correlation between changes in the local country index and the MSCI U.S. index. Local fundamentals matter, but they tend to get overwhelmed by each country's correlation to the U.S. and the overall world markets.

Returning to the topic of European value stocks, it's worth noting that over that last 15 years the correlation of year-over-year changes in the MSCI

Buyer Beware, *continued on page 17*

Buyer Beware, *continued from page 16*

European Value Index and the U.S. Index is 0.86. So there's already a high correlation between cheap stocks in Europe and the U.S. market. Interestingly, the correlation between the Price-To-Earnings (P/E) ratio of the European Value Index and the P/E ratio of the U.S. index is 0.76, which is also quite strong. So the rising valuation multiple of European stock markets - that has accounted for virtually the entire gain in these markets - has largely been driven by a steep advance in the U.S. market, where investors are hoping to reduce exposure because of the resulting overvaluation. Any material weakness in the U.S. market will likely be quick to highlight the strong correlation. Overweighting European stocks may seem to be an obvious strategy to seek higher returns and lower risk here. It may turn out to be just the opposite.

Source: This article was excerpted from "Is The Rush Into European Stock Markets Warranted", by William Hester, CPA, The Hussman Funds, (*Investment Research & Insight*, March, 2015), www.hussman.com

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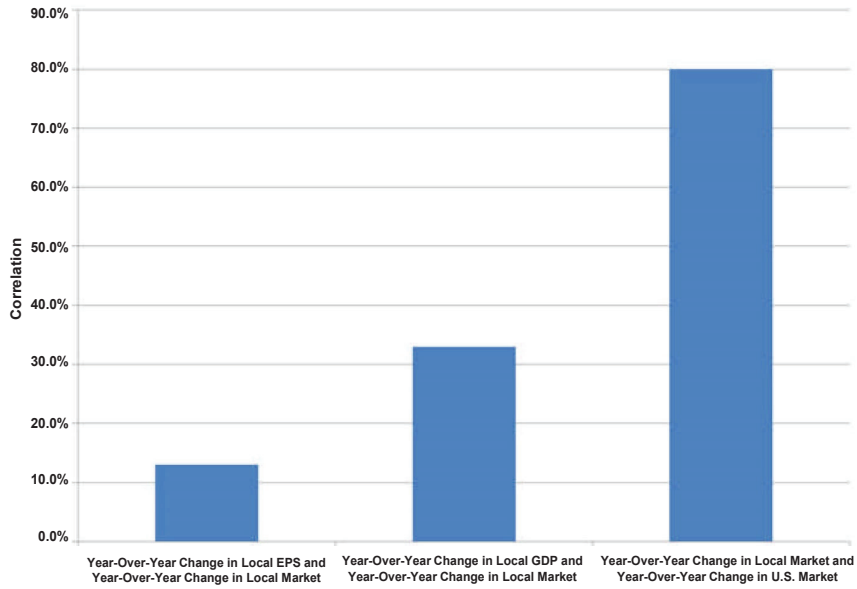
CHART 3



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RISK AVERSION INDEX: TICKED UP AND STAYED ON "HIGHER RISK" SIGNAL

By Chun Wang, CFA, PRM, Senior Analyst and Co-Portfolio Manager, The Leuthold Group, LLC

Most risky assets suffered losses in March. Our monthly Risk Aversion Index (RAI) ticked up a bit and stayed on the "Higher Risk" signal generated at the beginning of the year. The objective "Higher Risk" signal was much more accurate than our subjective bias favoring risky assets last month. High volatility is here to stay and that usually means more demand for Treasuries, another factor capping the upside in interest rates. We recommend staying cautious and exercising patience in the near term.

Source: This article was excerpted from "Risk Aversion Index—Ticked Up And Stayed On 'Higher Risk" Signal", by Chun Wang, CFA, PRM, Senior Analyst and Co-Portfolio Manager, The Leuthold Group, LLC, (*Perception Express*, April 8, 2015), http://leuth.us/bond-market.

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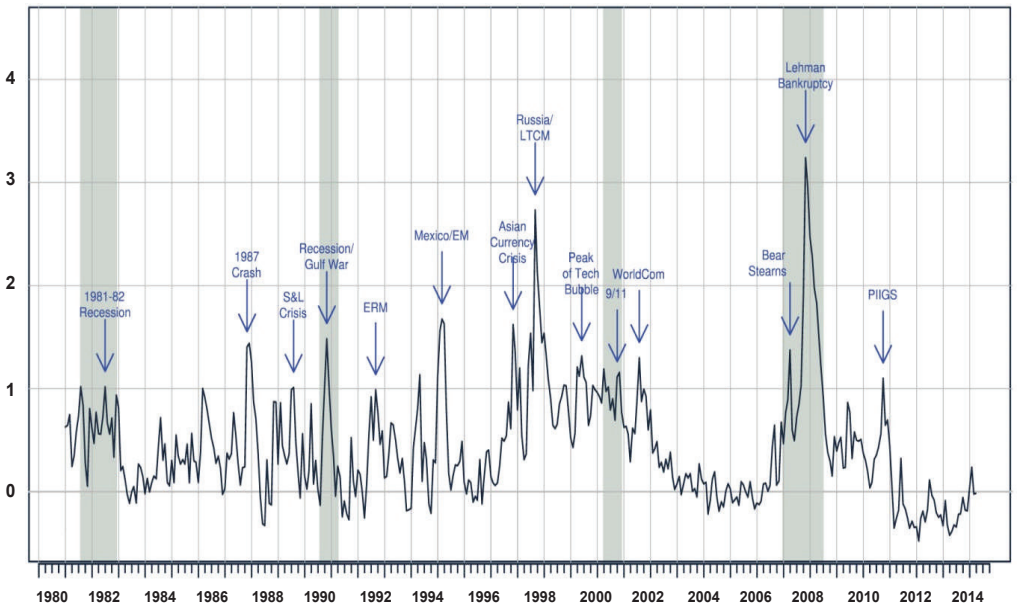
HIGHER RISK TICKS UP
MONTHLY RISK AVERSION INDEX (RAI)

Note: The Risk Aversion Index combines ten market-based measures including various credit and swap spreads, implied volatility, currency movements, commodity prices and relative returns among various high- and low-risk assets.



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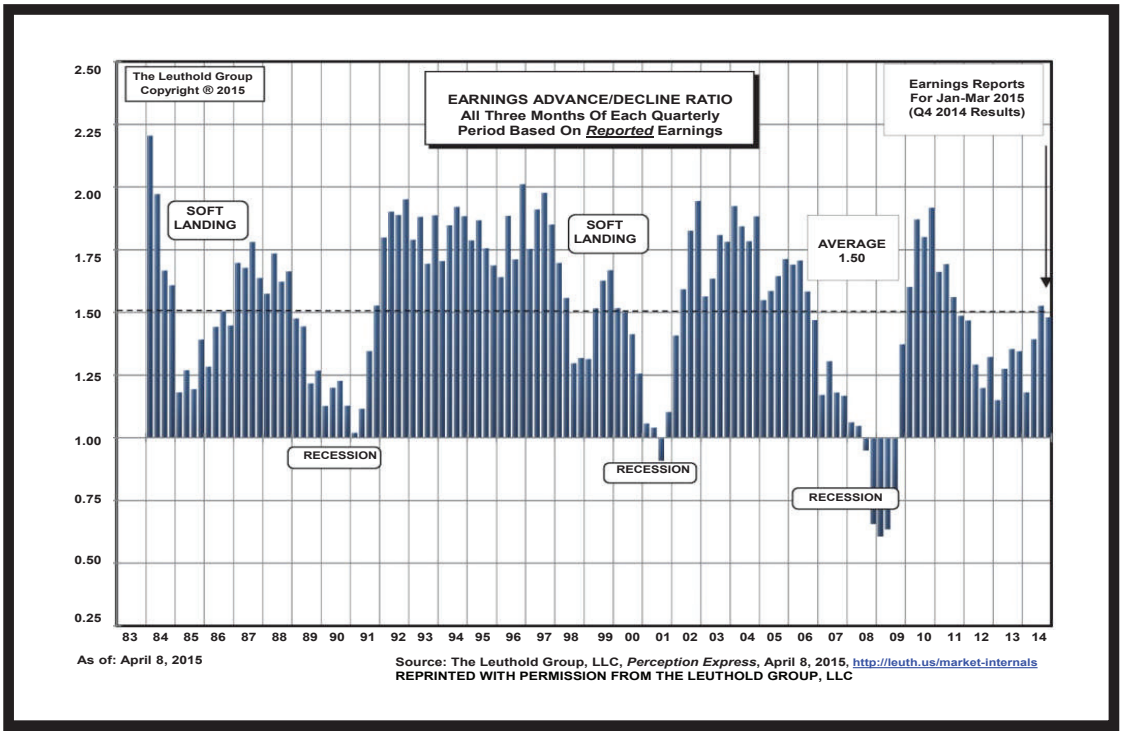
Risk Indicator, *continued from page 1*

report their earnings. A ratio of 1.0 means the number of companies increasing their earnings equals the number of companies whose earnings are declining or have losses.

In this chart, for example, all 2014 four quarter earnings are reported in the first quarter of 2015. As a result, there is a lag in reporting. Also, generally the thinking goes, companies that report their earnings in the first month of the quarter (January in this case) for the 2014 fourth quarter, usually are fairly confident (They are eager to report their earnings.) in their positive results. In other words, they are excited to give good news. Companies that report in the second month of the quarter are less confident in their results. Companies that typically report in the third month of the quarter are usually trying to distance themselves from poor financial results.

The Leuthold Group reports these figures each month so that the progression throughout the calendar quarter can be analyzed. Typically, this chart is published in most issues of this newsletter.



As indicated in the chart, poor results indicate a "soft landing (soft economy)" or a "recession". In the 2008 to 2009 period, we obviously had a severe recession with earnings declining five quarters in a row. Currently, the ratio is near 1.50, which is near the historical norm since 1983, the beginning of the chart.

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Core Inflation Rates, *continued from page 1*

CPI AND CORE CPI

CPI Components	Weight in CPI	12-month Change
Food & Bev.	14.4%	3.0%
Housing	33.0%	3.0%
Apparel	3.3%	-0.8%
Transportation	5.7%	2.2%
Medical Care	6.0%	1.8%
Recreation	3.8%	1.6%
Edu. & Comm.	6.5%	0.8%
Other	1.8%	1.5%
Headline CPI	**100.0%**	**-0.1%**
Less:		
Energy	7.4%	-18.8%
Food	14.4%	3.0%
Core CPI	**78.2%**	**1.7%**

As of: March 31, 2015

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

CRUDE OIL PRODUCTION PEAKS

U.S. crude oil production reached 9.404 million barrels a day for the week ending Friday, April 3, 2015. This is the highest production total of crude oil the U.S. has generated since November, 1972. Back then, the U.S. was producing 9.426 million barrels a day. The U.S. Peak (10.044 million barrels a day) in crude oil production took place in November, 1970 (Source: Department of Energy).

U.S. CRUDE OIL STORAGE UPDATE

U.S. crude oil storage reached a record 482.4 million barrels as of Friday, April 3, 2015, the 13th consecutive week that a record total has been set. The 482.4 million barrels are separate from any oil stored in the "Strategic Petroleum Reserve", which has a capacity of 727 million barrels (Source: Department of Energy).

SLOW GROWTH ECONOMY

From 1940 to 2014 (75 years) the U.S. economy grew at 3.6% per year as statistically measured by Gross Domestic Product (GDP) annual growth rate. Since January of 2000, the actual growth rate of the U.S. economy has reached +3.6% once in the last 14 calendar years (Source: Commerce Department).

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 Comfort Zone Questionnaire, with the guidance of a Legend Wealth Advisor 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®, founder, 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.

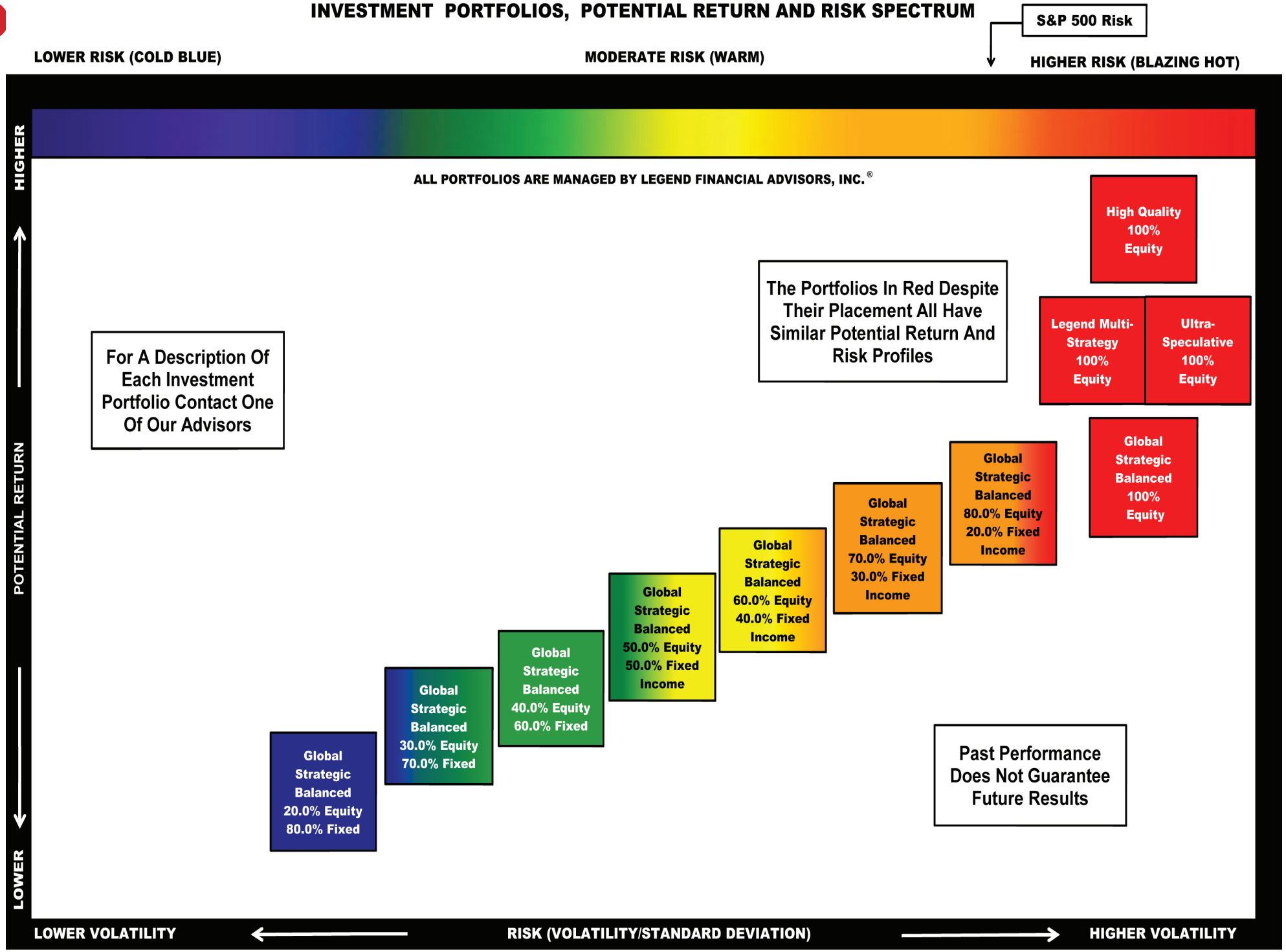
PERFORMANCE REPORTING

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®, founder, CCO, CEO and President of both firms for a confidential discussion at (412) 635-9210 or e-mail us at legend@legend-financial.com.

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



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