January, 2015

THE GLOBAL INVESTMENT PULSE

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

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AVOID MUTUAL FUND TAX NIGHTMARES BEFORE PURCHASING A MUTUAL FUND

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

While the investment strategy of an open-end or closed-end mutual fund should always be the primary decision before purchasing a mutual fund, there are several other factors that should be considered prior to finalizing a purchasing decision.

When Is The Mutual Fund's Distribution Date:

Knowing when the distribution date for a mutual fund is critical to avoiding unnecessary income taxes, especially if an investor is going to purchase a fund in the fourth quarter of a calendar year. If the purchase is going to be

Tax Nightmare, *continued on page 10*

UNDERSTANDING STOCK TYPES

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

Shares of stock represent owning a portion of a publically-traded company. In turn, shareholders have a claim on part of the company's assets and their profits. As an investment, stocks have traditionally outperformed most other types of investments over the long term.

High Quality Versus Low Quality:

Some stocks are considered "high" or "low" quality. Quality is usually ranked based on the amount of risk associated with ownership of a company. A high quality stock is capable of producing both current dividends and long-term dividend growth. High quality types of stocks can offer greater consistency and less volatility than lower-quality, non-dividend paying stocks. High quality stocks are rated based primarily on the consistency of a company's earnings, cash flow and dividend growth.

Stock Types, *continued on page 13*

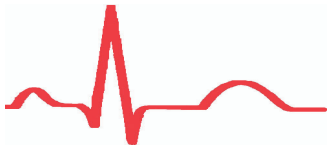
PASSIVE INVESTING ISN'T ALWAYS CHEAP

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

Investors often assume that index funds have low management fees. For some funds, this is true. For others, it is not.

Open-end index mutual funds have been around since the mid-1970s, but Exchange-Traded Funds (ETFs) have lifted index investing to another level in terms of volume and the types of indexes. One of the more notable developments that ETFs have generated is the increased amount of available index funds as well as the focus on even narrower niches. Approximately fifteen years ago, index investing was nothing more than investing into open-end mutual funds that held broad-based, well-known indexes such as the S&P 500 and Lehman Aggregate Bond Index, now called the Barclay's Aggregate Bond Index. Today, ETFs allow investors to invest in geographic regions, countries, sectors, and styles, commodities and even physical gold bullion. Also, investors

Always Cheap, *continued on page 10*



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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.

UNDERSTANDING ALPHA AND BETA

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

"Alpha" and "Beta" are often-used stock market investing terminology for the more analytic types like investment analysts, portfolio managers and Chief Investment Officers as if they were commonplace terms. Consumer publications and fund names now use the words "Alpha" and "Beta". Furthermore, "Smart Beta" investment strategies abound.

Just what is "Alpha" and "Beta"? Let's start with Beta, which is more commonly known. Beta is a statistical measure of how much an investment changes in value relative to an appropriate benchmark. In plain English, if a mutual fund manager is managing a U.S. large stock fund, the S&P 500 index would normally be a fairly good benchmark. If the fund moves 1.2 times (20.0% more than its benchmark) as much as the S&P 500, up or down, over any given month it has a Beta of 1.2. Therefore, volatility can be determined for the investment in question. Beta implies that the large stock fund investment is 20.0% more volatile than the benchmark. Therefore, you can multiply the volatility of the benchmark times 1.2. The resulting answer would be an excellent approximation of the large stock investment's volatility. If the fund had a Beta of 0.5, it would be only 50.0% as volatile as the S&P 500 index. You can then determine the volatility of the investment by multiplying the beta of the investment (.50) times the S&P 500 index's volatility.

Beta can also be used to explain an investment's returns. Going back to our example of a U.S. large-cap fund whose value rose 1.5 times as much as the S&P 500 index over a specific time period of years, was it due to the portfolio manager picking superior stocks or was it because more volatile stocks were selected? If the investment, in this case the large company stock fund, had a Beta of 1.5 (based on historical returns of the period being measured), the mutual fund performed as expected. In this case, the portfolio manager simply created a portfolio of stocks 50.0% more volatile than the S&P 500 index. However, if the fund manager's portfolio had a Beta of 1.0, and the portfolio returned 50.0% more than the S&P 500 index; the manager actually picked better stocks for that period being measured. How does one measure this great performance? It's called positive Alpha!

Alpha explains the superior performance in our example above (same risk, better return). If the return was worse, then it is called negative Alpha (the portfolio manager's selections negatively impacted the investment). In short, Alpha explains the manager's talent, or lack thereof. Beta measures the risk that the portfolio manager is taking.

Managers of mutual funds may have spectacular returns, but perhaps those returns were obtained by taking on additional risk. Alpha is a much better measure of talent than raw returns.

It's important to remember that performance, especially outperformance, is not always attributable to a portfolio manager's talent. Alpha and Beta can explain the different components of returns, but one needs to separate the two to truly determine how good a portfolio manager is, or isn't.

THE U.S. DOLLAR WAS THE WINNER IN 2014

DEVELOPED MARKET CURRENCY PERFORMANCE & INTEREST RATES

The U.S. Dollar has strengthened versus other developed market currencies over the past five years and especially in 2014

Currency	2014 Year-To-Date
U.S. Dollar (USD)	-
Euro (EUR) (German Interest Rate)	-11.96
British Pound (GBP)	-5.90
Japanese Yen (JPY)	-12.08
Australian Dollar (AUD)	-8.35
Canadian Dollar (CAD)	-8.59
New Zealand Dollar (NZD)	-5.10
Norwegian Krone (NOK)	-18.53
Swedish Krona (SEK)	-17.54
Danish Krone (DKK)	-11.82
Swiss Franc (CHF)	-10.20

EMERGING MARKET CURRENCY PERFORMANCE & INTEREST RATES

Most Asian currencies have strengthened versus the U.S. Dollar and Euro over the past five years but not in 2014

ASIA, EX. JAPAN	
Chinese Renminbi (CNY)	-2.44
Malaysian Ringgit (MYR)	-6.34
Indian Rupee (INR)	-1.97
Indonesian Rupiah (IDR)	-1.75
Philippine Peso (PHP)	-0.73
Singapore Dollar (SGD)	-4.72
South Korean Won (KRW)	-3.77
Taiwanese Dollar (TWD)	-5.84
Thai Baht (THB)	-0.62
LATIN AMERICA	
Brazilian Real (BRL)	-11.12
Chilean Peso (CLP)	-13.36
Colombian Peso (COP)	-18.81
Mexican Peso (MXN)	-11.62
Peruvian New Sol (PEN)	-6.14

Emerging Market currencies generally weakened versus the U.S. Dollar in 2014

EUROPE	
Czech Koruna (CZK)	-13.00
Hungarian Forint (HUF)	-17.34
Polish Zloty (PLN)	-14.69
Romania Leu (RON)	-12.09
Russian Ruble (RUB)	-45.88
Turkish New Lira (TRY)	-8.00
MIDDLE EAST AND AFRICA	
Ghanaian Cedi (GHS)	-26.19
Israeli Shekel (ILS)	-10.90
Kenyan Shilling (KES)	-4.75
Moroccan Dirham (MAD)	-9.84
Nigerian Naira (NGN)	-12.62
South African Rand (ZAR)	-9.32
Ugandan Shilling (UGX)	-8.81
Zambian Kwacha (ZMK)	-13.17

Source: Bloomberg via *Eaton Vance Monthly Market Monitor*, January, 2015, www.eatonvance.com

DOW JONES INDUSTRIALS IN STATISTICALLY FAVORED YEARS (1898 TO DATE)

(DJIA Performance Figures Are Price Only)

Pre-Election Years	
1899	9.2 %
1903	-23.6
1907	-37.7
1911	0.4
1915	81.7
1919	30.5
1923	-3.3
1927	28.8
1931	-52.7
1935	38.1
1939	-2.9
1943	13.8
1947	2.2
1951	14.5
1955	20.8
1959	16.4
1963	17.0
1967	15.2
1971	6.1
1975	38.3
1979	4.2
1983	20.3
1987	2.3
1991	20.3
1995	33.5
1999	25.2
2003	25.3
2007	6.4
2011	5.5
2015	?
Average:	**12.3** %
All Years (1898 - 2014)	**7.6** %

Years Ending In "5"	
1905	38.2 %
1915	81.7
1925	30.0
1935	38.1
1945	26.6
1955	20.8
1965	10.9
1975	38.3
1985	27.7
1995	33.5
2005	-0.6
2015	?
Average:	**34.6** %

Pre-Election Years Ending In "5"	
1915	81.7 %
1935	38.1
1955	20.8
1975	38.3
1995	33.5
2015	?
Average:	**44.7** %

Years Preceding A Bush/Clinton Election	
1991	20.3 %
2015	?
2019	?
2023	?
Average:	**20.3** %

As of: January 8, 2015

Source: The Leuthold Group, LLC, *Perception Express*, January 8, 2015
http://leuth.us/stock-market

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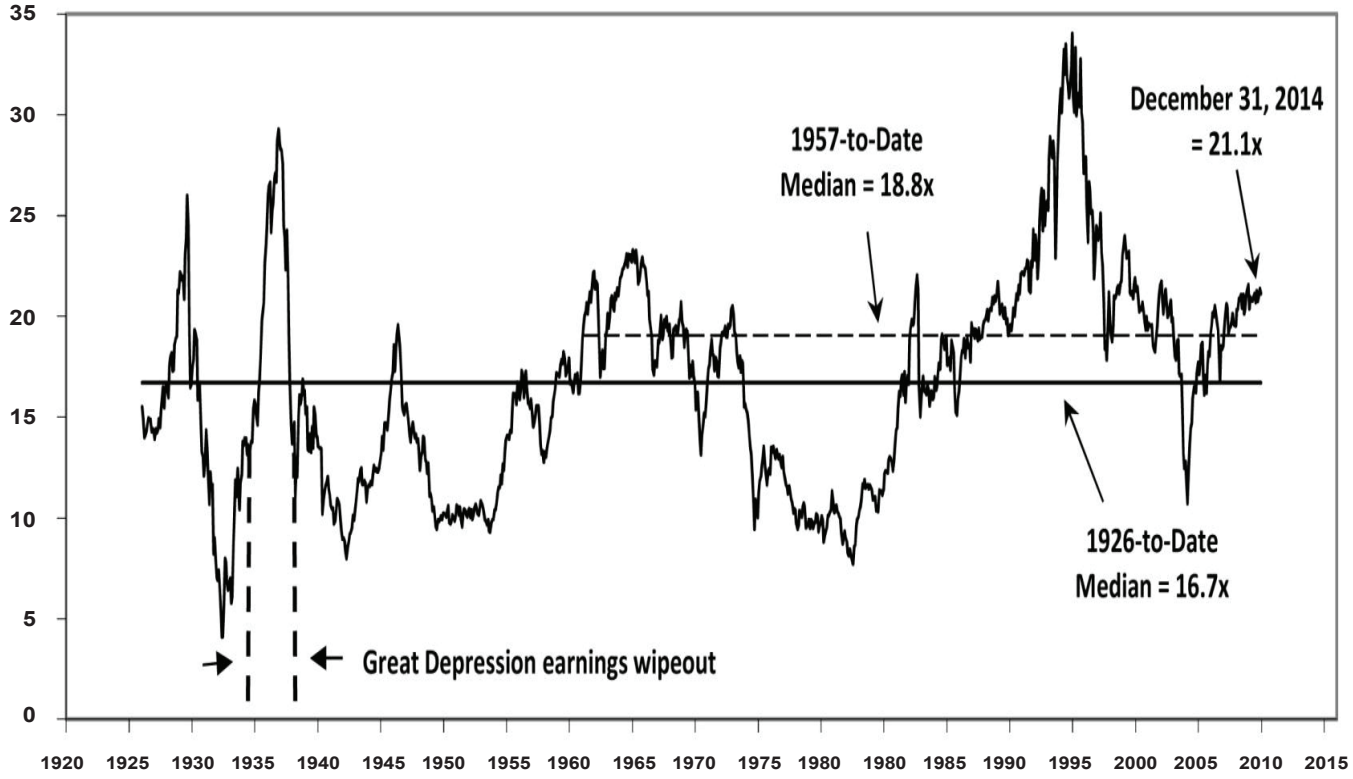
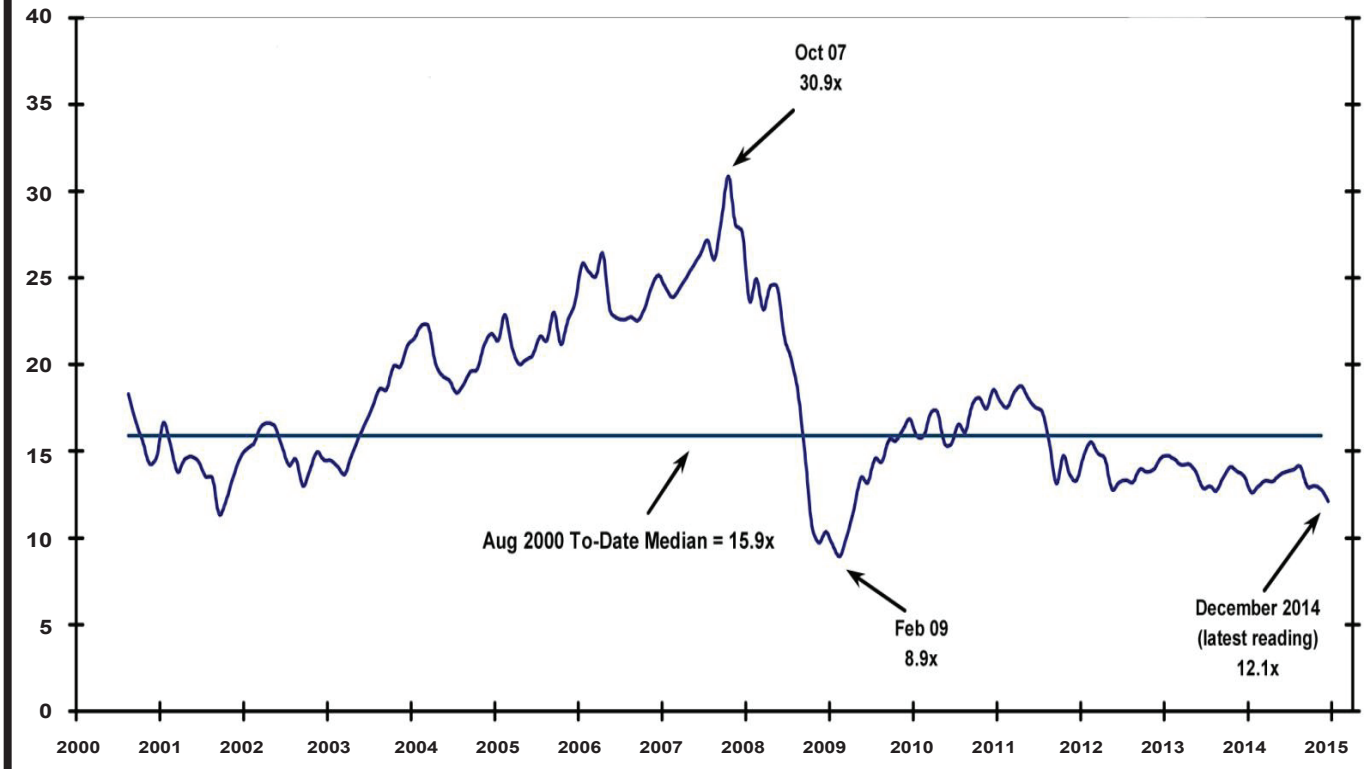
THE S&P 500 IS IN TOP TEN VALUATIONS SINCE 1926 AND BECOMING MORE EXPENSIVE
S&P 500 PRICE TO EARNINGS ON FIVE-YEAR NORMALIZED EARNINGS PER SHARE
(1926-To-Date, Monthly)



As of: January, 2015

Source: The Leuthold Group, January, 2015, http://leuth.us/stock-market

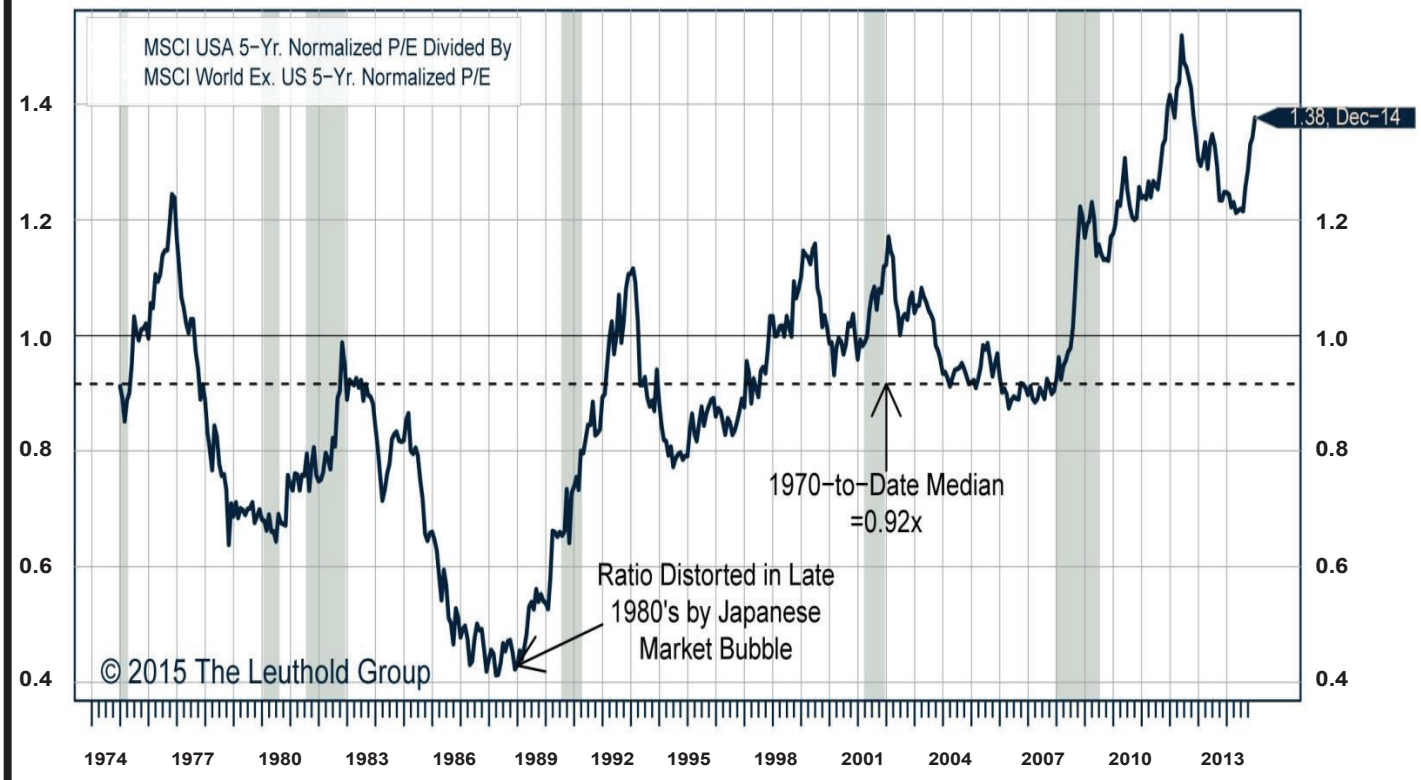
EMERGING MARKETS ARE INEXPENSIVE AND GETTING CHEAPER
EMERGING MARKETS PRICE TO EARNINGS ON FIVE-YEAR NORMALIZED EARNINGS PER SHARE
(Normalized Earnings Per Share Based On Five-Year Moving Average Of 12-Month Trailing Earnings Per Share)



As of: January, 2015

Source: The Leuthold Group, January, 2015, http://leuth.us/stock-market

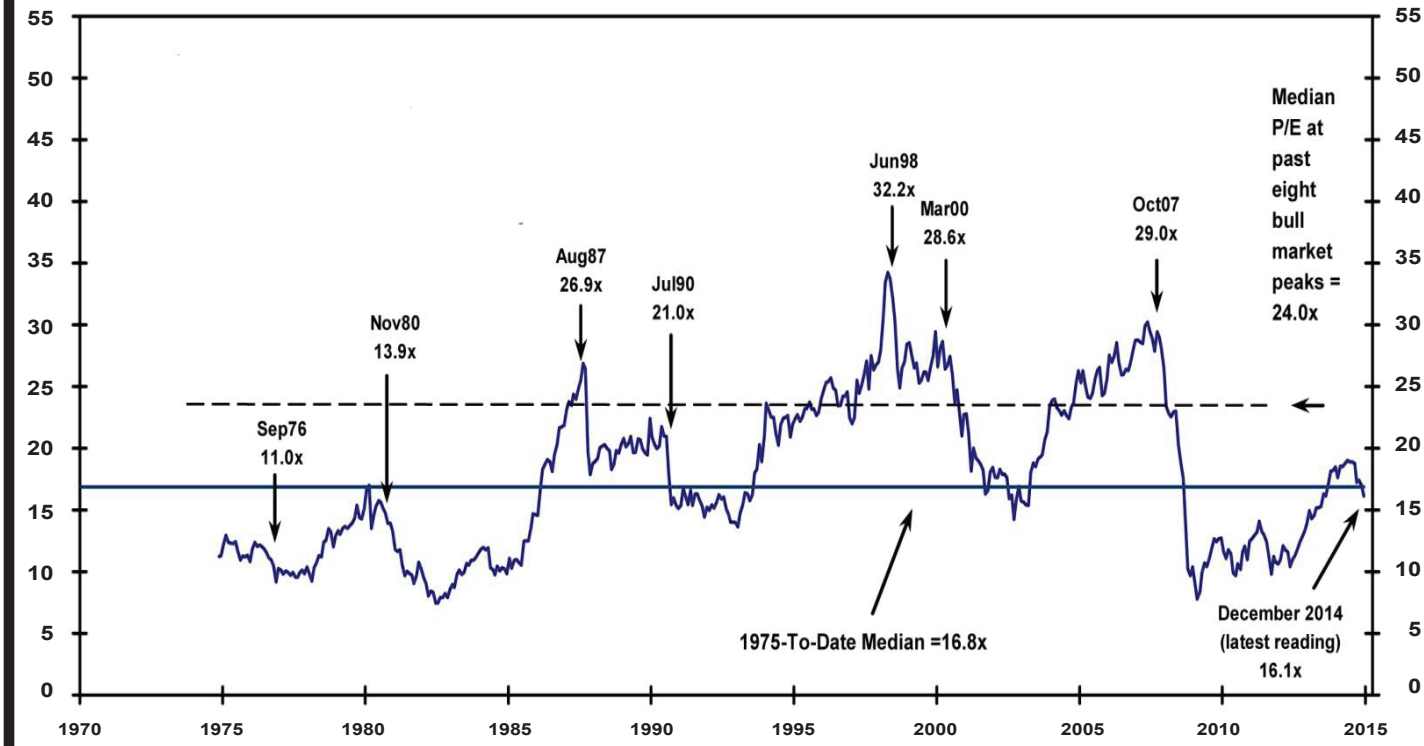
THE U.S. IS 38.0% MORE EXPENSIVE THAN DEVELOPED COUNTRY FOREIGN STOCKS
U.S./FOREIGN RELATIVE PRICE TO EARNINGS RATIO
(Using Normalized EPS)



As of: January, 2015

Source: The Leuthold Group, January, 2015, http://leuth.us/stock-market

FOREIGN DEVELOPED COUNTRY MARKET VALUATIONS ARE AT HISTORICAL MEDIAN
MEDIAN DEVELOPED COUNTRY (EX USA) P/E ON FIVE-YEAR NORMALIZED EPS
(Normalized EPS Based On Five-Year Moving Average Of 12-Month Trailing EPS)



As of: January, 2015

Source: The Leuthold Group, January, 2015, http://leuth.us/stock-market

TWO FOR THE PRICE OF ONE?

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

Think the bull market is long in the tooth at almost six years of age? Maybe not. We'll confess that if we were among those Wall Street strategists mandated to remain bullish (perhaps by an overbearing Head of Capital Markets), we might elect to creatively re-set the bull market's birth date to October 3, 2011, which marks the low of an S&P 500 decline large enough (-19.4%) to qualify as a cyclical bear market in our historical annals. (The bear markets of 1976, 1990, and 1998, for example, all saw losses in this vicinity. See the chart titled "Bear Markets In The S&P 500" below (lower left).) Whether or not the 2011 decline is considered a cyclical bear market or a severe correction may represent nothing more than semantics to most of us, but the distinction allows those "obligatory" bulls on the sell-side to date the current upswing at just over three years–rather than almost six.

The alternate bull market interpretations are shown in the chart "The 2009-2014 Bull Market(s)" chart below (lower right):

A) Either the S&P 500 has tripled during a single, 70-month cyclical bull market; or
B) It has doubled, and then (almost) doubled again in a pair of cyclical bulls separated only by the nasty interlude of mid-2011.

Again, the distinction is relevant only to those worried about the bull's (or is it bulls'?) relative maturity.

In terms of remaining longevity, the "two bull market" view–in which the second of the two post-2008 bull markets is "just" 39 months old–would obviously be the preferred view of the bulls. However, even under this favorable interpretation, the current bull (again re-set to an October 2011 starting point) is already beginning to look a bit geriatric:
The S&P 500 gain of +90.2% since October 2011 is now a bit above the +86.4% median bull market gain dating back to 1930 (See the chart "Bull Markets In The S&P 500" chart on page 11 (top chart).) If the March 2009-to-date advance is viewed as two cyclical bulls, then both have delivered returns above the median. Furthermore, the duration of the second of these two bulls is already right at the long-term median of 39 months. Even the "two bull market" interpretation, then, isn't as bullish as it might seem at first blush. Non-economic bear markets are generally shorter and less powerful than ones following bear markets accompanied by economic

BEAR MARKETS IN THE S&P 500

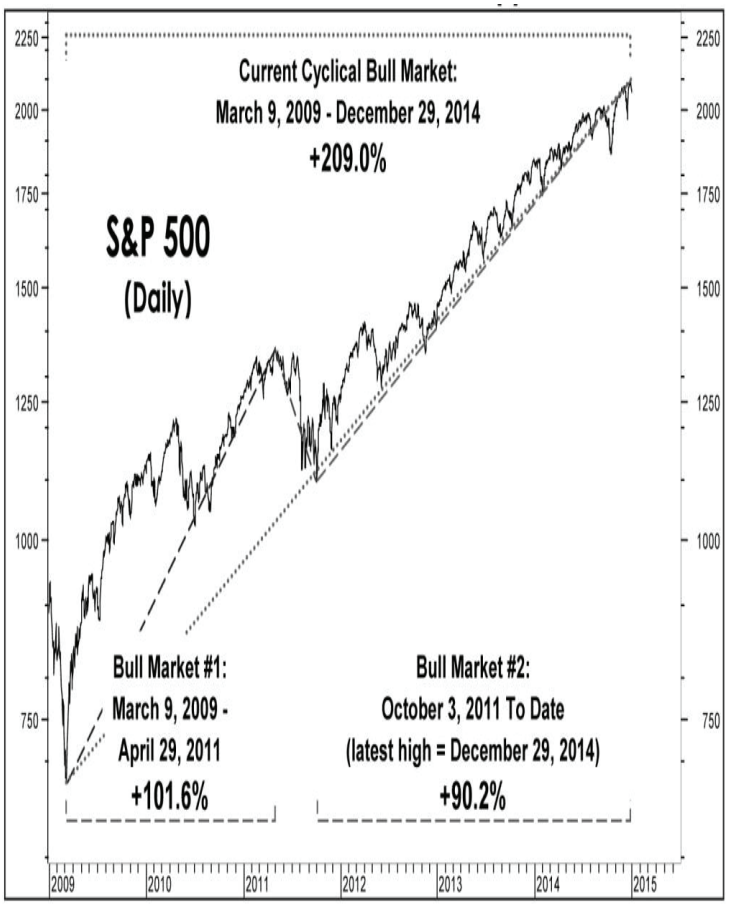
(...with 2011 classified as a "bear")

Date of Primary S&P 500 High	Date of Primary S&P 500 Low	Loss (%)	Duration (Mos.)
September 7, 1929	June 1, 1932	-86.0	33
March 6, 1937	March 31, 1938	-54.5	13
November 9, 1938	April 28, 1942	-45.8	42
May 29, 1946	June 13, 1949	-29.6	37
August 2, 1956	October 22, 1957	-21.6	15
December 12, 1961	June 26, 1962	-28.0	7
February 9, 1966	October 7, 1966	-22.2	6
November 29, 1968	May 26, 1970	-36.1	18
January 11, 1973	October 3, 1974	-48.2	21
September 21, 1976	March 6, 1978	-19.4	18
November 28, 1980	August 12, 1982	-27.1	21
August 25, 1987	December 4, 1987	-33.5	4
July 16, 1990	October 11, 1990	-19.9	3
July 17, 1998	August 31, 1998	-19.3	1
March 24, 2000	October 9, 2002	-49.1	31
October 9, 2007	March 9, 2009	-56.8	17
April 29, 2011	October 3, 2011	-19.4	5
	Average:	**-36.3**	**17**
	Median:	**-29.6**	**17**

As of: January 8, 2015

Source: The Leuthold Group, LLC, *Perception Express*, January 8, 2015
http://leuth.us/stock-market

THE 2009-2014 BULL MARKET(S)



As of: January 8, 2015

Source: The Leuthold Group, LLC, *Perception Express*, January 8, 2015
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Two for One, *continued on page 9*

Two for One, *continued from page 8*

recessions. Viewed in relation to this smaller sample set (See "Bull Markets Following Non-Economic Bear Markets" chart below (bottom chart)), the current cyclical bull market (if measuring a starting point of October 2011) is already the strongest (+90.2% versus median of +67.3%) and second-longest.

Source: This article was excerpted from "Two For The Price Of One?", by Doug Ramsey, CFA, CMT, Chief Investment Officer, The Leuthold Group, LLC, (Perception Express, January 8, 2015), http://leuth.us/stock-market

BULL MARKETS IN THE S&P 500
(...with the current bull reset to 2011)

Date of Primary S&P 500 Low	Date of Primary S&P 500 High	Gain (%)	Duration (Mos.)
June 1, 1932	March 6, 1937	317.9	57
March 31, 1938	November 9, 1938	62.2	7
April 28, 1942	May 29, 1946	157.7	49
June 13, 1949	August 2, 1956	267.1	86
October 22, 1957	December 12, 1961	86.4	50
June 26, 1962	February 9, 1966	79.8	43
October 7, 1966	November 29, 1968	48.0	26
May 26, 1970	January 11, 1973	73.5	32
October 3, 1974	September 21, 1976	73.1	24
March 6, 1978	November 28, 1980	61.7	33
August 12, 1982	August 25, 1987	228.8	60
December 4, 1987	July 16, 1990	64.8	31
October 11, 1990	July 17, 1998	301.7	93
August 31, 1998	March 24, 2000	59.5	19
October 9, 2002	October 9, 2007	101.5	60
March 9, 2009	April 29, 2011	101.6	26
October 3, 2011	*December 29, 2014 (to date)*	*90.2*	*39*
	Average	**128.0**	**43**
	Median	**86.4**	**39**

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BULL MARKETS FOLLOWING NON-ECONOMIC BEAR MARKETS

Date of Primary S&P 500 Low	Date of Primary S&P 500 High	Gain (%)	Duration (Mos.)
June 26, 1962	February 9, 1966	79.8	43
October 7, 1966	November 29, 1968	48.0	26
March 6, 1978	November 28, 1980	61.7	33
December 4, 1987	July 16, 1990	64.8	31
August 31, 1998	March 24, 2000	59.5	19
October 3, 2011	*December 29, 2014 (to date)*	*90.2*	*39*
	Average	**67.3**	**32**
	Median	**63.2**	**32**

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Tax Nightmares, *continued from page 1*

made in a retirement account, there is nothing to be concerned about because there will not be any income tax consequences since retirement accounts are, in effect, tax shelters. However, if the purchase is going to be made in a taxable account, then the distribution date becomes significantly more important. If an investor makes the investment before the distribution date, they would then receive the dividend and capital gain distributions from an investment for which they did not receive any economic benefits. This problem can easily be resolved by contacting the mutual fund to determine when the distribution will be paid or if there will be one in the first place. Many mutual fund companies are now posting this information on their Websites. However, not all mutual funds know what they are going to do until the last minute or, in many cases, do not want to share this information in order to discourage existing shareholders from selling a mutual fund before the distribution. Ultimately, for taxable investors waiting to invest until after year-end, or after what appears to be the final distribution, can be best strategy.

Review The Mutual Fund's Unrealized Capital Gain Or Loss Position:

The mutual fund's unrealized capital gain or loss position can also assist in determining the potential realized capital gain or loss in the future. An unrealized capital gain or loss is the increase or decrease in the price of a security that a mutual fund owns and has not sold. This type of information can be obtained from services like Morningstar.com (however, it often can be old information) or directly from the mutual fund itself. Upon selling the security, the capital gain or loss is realized and the shareholders will be subject to the income tax consequences at that time.

Capital Loss Carryovers:

A mutual fund can have a capital loss carryover just like an individual fund. Therefore, it could make sense to purchase a mutual fund if it has a large capital loss carryover compared to another similar mutual fund. The capital loss carryover could shelter future realized capital gains and provide a shareholder with a tax shelter of sorts. This information can be obtained from the mutual fund's annual report or prospectus, but again the information may be dated.

Turnover Ratio:

A mutual fund's turnover ratio is the percentage of the mutual fund's holdings that have been sold and replaced with other investments. Since the turnover ratio reflects security sales that the mutual fund is generating, this creates taxable events. An investor would be well served to understand this ratio as a possible guide to how much taxable activity will occur in the future. However, like any ratio, it is important to understand why a mutual fund's turnover ratio was really high or low since it does not mean that this level of turnover activity will occur in the future. While low turnover ratios sound attractive, if the reason for the high amount of turnover preserved capital gains and enhanced the overall return of the mutual fund, then it might be well worth the cost.

PULSE

Always Cheap, *continued from page 1*

and advisors can invest in ETFs passively as well as actively. Investors and/or advisors can use these narrower niche ETFs as well as their less well-known cousins, Exchange-Traded Notes (ETNs) to complete their broad-based portfolio.

The bad news is nothing is free, but some indexes are nearly free. For instance, investing in the S&P 500 via an index fund can cost as little as approximately 0.10% per year, depending on the product and what its sponsor charges. So many people invest in the S&P 500 index, therefore, the pricing is cheap. That's not the case with specific countries and/or sectors, which are in effect even narrower niches. In this case, there is less demand from investors and, therefore, less competition to push down costs. These niche funds often times have management fees that are five times more expensive than those of the broader-based index funds, such as the S&P 500 index. Sometimes, ETFs are even more expensive than that. For those investors or advisors attempting to construct their own portfolio of index funds or even supplement an actively managed portfolio of mutual funds, expenses are important or at least they should be. Because the underlying performance of the same index for two different funds is the same, the expenses are the primary differentiator. Therefore, cheaper fund is usually the better option in this case.

There are, of course, numerous additional factors that can influence the total cost of investing for an ETF, including trading commissions and the spread between bid and asked prices on the stock exchange, which are not even a part of the expense ratio of the ETF. Those costs also need to be taken into account. Index investing is not always as ultra-cheap as most investors and advisors may erroneously believe.

PULSE

TAX RATE QUESTION

DO YOU KNOW WHAT THE TOP TAX RATE ON INVESTMENT INCOME?

ANSWER: 52.26%

Federal Income Tax Rate	39.60%
State Income Tax Rate (Net)	5.33%
Local Income Tax Rate (Net)	2.34%
Net Investment Income Tax Rate	3.80%
Itemized Deduction Limitations	1.19
Total	52.26%

Sources: Bureau of Economic Analysis, Tax Foundation Calculations via Eaton Vance

SECULAR BEAR MARKET WATCH

April 1, 2000 to December 31, 2014
(14 years and 9 months)

	Annual Compound Return	Total Return
Consumer Price Index (Inflation)	2.16%	37.16%
90-Day Treasury Bills Index-Total Return	1.78%	29.66%
Barclays Aggregate Bond Index-Total Return	5.64%	124.71%
HFRX Global Hedge Fund Index	2.76%	49.44%
S&P 500 Index (U.S. Stock Market)	4.15%	82.18%
MSCI EAFE Index (Developed Foreign Equities)	3.55%	61.01%
MSCI Emerging Market Index (Equities)	7.30%	182.85%
Newedge CTA Index (Managed Futures)	5.66%	125.28%
Dow Jones–UBS Commodity Index-Total Return (USD)**	0.39%	5.89%
Dow Jones U.S. Real Estate Index-Total Return (USD)**	11.58%	403.98%
Gold Bullion	10.30%	325.32%

* 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: December 31, 2014

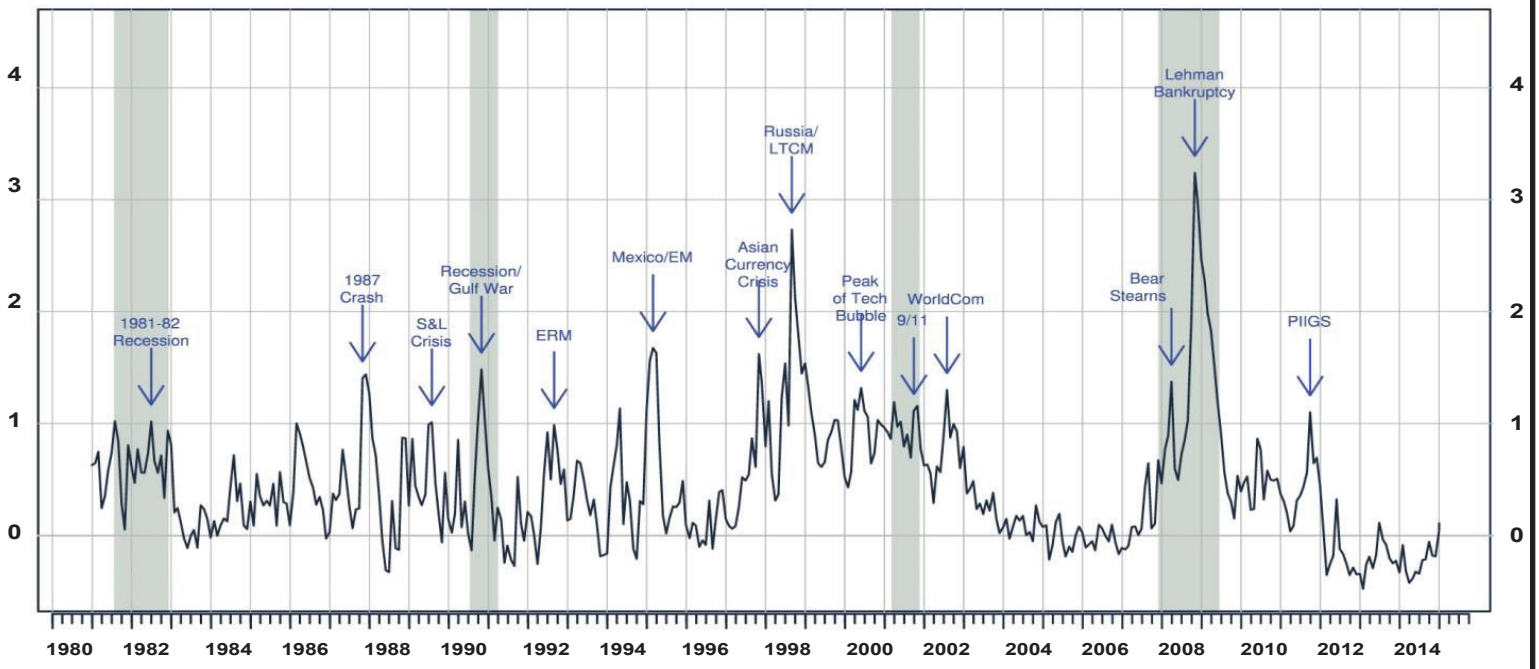
Note: During Secular Bear markets U.S. Stocks have historically returned a little more than inflation or a little less than inflation—plus or minus 1.50%—and generally last between 15 to 25 years. The last Secular Bear market (1966 to 1982) lasted 17 years and underperformed inflation by approximately 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 9 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.

RISK RISES FROM EXTREME LOW LEVELS

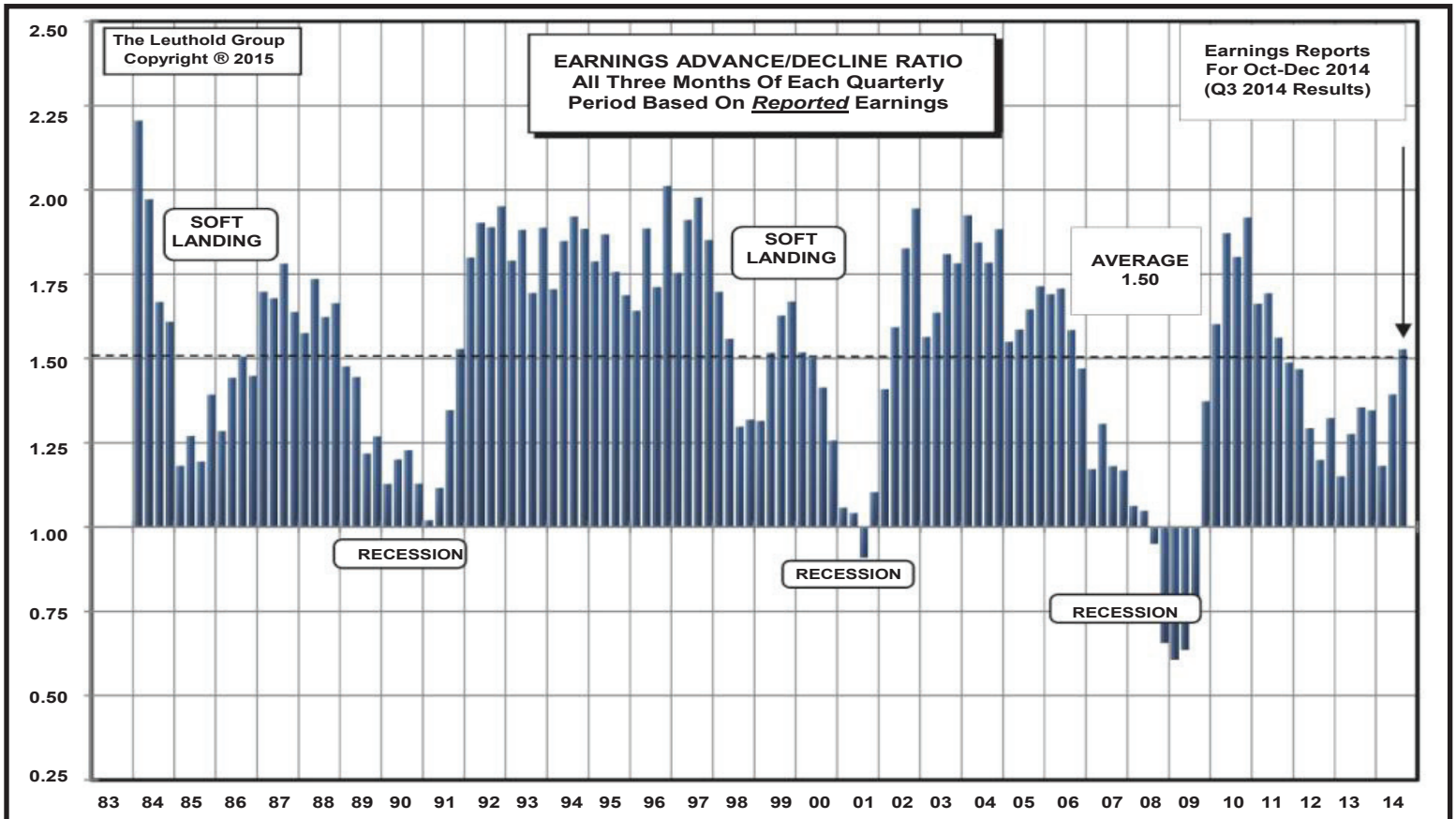
MONTHLY RISK AVERSION INDEX (RAI)

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.



As of: January 8, 2015

Source: The Leuthold Group, LLC, *Perception Express*, January 8, 2014, http://leuth.us/bond-market



As of: January 8, 2015

Source: The Leuthold Group, LLC, *Perception Express*, January 8, 2015, http://leuth.us/market-internals

TAX RATES ON LONG-TERM CAPITAL GAINS AND QUALIFIED DIVIDENDS

If taxable income falls below the 25.0% tax bracket	0.0%
If taxable income falls at or above the 25.0% tax bracket, but below the new 39.6% rate	15.0%
If income falls in the 39.6% tax bracket	20.0%

PERCENTAGE TAX ON LESSER OF NET INVESTMENT INCOME OR EXCESS OF MODIFIED ADUSTED GROSS INCOME OVER

Married, filing jointly	$250,000
Single	$200,000
Married, filing separately	$125,000

Stock Types, *continued from page 1*

Low quality companies typically have greater price swings (more volatility). Also, low quality companies' prices and earnings growth are more tied to the overall economy. Penny stocks, commodities and options tend to have much higher risk.

The Leuthold Group, a Minneapolis-based research firm, found that high-quality stocks returned an annualized 13.1% from the start of 1986 through March, 2014. Whereas, low-quality stocks returned an annualized 10.0% return during that same time period.

Growth Versus Income:

Growth company stocks tend to appreciate rather than provide high income. Frequently, tech stocks fall into the category of growth stocks. Often, they will perform well even in a slow economy.

A value company will traditionally have strong fundamentals that are priced below those of its peers, based on low price-to-earnings (P/E) ratios, yield and other issues. Warren Buffett is considered to be one of the greatest value investors of all times. He does not just buy cheap stock, but companies with low stock prices and great growth potential.

PULSE

GOVERNMENT WASTE

The Department of Agriculture once spent an estimated

$28 MILLION

in tax dollars on inappropriate farm assistance payments

The government once spent

$1.5 MILLION

in tax dollars to remodel apartment buildings that were scheduled for demolition.

The government once spent

$5,000

in tax dollars for a Tennessee library to host a series of video game parties.

The government spends

$2 BILLION

in tax dollars each year to keep farmers from farming on their land.
Source: Jefferson National

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

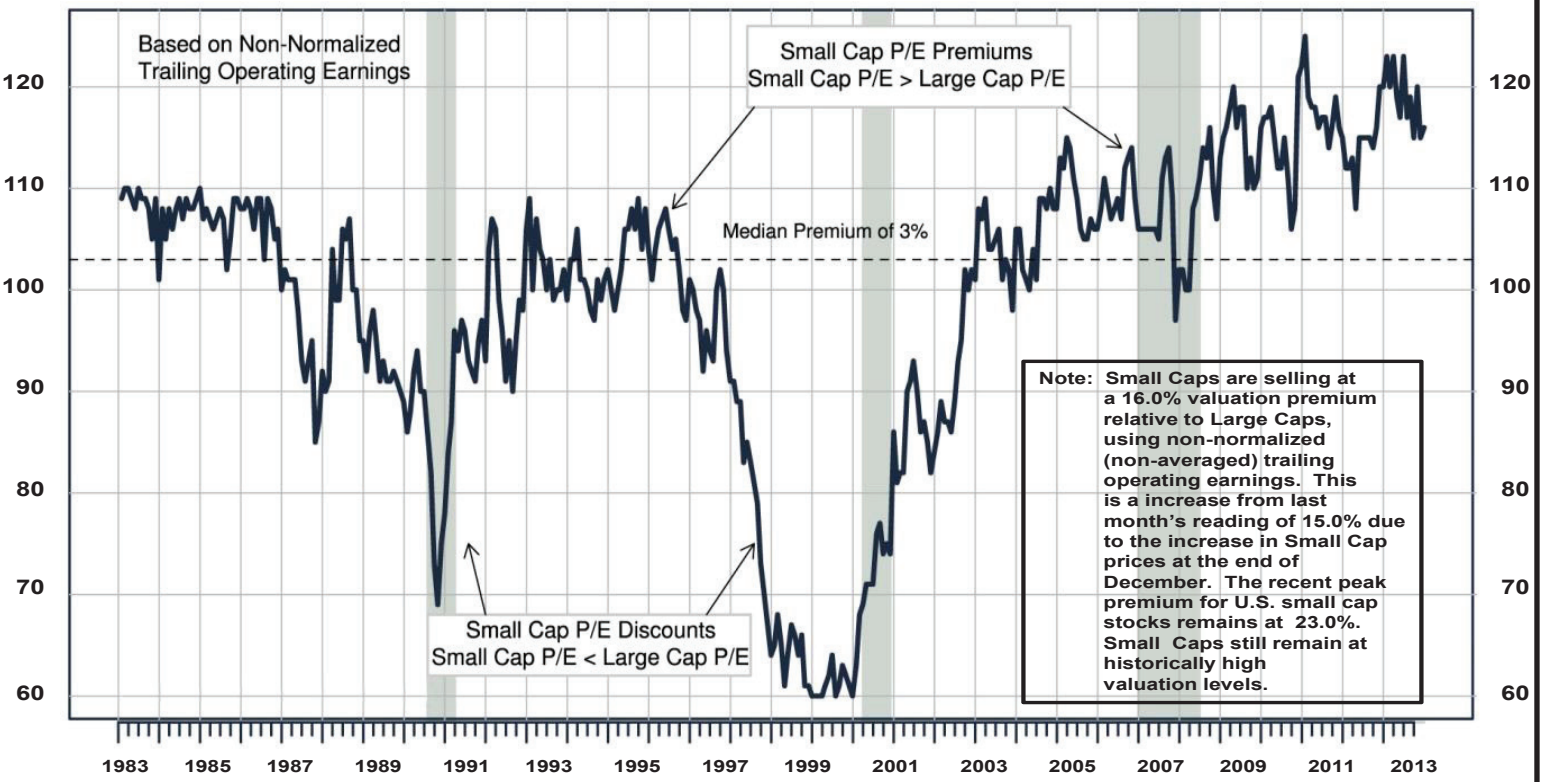
High Yield Bonds Continue Moving Downward Thereby Increasing Their Yield

As of: January 8, 2015

Source: The Leuthold Group, LLC, *Perception Express*, January 8, 2015, http://leuth.us/bond-market

SMALL CAP TO LARGE CAP HISTORICAL PRICE TO EARNINGS RATIO

Small Caps Are More Expensive



As of: January 8, 2015

Source: The Leuthold Group, LLC, *Perception Express*, January 8, 2015, http://leuth.us/market-internals

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.

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