August, 2014

THE GLOBAL INVESTMENT PULSE

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

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STRAIGHT FROM THE HORSE'S MOUTH... BUT WHO OWNS THE HORSE?

By Eric L. DeMico, Senior Analyst, Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.

The universe of fixed income managers is very broad and diverse. This is a function of the fixed income market itself as fixed income securities, unlike equities, can be packaged and structured in infinite ways. Case in point, evaluating mortgage-backed securities is very different than evaluating corporate bonds. Nuances like prepayments, adjustable rates, covenants, callable features, convertibility, etc… may apply to some fixed income securities, but are irrelevant to others.

A result of this is that fund companies and fund managers oftentimes

Horse, *continued on page 4*

TIME FOR A GUT CHECK...

THE ODDS SAY NO CRASH IN THE NEAR FUTURE!

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*

U.S. Stock valuations, as represented by the S&P 500, are within the top 10 valuations of all time but probably won't crash any time soon. Why? Simply, there are no financial market measures indicating there is any imminent danger in the very near future. A major war, terrorist act, oil embargo, currency crisis or some other type of major negative news could cause these market indicators to reverse themselves quickly. Right now though, the major indicators for volatility and other stock market risks, interest rates, currencies, inflation, recessions are at extremely low levels, and in some case historical lows. Of course, one could take the opposite view that they are so low that they have no where to go but up.

PULSE

PREFERRED SECURITIES OFFER A SIGNIFICANT INCOME STREAM, BUT NOT NECESSARILY STABILITY

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*

Preferred stocks currently offer some of the highest yields in fixed income but they can be almost as volatile as common stocks at times. After all, they are stocks. They also provide an income advantage but they can provide an income taxation advantage as well regardless of one's tax bracket. The after-tax yield can even exceed that of high-yield junk bonds or even tax-exempt municipal bonds. The reason is that distributions from many preferred stocks are taxed as qualified dividend

Preferred Securities, *continued on page 3*

GOLD TAXATION COMPLEXITY

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

Gold has been a very popular investment over the last several decades. However, there are different ways to invest in gold. One of the oldest ways to obtain exposure is to physically possess gold. This is typically accomplished in the form of buying gold bars and or coins such as South African Krugerrands, Canadian Maple Leafs or Gold American Eagles. Another way to purchase

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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 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, 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.

CLOSED-END FUNDS: EXCHANGE-TRADED FUNDS THAT AREN'T EXCHANGE-TRADED FUNDS

By Eric L. DeMico, Senior Analyst, Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.

Closed-End Funds are the original form of mutual fund and have been around for more than a century. Unlike their more popular sibling, the Open-End Mutual Fund, Closed-End Funds trade on exchanges throughout the day the same way that shares of stock do. Open-End Mutual Funds (the mutual funds that most investors are familiar with), on the other hand, are transacted directly with the investment company at the end of each trading day.

So Closed-End Funds are funds that trade intraday on an exchange; sounds a lot like an Exchange-Traded Fund. However, Closed-End Funds and Exchange-Traded Funds are not the same thing.

The key difference between Closed-End Funds and ETFs lay in how these funds are "created". Closed-End Funds are listed in the "Initial Public Offering" process, or IPO, the same way that shares of stock are sold to investors by a company to get capital. This capital is then invested by the Closed-End Fund managers in whatever the underlying strategy is. After the IPO, shares of the fund can be bought and sold on an exchange. Because investors are not transacting directly with the company, however, the value of the shares can be above or below the net asset value, or N.A.V. The N.A.V. is the actual value of the assets that are owned within the fund. This is also referred to as the fund selling at premium or discount to N.A.V. The "creation" of a Closed-End Fund effectively occurs in the IPO. From that point forward, investors are just buying and selling the fund at their perceived value of the fund on an ongoing basis.

Exchange-Traded Funds (ETFs) work a bit differently. Shares of an ETF can be created on an ongoing basis because the underlying holdings are established in advance and generally do not change very frequently (though there are exceptions). Shares can also be redeemed in-kind for the underlying holdings of the fund. In effect, shares can be created or redeemed continuously, whereas shares of a Closed-End Fund can only be transacted between investors.

The big advantage of the ongoing creation/redemption process is that this typically keeps the value of an ETF close to the value of the underlying assets. This is because if shares of the Exchange-Traded Fund started selling well above N.A.V., an arbitrage opportunity would exist where investors could sell the fund short and buy the underlying holdings for an instantaneous profit (the underlying holdings could then be used to "create" the ETF position and close out the short). The same mechanism does not exist with Closed-End Funds. If a Closed-End Fund is selling at a discount, investors have to wait until other investors are willing to pay more for it in order for the fund to be selling at N.A.V. again. As such, large premiums and discounts can exist for extended periods of time with Closed-End Funds, which is generally not the case with ETFs.

PULSE

Preferred Securities, *continued from page 1*

income (QDI), rather than as regular interest income, which helps investors keep more of what they earn.

However, preferred stocks like other forms of fixed income securities can be sensitive to the effects of rising interest rates. Corporate financial issues such as profit and losses can also affect their prices. To combat rising interest rates, portfolio managers of actively managed portfolios of preferred securities, have a number of different tools that allow them to effectively manage through changing conditions. Those tools are:

1. Utilize more floating-rate type securities that are less sensitive to interest rates
2. Own more higher-coupon/higher-income securities (They pay higher rates though because they are risker)
3. Foreign currency-denominated securities often offer higher yields but, again, they are riskier
4. If a portfolio manager is sophisticated they can use derivatives to hedge interest rates

The Current State Of Affairs:

Preferred stocks continue to offer higher yields relative to most other fixed income categories. Coupon rates are generally in the 6.0%-8.0% range. Despite the fact that preferreds are more volatile than most fixed income securities, currently, they provide enough yield over and above other fixed income securities to at least compensate for the large majority of the added volatility. Furthermore, the additional income may help to soften the impact of rising interest rates. Investors should not forget though these securities are still stocks.

PULSE

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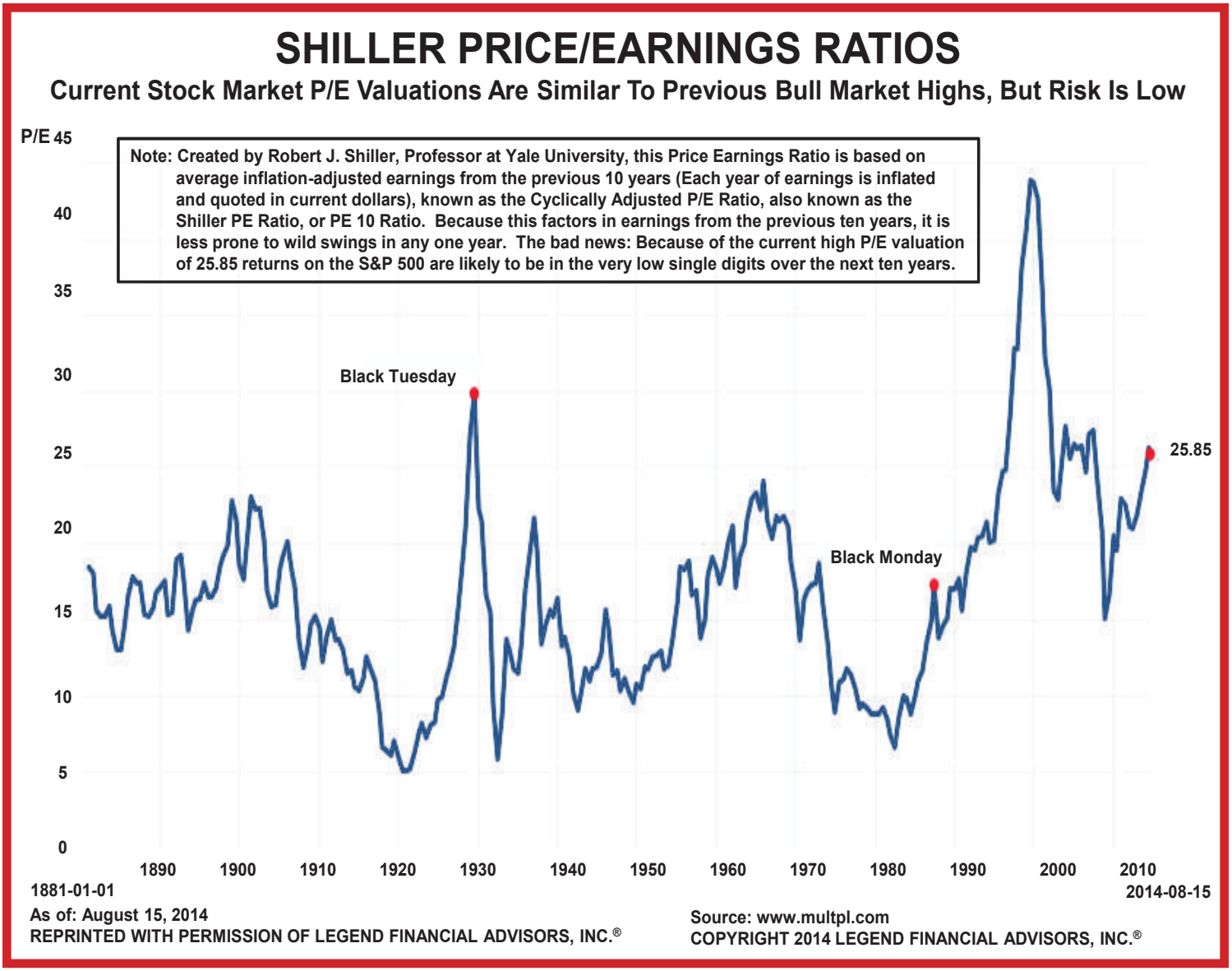
specialize in a single part of the fixed income market. Said fund companies and managers also tend to publish lots of research pieces that they make available to existing and potential investors.

Here's the problem: When a fund company/manager has its niche, it probably isn't going to be an objective source of information on its area of specialty. For example, fund companies that focus on municipal bonds tend to publish lots of white papers and fancy charts showing investors how great municipal bonds are. What if municipal bonds become overvalued? Well, those managers are probably not going to switch to corporate bonds and mortgage-backed securities because: A. Their mandate won't allow it, and B. Even if it did, those managers probably aren't corporate bond or Mortgage-Backed Securities experts. Instead, investors are going to be hearing some new reasons why municipal bonds are still great.

To be fair, some of the best and most compelling research comes from fund companies that live and breathe the markets that are their focus. Who is going to have the best information about bank loans? Probably the people that spend the most time staring at them: bank loan fund managers! Just be sure to take the information with a grain of salt.

As the saying goes, "when you're a hammer, everything looks like a nail".

PULSE



JUST BECAUSE THE S&P 500 IS DOING WELL IN 2014 DOESN'T MEAN EVERYTHING ELSE IS

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*

Actually, 2014 is a mixed bag when it comes to equities. S&P 500's new all time high on Tuesday, August 26th was 2,004.93 will probably continue to rise over the next several months, but other indexes are struggling in 2014. For example, while the S&P 500 is up 9.51% on August 28th year-to-date while the Russell 2000 Total Return Index (U.S. Small Stocks) is up only 1.59%. Below are other equity indexes that are underperforming the S&P 500 in 2014 through August 28th.

Nikkei 225 (Japanese Stocks): -4.18%

Euro Stoxx 50 Price (Price only index, no dividends – European Stocks): +4.81%

S&P Goldman Sachs Commodity Index Total Return: -2.18%

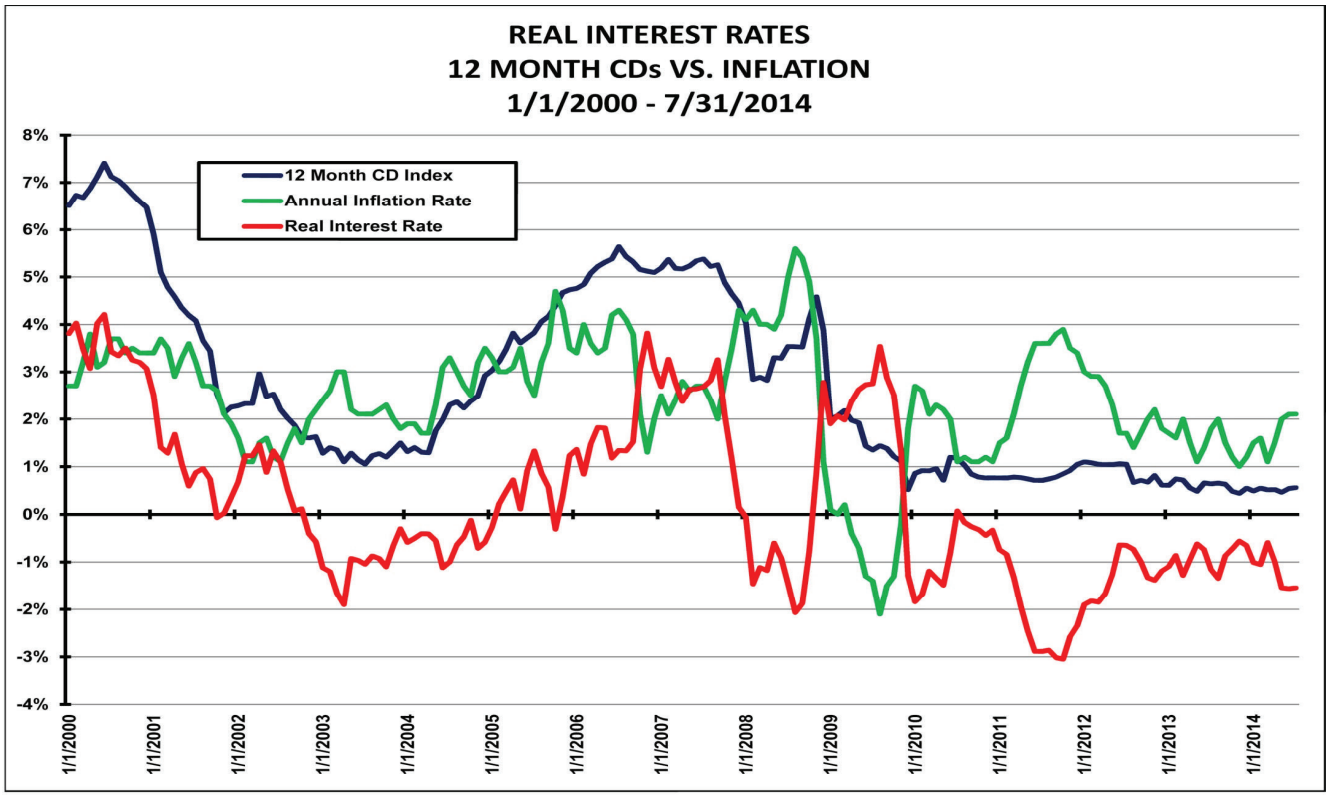
While the Indexes above have struggled, there have also been stellar performance from U.S. REITs, Health Care, U.S. Mid-Cap and Emerging Markets Stocks in 2014. One caveat though, future performance in any index may not be to the upside, although one hopes that isn't the case.

After all, most index valuations by practically anyone's standards are overvalued similar to they way they were in 1997. Yet, the S&P 500 continued to rise 28.7% in 1998 and 22.0% in 1999 as well as most of the first three months of 2000. The NASDAQ returned even more. It just goes to show when momentum is behind anything, it may be a while before it slows down, but look out below when it does!

IS BUYING CERTIFICATES OF DEPOSITS (CDs) A GUARANTEED LOSS?

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

Buying Certificates of Deposit (CDs) is a loser's game, especially since 2010. The red line depicts the interest rates CDs pay minus inflation. Therefore, CDs provide negative returns after inflation when the red line is below zero. If the red line is below the green line, even if it is above zero, means inflation is higher than the rate of interest being paid, indicating loss of purchasing power. This is all before income taxes, which means that buying CDs in almost every situation guarantees a loss of purchasing power after inflation and income taxes.



As of: July 31, 2014

SOURCE: BLOOMBERG INVESTMENT SERVICE

INTEREST RATES: TIMING IS EVERYTHING

By Eric L. DeMico, Senior Analyst, Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.

Timing interest rates? Not really. It just made for an interesting title. Time, not timing, is the topic of this conversation.

"Interest rates" are referred to frequently, as in "interest rates are low", "interest rates are rising", etc… In this context, the interest rates being referred to are oftentimes the rates on U.S. Treasury Securities. The problem is that U.S. Treasury Securities do not all have the same amount of time until maturity. The U.S. Government may be borrowing money for four weeks, or 30 years. Or maybe the government issued 10-year bonds three years ago. Those are now seven year bonds.

The rates on U.S. Treasuries are heavily dependent upon the time until they mature. The more time until maturity, the higher the interest rate (generally) because any would-be investor is taking on more interest rate and inflation risk. In addition, it's important to recognize that short-term, medium-term, and long-term rates do not always move in unison, up or down. Long-term rates can fall while short-term rates do nothing, or maybe even rise.

The point is that there are independent markets for shorter-term securities and longer-term securities, and these markets can have varying impacts on those respective interest rates.

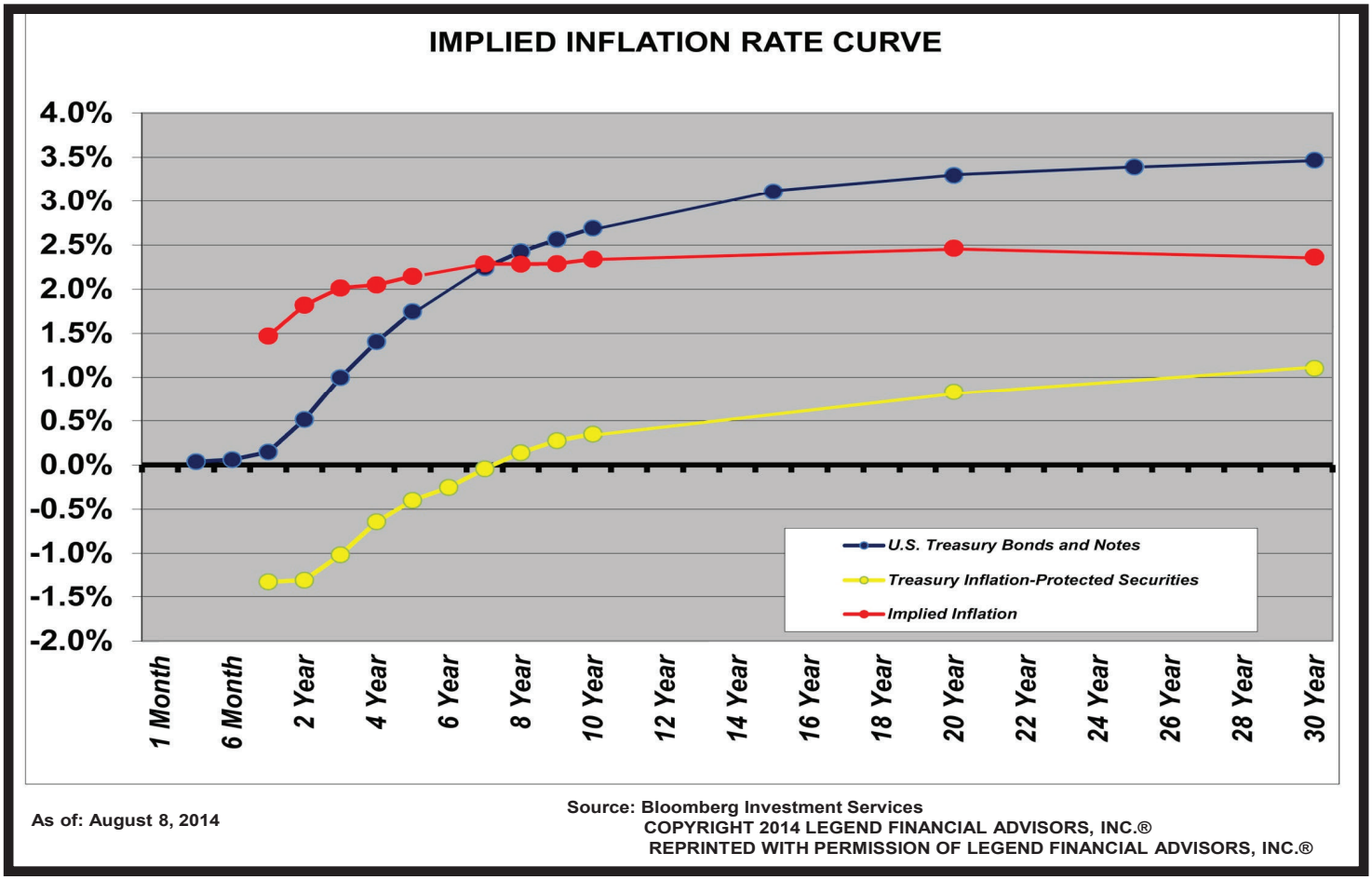
So when someone says "interest rates are rising," be sure to ask about which ones.

PULSE

FORECASTING THE LONG-TERM INFLATION RATE

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

The bond market forecasts inflation. One of the easiest ways to obtain a forecast of inflation is to take U.S. Treasury Bonds and Notes (the blue line) interest rates and subtract Treasury Inflation-Protected Securities (TIPS) (the yellow line) interest rates, which adjust for inflation, resulting in the Implied Inflation Rate (the red line), also known as the Forecasted Inflation Rate.



PULSE

Gold, *continued from page 1*

physical gold, although indirectly, is the SPDR Gold Trust (GLD), which provides exposure to gold bullion itself.

Another indirect play on gold is to purchase gold mining stocks, which does not necessarily provide direct exposure to the price of gold itself. In fact, gold stocks act more like the S&P 500 than gold bullion.

One of the least known aspects of gold investing is how the income tax consequences of each method of gold ownership can impact the reader's pocketbook. The income taxation issues are covered below:

Owning Physical Gold:

The IRS categorizes physical gold as a collectible. The result of this categorization is a special long-term capital gains tax rate of 28.0%. Short-Term capital gains will still be taxed at the taxpayer's ordinary income tax rate, just like any other investment.

An Exchange-Traded Fund (ETF) Owning Gold:

An ETF like the SPDR Gold Trust (GLD) is set up as a grantor trust, which means that investors own an undivided ownership percentage of the actual metal. If the ETF has to liquidate any part of the gold, then the investor will be liable for any tax on the gain. This gain is also treated as a collectible which has the long-term capital gains tax rate of 28.0%.

An ETF Owning Gold Futures Contracts:

It is common for an ETF that holds gold futures contracts to be structured as a limited partnership. In a limited partnership that holds gold futures contracts, all gains are passed through to the limited partners. In addition, gold futures contracts are marked to market each year. Income taxes are paid each year on any gains no matter how short or long the holding period. 60.0% of any gains are taxed at the long-term capital gains tax rate and the remaining 40.0% of the gains are taxed at the investor's ordinary income tax rate. Also, income tax reporting is completed on a Schedule K-1, which causes additional tax forms to be completed and possibly additional fees may be charged by the investor's accountant.

Gold Mining Stocks:

An investor can also gain exposure to gold through gold mining stocks or through an open-end or closed-end mutual fund and/or an ETF that invests in gold mining stocks. Gold mining stocks can provide exposure in the exploration, development and production phases in the gold mining process. An investor must further realize that investing in gold mining stocks does not necessarily provide the investor with exposure to the price of gold. Gold can be skyrocketing in price, but if the mining company is poorly managed, carries a lot of debt, etc., the price of the stock can drop at the same time. There are many other investment reasons that the price of a gold mining stock or mutual fund does not correlate (move similarly) to the price of gold (In fact, gold bullion is a better diversifier.), but that is for the subject of another article. The income tax consequences of owning gold mining stocks directly, through mutual funds or ETFs is taxed a maximum long-term capital gains rate of 15.0% or 20.0%. Short-term capital gains are taxed at the taxpayer's ordinary income tax bracket.

Exchange-Traded Notes:

Another way one can obtain gold exposure is by purchasing an Exchange-Traded Note (ETN). These notes are debt securities of an issuing investment bank that represent an index of gold-mining stocks. The note is not taxed until it is sold or matures (usually 25 to 40 years in the future). When the note is sold, if it is held for one year or more, it is taxed at 15.0% or 20.0% capital gains taxation rates. If it is held less than one year, then short-term capital gains rates apply and any gains are taxed at the taxpayer's ordinary income tax bracket. The danger of this method of investing in gold is that issuing investment could fail. Remember Lehman Brothers!

There are several ways to obtain exposure to gold. It is extremely important for an investor to first understand the investment ramifications of their decision and then to understand the income tax consequences. In short, don't let the tax tail wag the investment dog.

SECULAR BEAR MARKET WATCH

April 1, 2000 to July 31, 2014
(14 years and 4 months)

	Annual Compound Return	Total Return
Consumer Price Index (Inflation)	2.33%	39.16%
90-Day Treasury Bills Index-Total Return	1.83%	29.65%
Barclays Aggregate Bond Index-Total Return	5.65%	119.83%
HFRX Global Hedge Fund Index	2.94%	51.62%
S&P 500 Index (U.S. Stock Market)	3.74%	69.34%
MSCI EAFE Index (Developed Foreign Equities)	3.92%	73.52%
MSCI Emerging Market Index (Equities)	8.28%	212.82%
Newedge CTA Index (Managed Futures)	4.77%	95.10%
Dow Jones–UBS Commodity Index-Total Return (USD)**	1.84%	29.83%
Dow Jones U.S. Real Estate Index-Total Return (USD)**	11.23%	360.46%
Gold Bullion	11.23%	360.24%

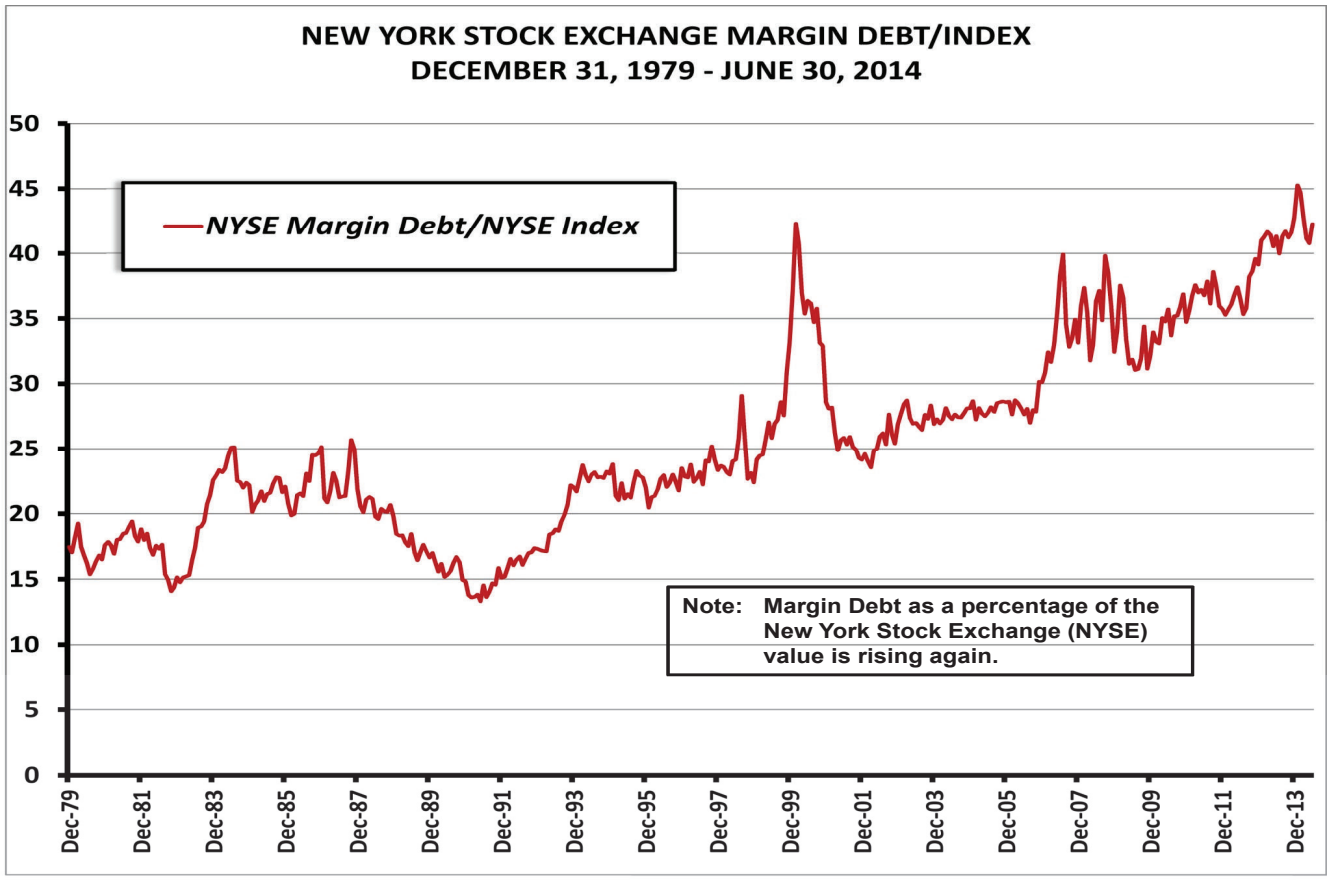
* Compound and Total Returns include reinvested dividends. MSCI Indexes do not include dividends prior to 2002. Newedge Index is equally-weighted.
** USD = U.S. Dollar

Source: Bloomberg Investment Service

As of: July 31, 2014

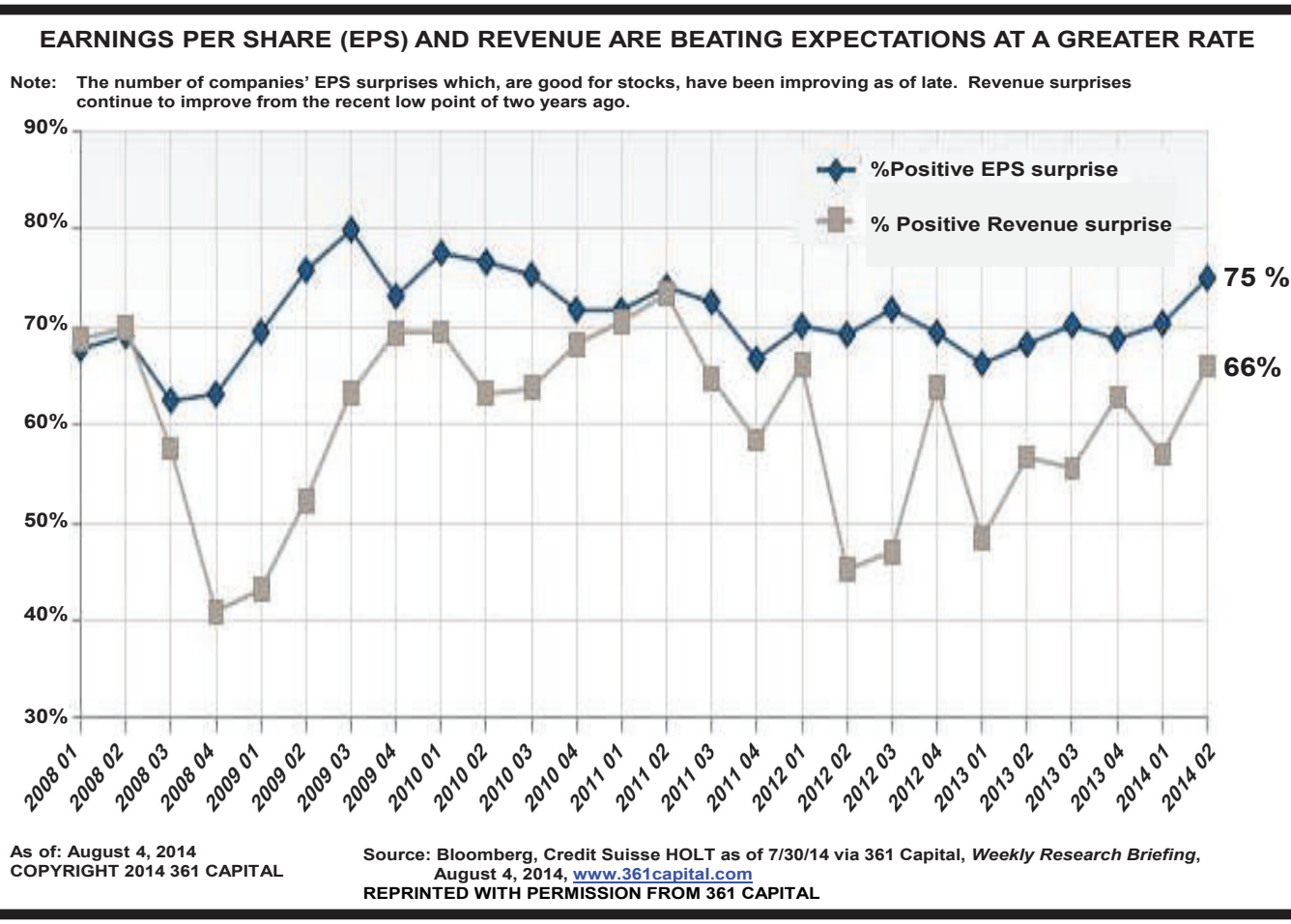
Note: During Secular Bear markets U.S. Stocks have historically returned a little more than inflation or a little less than inflation—plus or minus 1.50%—and generally last between 15 to 25 years. The last Secular Bear market (1966 to 1982) lasted 17 years and underperformed inflation by approximately 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 worse than the last 14 years and 4 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.



As of: June 30, 2014

Data Source: Bloomberg



As of: August 4, 2014

Source: Bloomberg, Credit Suisse HOLT as of 7/30/14 via 361 Capital, *Weekly Research Briefing*, August 4, 2014, www.361capital.com

UNDERPERFORMANCE/OVERPERFORMANCE

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*

A substantial number of active portfolio managers who run domestic and foreign mutual funds, especially value-oriented ones, currently have significantly larger cash positions than normal. In some cases, cash being held is in the 20.0% to as much as 70.0% range. Why? Are they trying to time the equity markets?

Generally, these managers are not trying to time the equity markets. Instead, they are finding valuations of most stocks expensive regardless of the country. While investing in funds with large cash balances may be unattractive to investors who want to keep up with the stock market whenever it rises, the strategy may outperform in the long run (over the next five to ten years). Some readers may say, "How is this possible?" Well, to understand this thought process, think of how Warren Buffet manages money.

Mr. Buffet sometimes holds as much as $40 to $50 billion of cash in his portfolios. Why? Well, it can be safely said he's not looking to earn those high market returns! Instead, he's being patient, looking for opportunities when certain select companies that he likes drop in price. That's when he'll buy. That strategy has proven to be very successful over several decades for Mr. Buffet, who is widely considered the world's most successful investor.

The next benefit of large cash balances within portfolios will come when the stock market eventually does fall. Those investors (Portfolio Managers) with significantly larger than normal cash balances will suffer less of a decline in their portfolios. After all, if one suffers a 50.0% decline in their investments, they then have to earn a 100.0% return to break even (See the chart to the right.). However, if they suffer a 20.0% decline, it requires only a 25.0% return to break even. With a smaller loss though, the same return will result in a higher long-term return. As a result, the biggest risk is missing out on near-term future returns. Remember 1998 and 1999! Therefore, each individual investor needs to determine how aggressive they want to be in the short-term and how much further they expect the equity markets to rise. Considering we are at one of the top ten valuation peaks in history, at best, it would appear another year or two of increasing equity markets is all that should be expected. The bottom line for every investor is: "Does the risk justify the reward?"

RETURNS NEEDED TO REACH BREAK-EVEN POINTS AFTER LOSSES

PERCENTAGE LOSS	PERCENTAGE RETURN NEEDED TO REACH BREAK-EVEN
5.00%	5.26%
10.00%	11.11%
15.00%	17.65%
20.00%	25.00%
25.00%	33.33%
30.00%	42.86%
35.00%	53.85%
40.00%	66.67%
45.00%	81.82%
50.00%	100.00%
55.00%	122.22%
60.00%	150.00%
65.00%	185.71%
70.00%	233.33%
75.00%	300.00%
80.00%	400.00%
85.00%	566.67%
90.00%	900.00%
95.00%	1900.00%

WITH FIXED INCOME, "SOMETHING DIFFERENT" IS NOT A STRATEGY

By Eric L. DeMico, Senior Analyst, Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.

A brief lesson from the game of baseball:

A ball is hit to left field, back towards the wall. The veteran left fielder runs back and jumps up to catch the ball, but not quite high enough. The ball sails over the fence, just barely clearing it…home run.

Manager: "I need a guy that can jump!"

New left fielder (that can jump really high!) takes over. A base-hit shoots between the third baseman and the short stop. The new left fielder runs up, scoops up the ball and goes to throw home with a runner just rounding third. The ball flies weakly out of the left fielder's hand and barely makes it back to the infield. The runner scores easily.

Manager: "I need a guy with an arm!"

New left fielder (that's got a cannon!) takes over. A high fly ball heads out to left field. The left fielder positions himself underneath the falling baseball, shifting a little-left, then back a little-right…and then PLOP! The baseball lands on the ground at his feet.

Manager: "#%@$*&!"

The Team Owner (to the manager): "What you need is a guy that can play left field."

What does this have to do with fixed income? Well, many new "alternative" or "go-anywhere" fixed income funds market the fact that they can do things that traditional fixed income funds cannot. For example, some funds can short interest rates or take the duration negative (using derivatives, bond managers can position the portfolio to actually benefit from interest rate increases). However, many within this new class of funds have not performed very well. It would not be fair to characterize all of these funds as being bad, but investors need to make sure that they aren't chasing new fads. The fact that they can do something different doesn't mean that they can do it well. Furthermore, the right mix of traditional fixed income allocations may be any bit as good as a fund that can go anywhere and do anything.

Investors have a tendency to overthink their own portfolio and, in the process, convince themselves that they need things that they don't (the media usually doesn't help). Don't be lured into making changes just to have something new and different. Something new and different may not be very good at playing left field, which may be all that the team really needs.

PULSE

U.S. GOVERNMENT FACING RISING RATES ALSO

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

As of July 31, 2014, the average interest rate coupon paid by the government on its debt was 2.402%. Six years earlier, the average interest rate paid was 4.382%. That's approximately 2.0% higher than today. For every 1.0% increase interest rates on the U.S's $17.7 trillion debt total approximates to $177 billion per year in additional interest expense. **Source: Treasury Department**

GOVERNMENT WASTE

The FCC once spent

$350,000

in tax dollars to sponsor a NASCAR driver.

The Government once spent

$2 MILLION

in tax dollars on The Imiloa Astronomy Center of Hawaii to promote astronomy in Hawaii.

The Government once spent

$500,000

in tax dollars to paint a Boeing 737 to look like a salmon for the Alaska Fisheries Marketing Board.

The Government once spent

$146 MILLION

in tax dollars so that federal workers could fly in business class.

Source: Jefferson National

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®, 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.

PULSE

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