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THE GLOBAL INVESTMENT PULSE

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(412) 635 - 9210 www.legend-financial.com

ETF CREATION UNITS: A BASIC PRIMER

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

In the process of researching Exchange-Traded Funds (ETFs), a common term mentioned is "Creation Unit." However, what exactly is a "Creation Unit"?

An ETF is a basket of stocks (or other investments) that trades on an exchange is a common definition. A more accurate statement would be that ETF shares are fractions of creation units, which are baskets of stocks (or other investments) that trade on an exchange. In reality, if an investor wants to buy five shares of an Exchange-Traded Fund that represents the S&P 500, there is no way to do so without having an

ETF Creation Units, *continued on page 4*

ANOTHER WAY TO VALUE STOCKS

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

Currently, economic activity is so slow that The Federal Reserve (Fed) probably isn't going to raise interest rates in the near future (To support this viewpoint, Mr. James Bullard, President of St. Louis Federal Reserve Bank, recently indicated that he expected the Fed to raise interest rates only once through the end of 2018.). The really good news is that it doesn't appear that a recession is on the horizon either, at least not for the next six months.

So then, how does an investor invest? Well, bonds, which are now at historical lows, have always been the primary competition versus stocks for investment dollars. Therefore, the

Another Way To Value Stocks, *continued on page 6*

WHAT ARE SHORTING EXPENSES?

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

Mutual funds that short have a higher expense ratio on average than ones that don't. Why is this? Shorting entails additional expenses to obtain this hedging feature. To short a stock, a margin account must be opened which entails the payment of interest. Individuals pay a much higher interest rate than institutions, such as mutual funds, do. In addition, when the shorted stock pays dividends, the short seller must return those dividends to the party from whom the stock was borrowed in order to be sold short so that the lender of the stock is made whole. Together, these interest and dividend expenses constitute "shorting expense".

What Are Shorting Expenses, *continued on page 6*

ELEVEN SIGNS YOU OWN THE RIGHT PORTFOLIO

By Blaine Rollins, CFA, 361 Capital, LLC

1. You're so well diversified that you always own at least one disappointing investment.
2. Your livelihood isn't riding on both your paycheck and your employer's stock.
3. If the stock market's performance over the next five years was miserable, you wouldn't be.
4. You can remember the last time you rebalanced.
5. You have no clue how your investments will perform, but a great handle on how much they'll cost you.

Eleven Signs You Own The Right Portfolio, *continued on page 4*

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

Legend Financial Advisors, Inc.®
5700 Corporate Drive, Suite 350
Pittsburgh, PA 15237-2829
legend@legend-financial.com

Newsletter Production Manager
Lori L. Albert
legend@legend-financial.com

Legend Financial Advisors, Inc.®
5700 Corporate Drive, Suite 350
Pittsburgh, PA 15237-2829

EmergingWealth Investment Management, Inc.
5700 Corporate Drive, Suite 360
Pittsburgh, PA 15237-2829

Postmaster: Send all address changes to:
Legend Financial Advisors, Inc.®
5700 Corporate Drive, Suite 350
Pittsburgh, PA 15237-2829

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Legend Financial Advisors, Inc.® (Legend) is a Non-Commission, Fee-Only Fiduciary advisory firm with its headquarters located in Pittsburgh, Pennsylvania. Legend provides a multitude of services, including Wealth Advisory Services, which incorporate Financial Planning and Investment Management strategies to affluent and wealthy individuals as well as business entities, medical practices and non-profit organizations. We analyze each client's financial strengths and weaknesses, then recommend creative solutions for improvement. Additionally, we work closely with our client's other professional advisors to achieve optimal results.

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4. Legend designs dynamic, creative and personalized financial planning and investment solutions for its clients.
5. Legend emphasizes low-cost investments where possible that are allocated and traded in a tax-efficient manner.

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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 12 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, five 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 part of their inaugural Influencer Awards 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.

HOW DO YOU BEAT THESE AWFUL FORECASTED RETURNS?

By John P. Hussman, Ph. D., The Hussman Funds

With 10-year Treasury yields at just 1.71%, investors should not be comparing the dismal return prospects of bonds with the dismal return prospects of stocks, in an attempt to justify continued yield-seeking. Rather, investors should recognize that prospective investment returns on all components of a conventional asset mix are now offensive. Indeed, the prospective return on a conventional 60.0%, 30.0%, 10.0% mix of stocks, Treasury bonds, and T-Bills has been driven to he lowest level in history outside of March 2000, January to March 1937, January to Sept 1929, and a momentary episode in March to May 1930 when the stock market rebounded nearly 50.0% from its 1929 crash lows before failing and taking the Dow Jones Industrial Average down -89.0% from its peak by mid-1932. The chart below represents estimated 10-year total returns on a conventional asset mix, along with actual subsequent 10-year returns.

Source: This article was excerpted from "Over-Adaptation and Market Drawdowns", by John P. Hussman, Ph. D., The Hussman Funds, (*Weekly Market Comment*, June 6, 2016), www.hussman.com.

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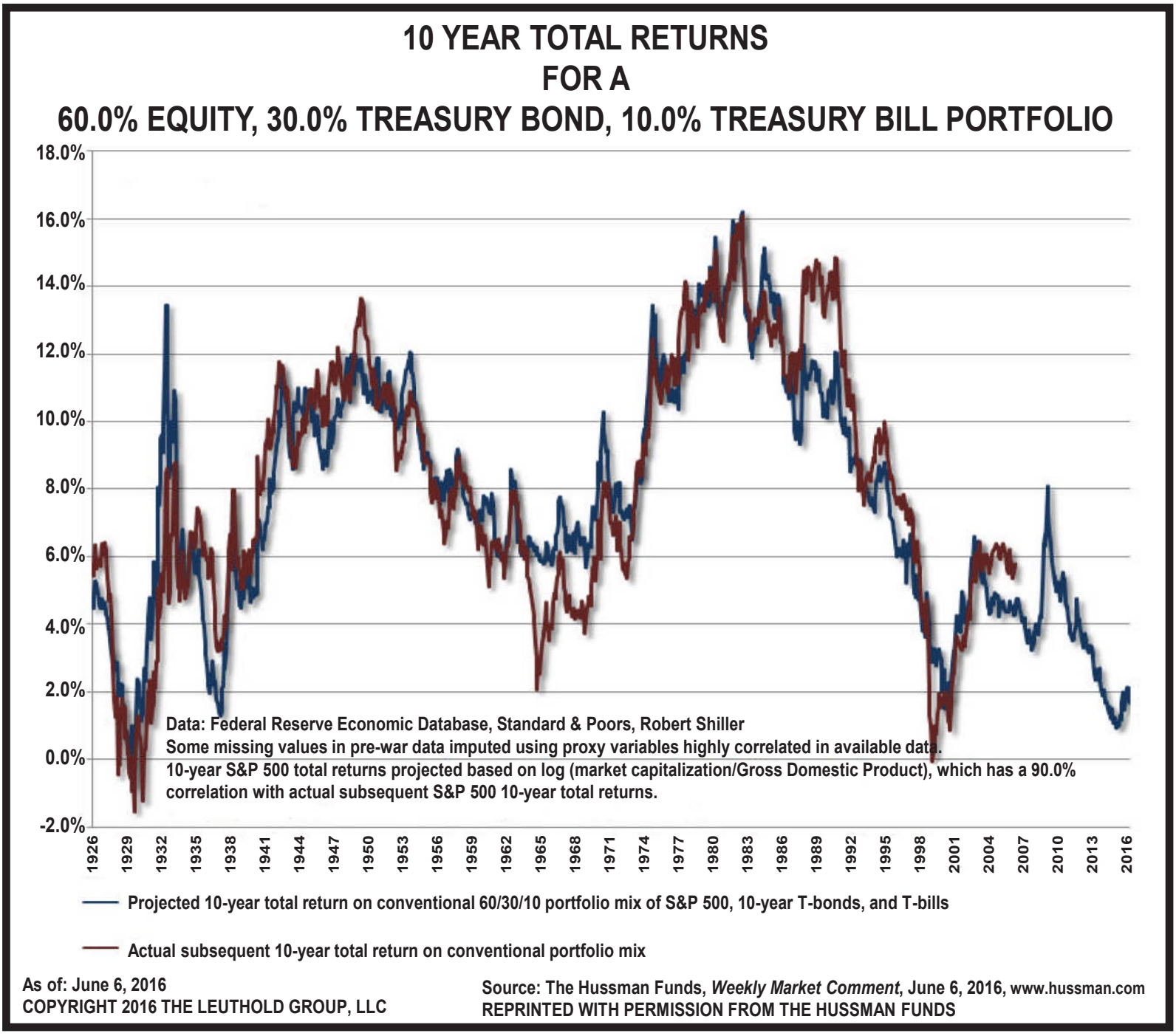

ETF Creation Units, *continued from page 1*

intermediary vehicle that represents the S&P 500 at a higher level and simply trading fractions of that larger investment. ETF shares are precisely this—small fractions of a much larger representation of an index, which are called "Creation Units". The way an ETF works is that when a company (commonly referred to as the "Sponsor", such as Barclays, Guggenheim, Powershares, Blackrock, etc.) goes to initiate a new Exchange-Traded Fund, they establish a relationship with an "Authorized Participant". The Authorized Participant is effectively the market maker that is enabled to create and redeem shares. Part of the agreement between the Sponsor and the Authorized Participant is the Creation Unit amount, which is the quantity of ETFs that will represent one creation unit. This number varies, but typically is between 25,000 and 600,000 shares. From that point forward, the Authorized Participant is empowered to create and redeem shares by placing the securities the fund was designed to represent into a trust and then delivering the shares of the ETF. The key is that this process can only take place in denominations of whole creation units. Similarly, individual investors (typically only institutional investors) can redeem if their ETF shares for the underlying investments, but again, only in whole creation units.

While creation units are not highly relevant in the analysis of ETFs, it is important to understand that they are at the heart of what instills value in ETF shares. Without the ability to redeem ETF shares at some level, there is really no tie between the value of an index and an Exchange-Traded Fund designed to represent it.

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Eleven Signs you Own The Right Portfolio, *continued from page 1*

6. You don't have any hot stocks to boast about.
7. For every Dollar you've salted away, you have an eventual use in mind—and the Dollars are invested accordingly.
8. Jim Cramer? Who's that?
9. A year from now, you plan to own the same investments.
10. You never say to yourself, "Wow, I didn't expect that."
11. You take tax losses when they're available—but they aren't available very often.

Source: This article was excerpted "Eleven Signs you Own The Right Portfolio" by Jonathan Clements via "All Eyes Have Turned To Britain...",by Blaine Rollins, CFA, 361 Capital, LLC, (*Weekly Briefing*, June 13, 2016), www.361capital.com.

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QUANTITATIVE EASING

Did you know that since the last U.S. Quantitative Easing (QE) ended in 2014, the stock market is still negative?

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ELECTIONS AND STOCK MARKET TENDENCIES

Election year market tendencies:

1. The S&P 500 market high typically occurs in the fourth quarter prior to a new president taking office.
2. Recessions almost always start in the first year of a new presidency.

Source: This article was excerpted from "Fed Up", by Stephen B. Blumenthal, Founder and CEO, CMG Capital Management Group, Inc., (*On My Radar*, June 3, 2016), www.cmgwealth.com.

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UNDERSTANDING THE COMPLEX WORLD OF FUTURES TRADING

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

Derivative investment vehicles continue to be extremely popular among many global financial markets and the traders who trade those markets due to increased liquidity in markets in which investors are seeking attractive investment opportunities. Although there are many forms of derivative instruments, they primarily seek two purposes. The first purpose is asset protection, or hedging. Many professional investors relate this technique to purchasing an insurance policy. The second purpose is for speculation, in which case professional investors seek to gain access to an exploitable market and capture an upward or downward trend. Although derivative instruments come in several different forms, they are primarily defined as contracts between two or more parties which either create the option for the contract owner to purchase or sell the underlying asset prior to the contract maturity (Option Contract), or an obligation to deliver the underlying asset at a future date. The latter contract can be constructed through two different types of contracts: Futures and Forward Contracts. Although the two are very similar, there are several essential components that distinguish the two significantly.

Futures contracts are traditionally non-negotiated, standardized contracts that provide for delivery or receipt on a futures exchange, at a future date and time agreed upon at purchase. When made on a contract market or other organized exchange, futures contracts provide for the future delivery of a variety of assets, ranging from agricultural and nonagricultural commodities to currencies and other types of financial instruments at a specific time and place and require a margin deposit of approximately 2.0% to 10.0% of the value of the underlying contract at purchase. Contract markets are the most highly regulated category of futures exchanges in the United States, provide centralized marketing for trading in specific futures. They are regulated by the Commodity Futures Trading Commission (CFTC), as well as being subject to the provisions of the Commodity Exchange (CE) Act of 1974. To ensure the commitment of both parties, the contracts are marked-to-market every day, and daily realized gains or losses are incurred to ensure that the margin deposit remains at the specified percentage. One category of futures contracts are stock index futures contracts, which are based on the future value of different indices of securities. Delivery of the stock index contracts, the process of satisfying a futures contract by transferring ownership of a specific quantity and part of the underlying index to another purchaser, is only affected by a cash settlement. The universe of securities, which are vast, are used to formulate the various stock indices and therefore, must, by law, be predominantly comprised of unaffiliated issuers. The indices also must be widely published and reflect a large segment of the market for all publicly-traded equity or debt securities.

When the underlying asset is not delivered, the contract will be closed out. This is known as establishing an offsetting transaction, in which case the contractual obligations from the sale of a contract on a futures exchange may be fulfilled at any time as long as it is before the last delivery date of the underlying asset subject to the purchase of one contract on the asset on the same exchange. The profit or loss for the trader is determined after finding the difference between the price at which the futures were bought (premium) and the price at which they were sold (futures price), as well as, subtracting the transaction and brokerage fees.

Forward contracts are cash market contracts, traded off-exchange, where the buyer and seller agree to the purchase and sale of a set quantity of a particular asset, and the time and terms are agreed upon through negotiation, as opposed to the supply and demand on an exchange. They are made private by the very nature of their negotiation off exchanges, and are for future delivery. In addition, forward contracts do not require a margin deposit. Therefore, they are not marked-to-market every day. One example of a forward contract involves the purchase and sale of currencies for future delivery through local banks. When banks act as principals by including a profit margin, they differentiate themselves from the standard International Monetary Market by being, more or less, favorable in regards to the prices quoted for their forward contracts.

In 1982, trading on U.S. exchanges in options on futures contracts and physical commodities began. Futures contracts also became available for trading at this time. Options, or rights to either buy (call) or sell (put) a certain commodity or futures contract, are sold at a specific price during a specific time period. The price paid, otherwise known as the premium, reflects market value and is paid upon the purchase, or received upon sale of an option. If the price of the underlying futures contract or asset commodity is stagnant, therefore not making it advantageous to exercise an option, it will then expire valueless. This then results in a total loss of the premium paid by the purchaser. In order to obtain a profit from an option, it is critical to offset the option with the purchase or sale of an “opposite” option position on the same exchange. An additional way in which to see a profit would, in the case of the purchaser, require exercising the option while concurrently having the option expire in the hands of the seller. The seller of an option assumes the risk of its exercise by the purchaser, while also being exposed to the high risk of fluctuations in the price of a futures contract or underlying commodity, but is still required to maintain margins based on the market value of the commodity or contract. However, the purchaser of an option may lose no more than the cost of the option premium. The CFTC requires the entire amount of a premium due for an option be paid at the time of purchase.

Futures contracts can be established in long or short positions. The owner of the contract is long and the issuer is short. Prior to a trader closing out his or her long or short position by an offsetting purchase or sale, his or her outstanding contracts are known as open trades. They are also called open positions, and the aggregate amount held by traders is known as the open interest in the contract.

Understanding The Complex World Of Futures Trading, *continued on page 6*

Understanding The Complex World Of Futures Trading, *continued from page 5*

There are two categories of individuals who trade in futures – hedgers and speculators. Hedging, primarily reserved for commercial interests in real commodities, is designed to minimize losses from price fluctuations between the time a merchandiser makes a contract to sell or purchase a raw or processed commodity and the time that the contract is actually performed. For example, if the merchandiser is practicing the hedging technique, they will purchase futures contracts for a commodity after contracting to sell it at a future date. Then decisions can be made whether to accept delivery under the futures contracts, buy the actual commodity, or sell the futures contracts, dependent on the market value and price fluctuations. The objective is normally to protect the profit a farmer expects to earn from his operations, rather than to attempt to profit from the futures contracts.

Speculation, which is needed for hedging to exist, is utilized to exploit trends and pricing inefficiencies in the asset underlying the contract through the minimal cash lock-up of the margin deposit. Due to the fact that a speculator may take a long or short position in the futures market, it is highly possible for them to make profits or incur losses, regardless of the actual direction of prices.

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Another Way To Value Stocks, *continued from page 1*

lower the bond interest rates, the more attractive stocks become.

How can investors measure that?

Actually, by a fairly simple concept called Earnings Yield. Earnings Yield is calculated by dividing the S&P 500's annual Earnings Per Share (EPS) by the S&P 500's price. This, in effect, is the inverse of the Price-To-Earnings Ratio (P/E). By comparing the Earnings Yield of stocks to interest rates of bonds, one has a direct comparison.

What is a good spread then? Since 1970, the average spreads between the 10-year U.S. Treasury and the S&P 500 Earnings Yield is only 0.06%. In other words, essentially nothing. As a result, if the spread is that narrow and the lower bond interest rates are, the better it will be for stock prices.

According to a Website called Multipl.com, the Earnings Yield for the S&P 500 is currently 4.2%. The 10 year Treasury Bond yield is approximately 1.5%. The difference in the yield or the yield advantage for stocks is still significantly higher at this point in time.

Over the last 140 years, the 10-Year U.S. Treasury yield has never been this low nor has it been for such an extended period of time. To say that bond yields are unexciting is a gross understatement. With the S&P 500's Earnings Yield where it is (also very low), stock ownership is still fairly attractive.

While the Earnings Yield concept favors stocks at this time, when does the advantage blow up? Simple! When interest rates increase or corporate earnings decline enough to make stocks unattractive. Currently, slow earnings growth does not appear to be a problem because earnings are still high enough to produce a better Earnings Yield than the 10-year U.S. Treasury yield. This is why the stock market rallies when the Fed does not increase interest rates.

However, the stock market, as represented by the S&P 500, currently is at a crossroads. The low interest rate environment fortunately still allows the current bull market to continue its upward ascent albeit slowly. Unfortunately, continued weakening economic data eventually may pave the way for the next bear stock market.

The bottom line for now is the Earnings Yield valuation methodology is a very good analytic measurement tool that should be utilized regularly when investing.

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What Are Shorting Expenses, *continued from page 1*

There is one more expense, though – an indirect expense. To the extent that the stocks shorted do pay dividends, their price typically falls by *less than* the value of the dividend. Therefore, when short-selling a dividend-paying stock, one might have to buy it back at a premium – sometimes as much as 25% – if the stock pays a dividend during the period in which one shorts it.

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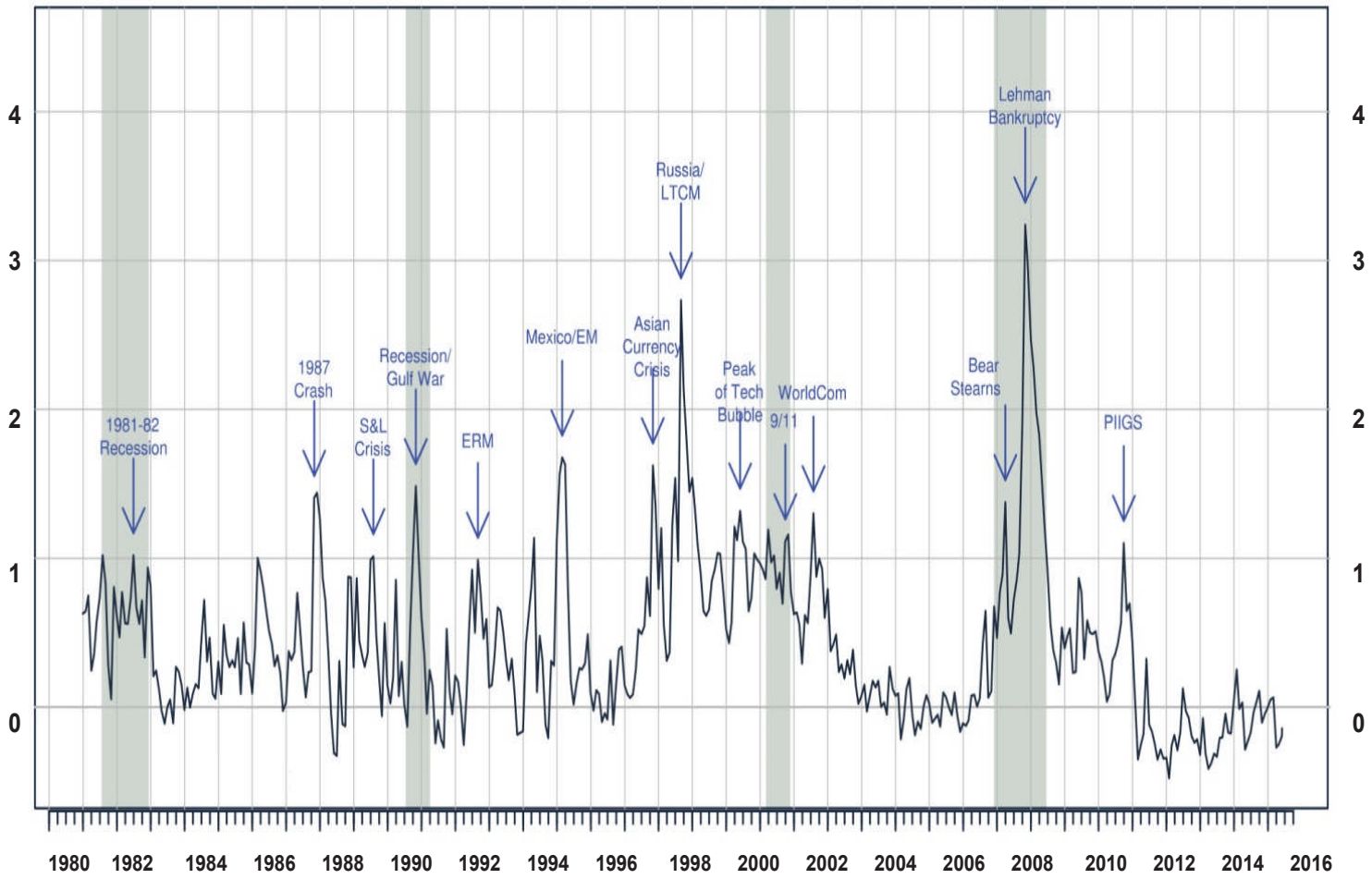
MONTHLY RISK AVERSION INDEX (RAI)

MOVED UP BUT STILL "LOWER RISK" RANGE

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: June 7, 2016

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Source: The Leuthold Group, LLC, *Perception Express*, May 6, 2016, http://leuth.us/bond-market

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COMPOUNDED ANNUAL RETURN

This is an interesting fact: the compounded annual return on the S&P 500, December 1999 to present, is just 3.5% (nominal—or before inflation).

Source: This article was excerpted from "Fed Up", by Stephen B. Blumenthal, Founder and CEO, CMG Capital Management Group, Inc., (*On My Radar*, June 3, 2016), www.cmgwealth.com.

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REINVESTING DIVIDENDS OR CAPITAL GAINS USUALLY DOES NOT MAKE SENSE

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

Think that reinvesting dividends and capital gains distributions from mutual funds is always the right thing to do? Think again. Historically (at least pre-1990), advisors and investors had always been taught to reinvest distributions. These reasons are as follows:

1. To avoid paying commissions on the reinvestment of distributions.
2. To compound the return of the individual mutual fund.
3. To ensure that the distribution is not spent by the investor.
4. Convenience for the investor.

All of these reasons came about in an era when investors bought a loaded (commissioned) mutual fund or funds from one mutual fund family, held it forever, put money into it blindly, rarely diversified among asset classes and never rebalanced. Today, utilizing discount brokerage accounts eliminates all of these reasons whether or not those accounts are taxable or either IRA or retirement accounts.

Today, most sophisticated advisors rarely use loaded funds (A, B, C or D share classes of a mutual fund). Usually they have all of their clients' funds structured within a portfolio utilizing different asset classes spread out across at least several mutual funds from different fund families (no single mutual fund family has all the offerings needed to buy a truly diversified portfolio—for examples of this, simply look at American Century, Fidelity, American Funds, T. Rowe Price, Vanguard, Janus, etc. - none of which have a single mutual fund that shorts or employs a long-short investment strategy, and most of those families don't offer a commodities fund). Furthermore, Exchange-Traded Funds (ETFs) and Exchange-Traded Notes (ETNs) are often part of those portfolios as well.

Today, most advisors have all of their clients' securities housed at discount brokerage firms. More sophisticated advisors understand this thought process and follow this plan themselves. As a result of these changes, now advisors and investors can harvest gains by not reinvesting distributions from their investments. In most cases, this creates a forced sale of winning funds. Instead, the distributions are paid into the discount brokerage account's money market fund where they can then be used to distribute cash for the investor to live on, or the cash can be actively rebalanced among the components of the portfolio. This process, coupled with the low transaction costs of most discount brokerage firms' trading platforms, prevents or at least minimizes the need for generating additional taxable gains because the advisor would not have to sell off appreciated funds to rebalance and/or generate cash flow for the client.

Reinvesting mutual fund distributions back into the mutual fund that made the distribution for reasons (to avoid reinvestment commissions and to avoid sending small commission checks to investors) developed in the 1950s, 1960s and 1970s rarely makes sense today. After all, when one thinks about it, no mutual fund manager ever purchases stocks through a Dividend Reinvestment Plan (also known as a DRIP plan). Why then should an individual investor?

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Ph.Ds ON THE FED STAFF

Did you know there are over 750 Ph.Ds on staff at the Federal Reserve Board? (Source: The Federal Reserve Board).

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STOCK DECLINES

Did you know that stocks go down 6.5 times faster than they go up?

Source: This article was excerpted from "Fed Up", by Stephen B. Blumenthal, Founder and CEO, CMG Capital Management Group, Inc., (*On My Radar*, June 3, 2016), www.cmgwealth.com.

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SECULAR BEAR MARKET WATCH

April 1, 2000 to May 31, 2016
(16 years and 2 months)

	Annual Compound Return	Total Return
Consumer Price Index (Inflation)*	2.10%	39.76%
90-Day Treasury Bills Index-Total Return	1.63%	29.88%
Barclays Aggregate Bond Index-Total Return	5.39%	133.75%
HFRX Global Hedge Fund Index	2.21%	42.54%
S&P 500 Index (U.S. Stock Market)	4.09%	91.26%
MSCI EAFE Index (Developed Foreign Equities)	2.79%	56.13%
MSCI Emerging Market Index (Equities)	5.72%	145.77%
Newedge CTA Index (Managed Futures)	5.13%	124.55%
Dow Jones–UBS Commodity Index-Total Return (USD)**	-0.88%	-13.38%
Dow Jones U.S. Real Estate Index-Total Return (USD)**	11.04%	444.57%
Gold Bullion	9.53%	336.35%
S&P 500 High Yield Corporate Bond Index – Total Return	9.06%	306.54%
S&P Leveraged Loan Index – Total Return	4.82%	114.19%

As of: May 31, 2016

Compound and Total Returns include reinvested dividends. MSCI Indexes do not include dividends prior to 2002. Newedge Index is equally-weighted.
* As of April 30, 2016 due to monthly reporting
** 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 16 years and 2 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.

2016 PERFORMANCE YEAR-TO-DATE

January 1, 2016 to May 31, 2016
(5 months)

	Year-to-Date Total Return
Consumer Price Index (Inflation)	1.57%
90-Day Treasury Bills Index-Total Return	0.11%
Bloomberg Intermediate Term Corporate Bond Index	5.17%
Barclays Aggregate Bond Index-Total Return	3.45%
High Yield Corporate Bond Index – Total Return	8.99%
S&P Leveraged Loan Index – Total Return	4.49%
HFRX Global Hedge Fund Index	-1.02%
S&P 500 Index (U.S. Stock Market)	3.57%
MSCI EAFE Index (Developed Foreign Equities)	-0.75%
MSCI Emerging Market Index (Equities)	2.34%
Newedge CTA Index (Managed Futures)	-0.35%
Dow Jones–UBS Commodity Index-Total Return (USD)**	8.63%
Dow Jones U.S. Real Estate Index-Total Return (USD)**	5.79%
Gold Bullion	14.58%

As of: May 31, 2016

Compound and Total Returns include reinvested dividends. Newedge Index is equally-weighted.
** USD = U.S. Dollar

Source: Bloomberg Investment Service

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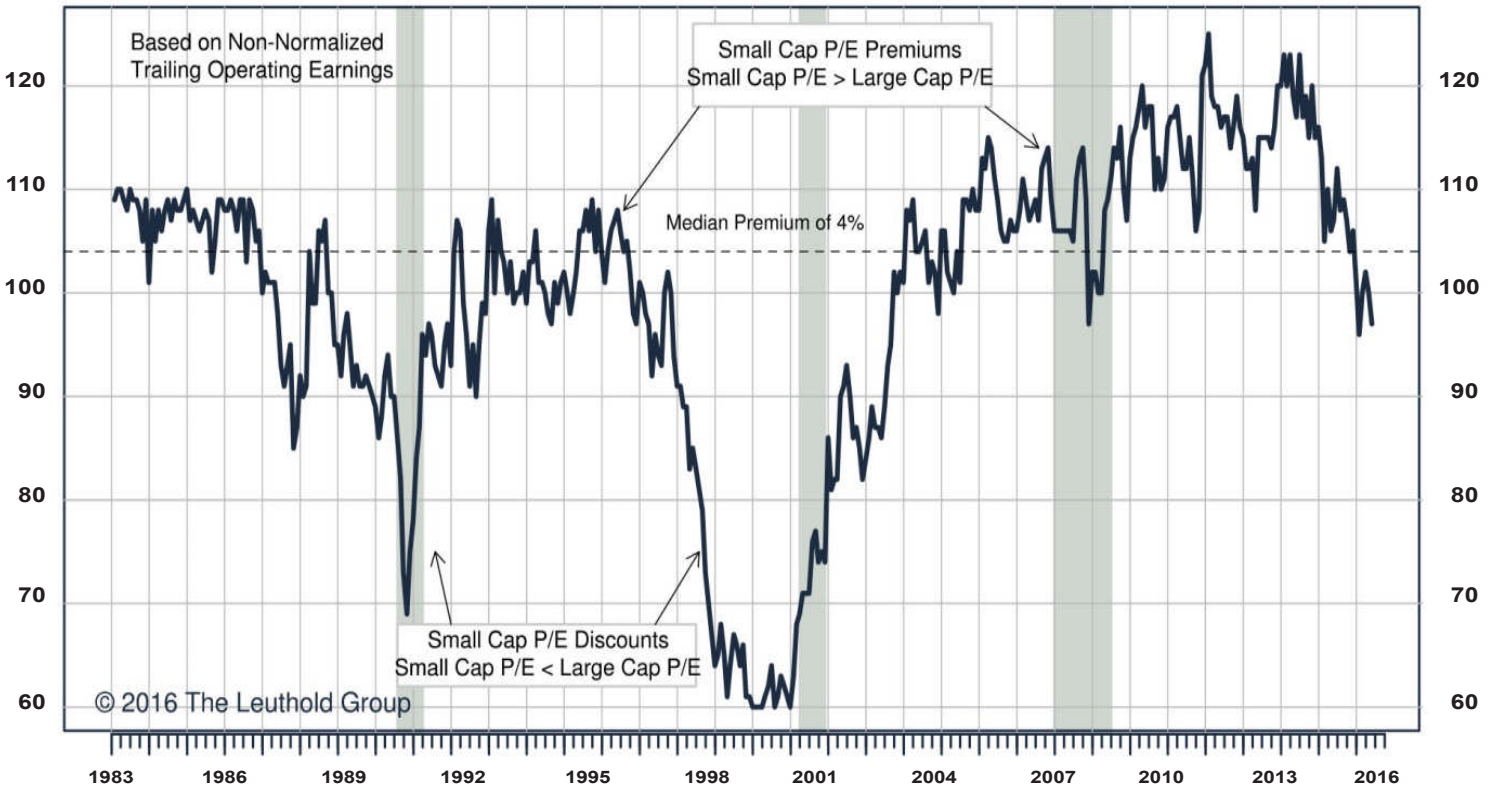
SMALL CAP TO LARGE CAP HISTORICAL PRICE TO EARNINGS (P/E) RATIO
Small Caps Widened The Discount Versus Large Stocks To 3.0%



As of: June 7, 2016

Source: The Leuthold Group, LLC, *Perception Express*, May 6, 2016, http://leuth.us/market-internals
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HISTORICAL VALUATIONS, GROWTH VERSUS VALUE
U.S. LARGE, MID AND SMALL CAP STOCKS

All growth stock and value stock style categories, except small growth and mid-growth, appear expensive when compared to the Historical Averages (1982 to date) and the Percent Above/Below Historical Average Valuation sections in the chart below. Large, Medium, and Small Growth Stock categories again appear cheaper relative to the Value categories than the historical averages as evidenced by the Today's Growth To Value Ratio versus the Historical Average Growth To Value Ratio.

	Median Price-To-Earnings (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	21.3x	12.3x	19.8x	10.8x	8.0%	14.0%	1.73	1.96	5.80
Mid-Cap	23.9x	13.2x	23.3x	11.9x	3.0%	11.0%	1.81	2.07	9.30
Small-Cap	28.0x	13.7x	27.3x	12.0x	3.0%	14.0%	2.04	2.44	12.50

* Growth To Value

Growth remains relatively cheap compared to Value—especially in Small Caps.

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MONEY MARKET YIELDS ARE PITIFUL AND WILL REMAIN SO

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

Yields on money market funds are microscopic. As a result, most money market funds have decreased their expense ratios (in some cases even running their funds at a loss) to avoid negative returns. Some money market funds have closed to avoid losing money. If interest rates become negative in the United States, we would expect most to close.

Even if the Federal Reserve decides to start increasing interest rates at some point, guess which will go up first, yields or expense ratios? Expense ratios, of course! The higher the expense ratio on the fund, the longer it will take for yields to increase.

High-expense money market funds include brokerage house money funds that pay commissions, mutual fund supermarket platforms (this is one of their primary sources of income), and funds sponsored by mutual fund groups such as Federated and Alliance to name a few that pay commissions to independent advisors, brokerage firms and the banking industry.

As a result, we expect yields to remain anemic for some time to come even if the Federal Reserve increases interest rates sometime in the near future. By the way, that is probably not likely to occur either for so many reasons that are beyond the scope of this article.

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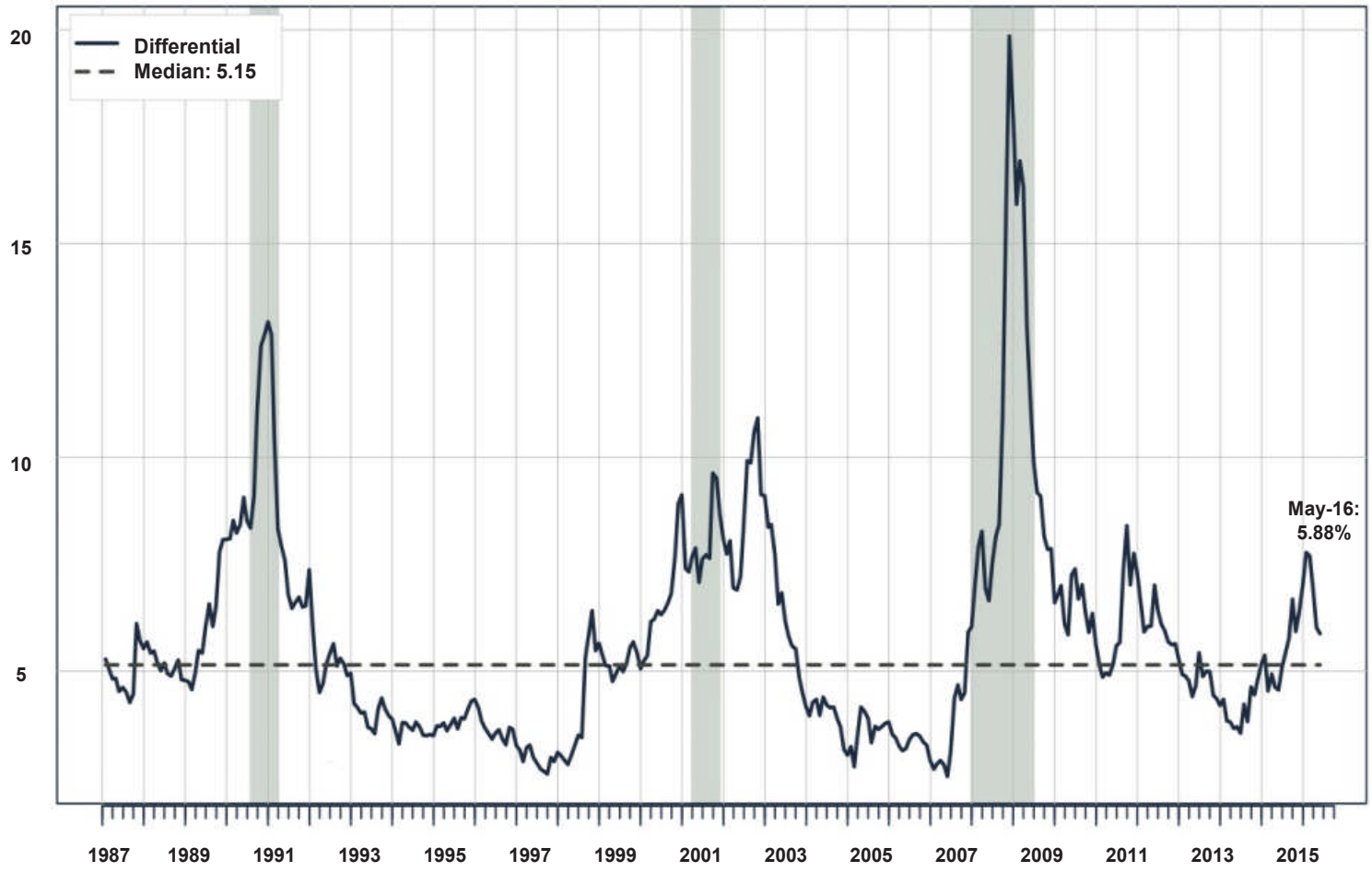
PULSE

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

High Yield Bond Yields Decline



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UNDERSTANDING DAILY TIPS INTEREST ACCRUALS—A BIT COMPLEX

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

Treasury Inflation Protection Securities (TIPS) interest calculation mechanics are calculated in an unusual manner relative to the typical bond. The principal accrual is calculated daily by applying the second prior month's (two months before the current month—in other words, a two-month lag) non-seasonally adjusted CPI-U percentage (commonly known as inflation) change proportionately to each day (meaning the daily rate is applied to the number of days) of the current calendar month. The CPI-U index is the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers. For example, during each day of November, let's suppose the daily principal accruals were 0.0233% as September's CPI-U was +0.7% (0.7% / 30 days = 0.0233%) and was prorated throughout the month of November. This is the multiple that would then be used to value TIPS throughout the month.

Given the complicated nature of the above calculation, it is best to own TIPS or TIPS mutual funds and/or Exchange-Traded Funds (ETFs) within IRAs and or retirement plans.

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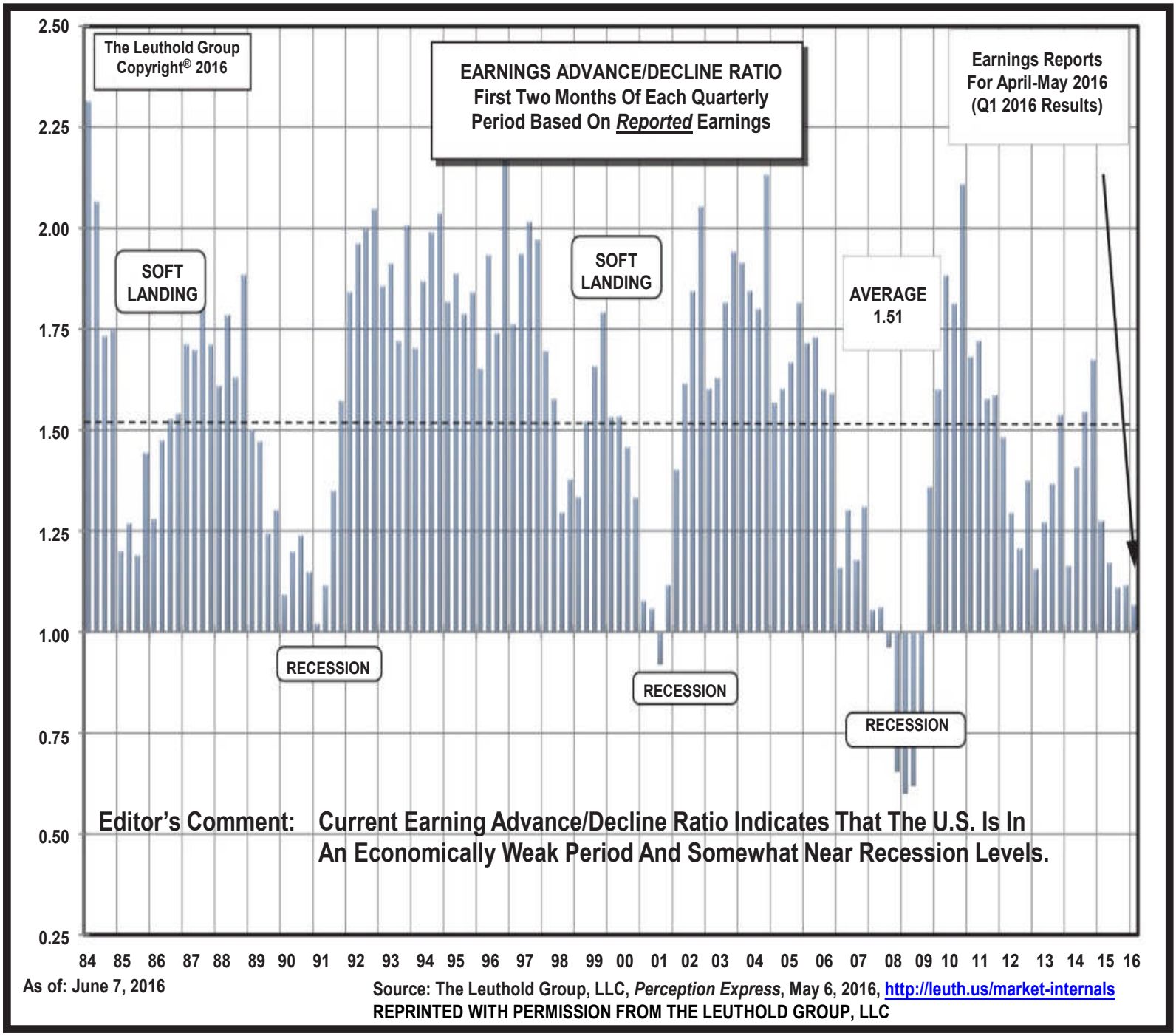


LEGEND FINANCIAL ADVISORS, INC.® & EMERGINGWEALTH INVESTMENT MANAGEMENT, INC.'S

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.

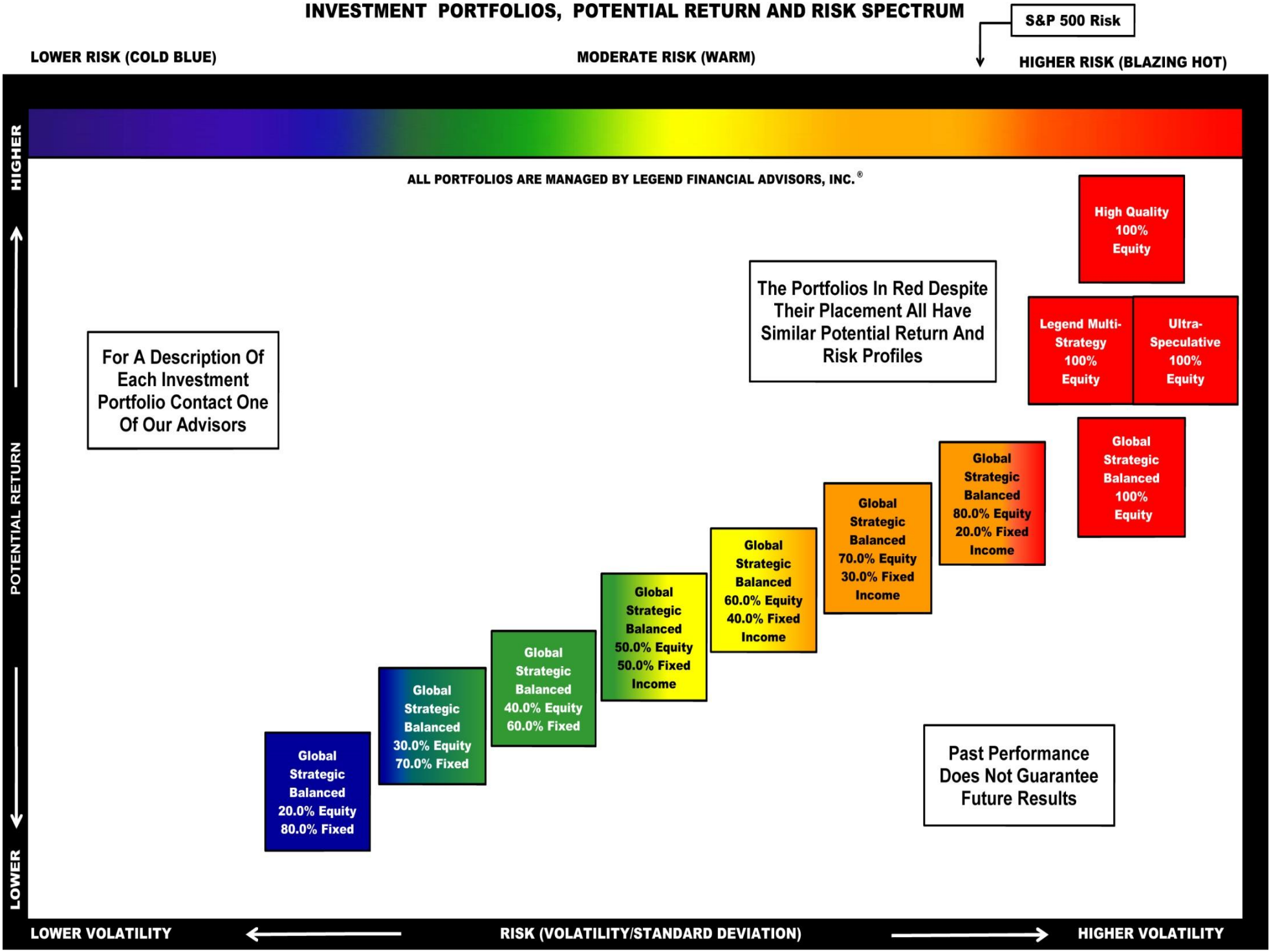
PERFORMANCE REPORTING

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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