May, 2016

THE GLOBAL INVESTMENT PULSE

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

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ETF LIQUIDITY PROBLEMS

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

Exchange-Traded Funds (or ETFs) have advanced the world of investing. Their popularity has exploded in recent years. Some of the reasons why are: they are inexpensive (many are, but some aren't), income tax-efficient (equities are, but bonds are not), and now there are nearly 2,000 to choose from.

The popularity of ETFs can in part be associated with the recent rise in popularity of index investing. Index investing has a long history dating back to the mid-1970s. There have been indexed mutual funds for over 45 years. ETFs, which until recently, mainly tracked only the more popular indexes. Over the last several years, countries,

ETF Liquidity Problems, *continued on page 6*

MUTUAL FUND BASICS

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

One of the best and simplest ways of growing your money is to invest into mutual funds. They are very cost efficient, easy to invest in, safer and less volatile than stocks. However, when it comes to researching or selecting mutual funds, most investors find the process overwhelming, when it doesn't have to be.

It is important to remember that the biggest advantage to investing in mutual funds is diversification. An individual who owns shares in a mutual fund can invest as little as $25.00. Some mutual fund though have higher minimum investments. By investing money into a mutual fund, an

Mutual Fund Basics, *continued on page 6*

DON'T BOTHER WITH DIVERSIFICATION!

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

At a major industry conference approximately 18 months ago, an advisor was telling a story about a client who had just terminated their relationship because the advisor was approximately 1.0% behind the S&P 500 since the inception of their relationship. When the advisor responded to the client when informed of the termination, "We just implemented your diversified portfolio. It was designed to provide better and smoother returns over the long-term." At which point the client responded, "I gave you three weeks! How much longer do you need?"

Fortunately, most investors do not have that type of ultra-short term mentality, but many do have a short-term one. What is meant by that comment? Simply this. Due to the fact that

Diversification, *continued on page 6*

IS A 25 PERCENT DEPRECIATION IN CHINA'S CURRENCY POSSIBLE?

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

One of the concerns the Fed has right now is the depreciation of the Chinese Renminbi (also known as the Yuan). In a special report, Credit Lyonnais Securities Asia (CLSA) estimates it could fall as much as 25.0% before rebounding somewhat. Due to massive trade volume with China, the fear is that it could affect the U.S. economy.

This would have many obvious negative consequences. For one, because China's oil contracts with the Middle East are denominated

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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, four times by Dental Practice Report as one of "The Best Financial Advisors for Dentists In America" and once by Barron's as one of "The Top 100 Independent Financial Advisors". Lou was selected by Financial Planning magazine as 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.

WHAT ARE COMMODITY CURRENCIES?

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*

Commodity currencies are currencies from countries that possess large quantities of commodities/natural resources. Commodities/natural resources often constitute the majority of such countries' exports, therefore, the strength of the economy can be highly dependent on commodity natural resource prices. Countries that have large amounts of natural resources include Nigeria, Russia, Saudi Arabia and Venezuela. Unfortunately, the currencies of these commodity/natural-resource-rich countries are either regulated by the government or otherwise rarely traded in international markets. As a result, Australia, Canada and New Zealand are countries that are rich in natural resources and also have liquid, freely floating currencies enabling currency trading to be very liquid.

Factors Influencing Commodity Currency Movements:

The movement of the commodity currencies is primarily determined by the price of commodities themselves. Generally, when the price of commodities are high, the currencies of the commodity producing countries also strengthen. When commodity prices are weak, those countries' currencies weaken. When commodity prices strengthen, the economies in commodity-producing nations usually grow more rapidly causing inflation, which can lead to high domestic interest rates. High interest rates can make these countries popular from a currency trading standpoint because investors want to invest in countries that pay high interest rates.

Trading The Commodity Currencies:

The currencies of Australia, Canada and New Zealand are all actively traded but are less liquid than those of the United Kingdom, Japan or the Eurozone, which additionally, comparing the economies of commodity-producing nations to that of the United States can be difficult, because the comparison is not "apples to apples". In general, traders focus on the trend in commodity prices to determine whether the currencies of Australia, Canada and New Zealand are likely to rise or fall in the near future. Also, investing in commodities or commodity-producing companies may produce direct exposure to commodity prices. Although the commodity currencies typically move in tandem with commodity prices, the currencies are also influenced by additional, unrelated factors. These factors can prevent commodity currencies from being a pure play on commodity prices. Therefore, investors interested in commodity exposure should carefully consider whether they want to trade the commodity currencies or would they prefer to invest directly in the commodities themselves.

PULSE

DISPROPORTIONAL GROWTH

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

Studying how money grows at various rates of return is pretty amazing. Even more amazing is the differences in the growth of money between two assumed rates of returns, which seems small initially, but is mind-boggling over long periods of time. For example, imagine $1.00 growing at 8.0% will accumulate to $10.06 over 30 years while $1.00 growing at 4.0% will accumulate to $3.24 over 30 years. Therefore, achieving a return two times as great will produce a balance more than three times as large over 30 years. Of course, this mathematical calculation ignores the impact of taxes.

PULSE

10 WORST AND BEST MONTHLY TOTAL RETURNS ON THE S&P 500:

JANUARY 1926 TO JULY 2015

WORST RETURNS		BEST RETURNS	
Month	**Return (%)**	**Month**	**Return (%)**
September 1931	-29.7	April 1933	+42.6
March 1938	-24.9	August 1932	+38.7
May 1940	-22.9	July 1932	+38.1
May 1932	-22.0	June 1938	+25.0
October 1987	-21.5	May 1933	+16.8
April 1932	-20.0	October 1974	+16.8
October 1929	-19.7	September 1939	+16.7
February 1933	-17.7	April 1938	+14.5
October 2008	-16.8	June 1931	+14.2
June 1930	-16.3	January 1987	+13.5

As of: July, 2015

Source: Morningstar, Inc., *Morningstar Magazine*, October/November, 2015, global.morningstar.com/morningstarmagazine

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

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

Back in the late 1980's the public and media understood that there were three types of advisors: Commission-Only, Fee and Commission or Fee-Only. At that time, there was a movement among Fee and Commission advisors to separate themselves from the "commissions" stigma. As a result, they began calling themselves "Fee-Based" in order to sound as if they were similar to Fee-Only advisors. Many people believe that the term, Fee-Based, is misleading because Fee-Based advisors often do not provide unbiased advice to their clients due to their recommending investment and insurance products which produce "additional compensation" in the form of commissions and/or product fees for them or their firm.

In contrast to Fee-Based or Commission-Only advisors, Fee-Only advisors do not receive any commission-type compensation whatsoever. In fact, many advisors such as the ones at Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc. are fiduciaries. Fiduciaries are required by law to act in the client's best interest at all times.

PULSE

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	12.2x	19.8x	10.8x	8.0%	13.0%	1.75	1.96	5.80
Mid-Cap	23.3x	13.1x	23.3x	11.9x	0.0%	10.0%	1.78	2.07	9.30
Small-Cap	26.4x	13.8x	27.3x	12.0x	-3.0%	15.0%	1.91	2.44	12.50

* Growth To Value

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

As of: May 6, 2016

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

WHY ARE THE PRICES OF GOLD STOCKS PERFORMING SO WELL?

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

Paradigm Capital estimates that between 80.0% and 90.0% of global miners' operating costs are covered when gold reaches $1,250.00 an ounce. The metal is now at this level—it's currently at $1,295.00, up 21.0% so far this year—but as recently as December, prices were floundering at $1,050.00, which cut deeply into producers' margins.

Source: This article was excerpted from "The Ultimate Streaming Service", by Frank Holmes, CEO and Chief Investment Officer, U.S. Global Investors, (*Advisor Alert*, April 29, 2016), www.usfunds.com

ETF Liquidity Problems, *continued from page 1*

regions, commodities, currencies, bonds, industries, sub-industries as well as leveraged and inverse (short) types of ETFs have become available in ETF format. More recent developments include ETFs based upon smart beta, different slices of indexes (fundamental investing) equally-weighted indexes and actively managed ETFs.

Most of these new types of ETFs are not detrimental to investors as a whole. However, if used incorrectly, they can be detrimental to individual investors. Purchasing ETFs are more convenient than purchasing an indexed open-end mutual fund. However, that's where investors can get into trouble—too much ease of use. Investors can easily buy and sell quickly and rapidly every day.

Having convenient access to otherwise illiquid markets can be problematic as well and can inappropriately allow investors to have a more casual approach to investments that are more complex and they can create their exposure to disasters.

ETF liquidity is based upon the underlying investments. Too much illiquidity of the underlying investments used by an investor that desires to have a great deal of liquidity can be a bad match. Not that everything that ETFs are designed to track has to be as liquid as stocks, but no investor should be under the impression that they can buy and sell every ETF as if the underlying investments have equally liquid markets. Furthermore, assets that are illiquid in their actual form should cause investors to exercise more caution when they enter into such transactions. The same concept can apply to parts of the investment markets that haven't historically been traded the way that ETFs do. For example, bank loans, high-yield bonds, commodities, precious metals, municipal bonds and foreign investments, such as emerging market securities are more illiquid. Trading in ETF form can create problems, especially for large investors. What happens when investors want out of the asset and the most convenient exit is the ETF, not the asset itself. It is during these times that the ETF sale price may fall below the value of the assets that are actually trading. Limit orders from a buying and selling standpoint can lower the possibility of creating problems for an investor, as can trading in the first half-hour or last half-hour of the trading day.

These can be complex investments. Buyer or seller beware!

PULSE

Diversification, *continued from page 1*

one can watch their investment accounts at least daily, if not minute by minute, read thousands of articles and comments at any point in time whether credible or not (think Social Media and the Internet), listen to sensationalized newscasters on CNBC, Bloomberg, Fox Business, etc. on television and then there is always radio. No wonder investors have a short-term viewpoint!

In old times (the 1980s), according to one major mutual fund investment research firm, the average mutual fund investor frequently held onto mutual funds an average of ten plus years. Today, that number is about two years. Yet, investor returns even in bull markets are lower than earlier.

Why the drop in returns and average hold times? Again, a simple answer: Unbelievable amounts of information, which causes investors to ignore fundamental investment principles and, instead, focus on so-called profit-making opportunities that focus on the short-term.

Investors usually earn better long-term returns when they focus on the long-term.

PULSE

Mutual Fund Basics, *continued from page 1*

investor's money, no matter how small an amount, is diversified among hundreds, and perhaps thousands, of stocks, bonds, or other securities, thereby minimizing risk.

As a result, there isn't a need to buy bonds and stocks directly. Investors also avoid volatility from one or two stocks. Furthermore, by investing in mutual funds, investors pay minimal fees, often less than 1.0% of the investment per year, while the monies are being managed by mutual fund managers, who are professional money management experts.

Money from a mutual fund is made when the stocks, bonds, or other securities increase in value, issue dividends or make interest payments. When investing in a mutual fund, the income made is the result of income received from dividend paying stocks, and/or interest from bonds. If the mutual fund sells a holding whose value has increased, there of course is a profit. Even if the mutual fund does not sell a specific holding, the mutual fund itself will still increase in value.

Therefore, the value of the shares held by investors in the mutual fund will increase in value when the holdings increase in value. Capital gains, income from debt investments (bonds or variable interest rate investments) that pay interest or dividend payments can be paid out as cash or can be reinvested into new mutual fund shares of the same fund.

PULSE

HEDGE FUNDS

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

A hedge fund is a private investment partnership invested primarily in publicly-traded securities or financial futures. Because they are private investment partnerships, the Securities & Exchange Commission (SEC) limits hedge funds to 99 investors, at least 65 of whom must be "accredited". Accredited investors are defined as investors having a net worth of at least $1,000,000. Super accredited investors are defined as investors having a net worth of at least $5,000,000. The General Partner of the fund usually receives 20.0% of the profits, in addition to a fixed management fee, generally 1.0% of the assets (although 2.0% is not unheard of) under management. Hedge funds are estimated to be a $3.197 trillion industry and growing at approximately 20.0% per year with over 15,000 active hedge funds.

Hedge funds often hedge against downturns in the markets, which is especially important with volatility and anticipation of corrections in overheated stock markets. The primary aim of most hedge funds is to reduce volatility and risk while attempting to preserve capital and deliver positive returns under all market conditions. Historically, many hedge funds have not been successful in accomplishing this objective.

Hedge funds include traditional stock and bond investments. They also combine these investments with short sales, arbitrage and leverage not generally found in traditional stock and bond market investment strategies.

Short sales involve the sale of borrowed securities considered overvalued with the intent to purchase them later at lower prices to make a profit.

Arbitrage strategies attempt to exploit temporary price discrepancies between similar securities through buying the cheaper one and selling short the more expensive one. Leverage involves borrowing money to increase the effective size of the portfolio. Leverage increases risk and profit potential.

Not all hedge funds are the same. Investment returns, volatility, and risk vary among different hedge fund strategies. Some strategies which are not correlated (move similarly) to equity markets are able to deliver consistent returns with extremely low risk of loss, while others may be as, or more volatile than, mutual funds. A successful fund of funds, a hedge fund that invest in other hedge funds, recognizes these differences and blends various strategies and asset classes together to create more stable long-term investment returns than any of the individual funds.

There are four major types of hedge funds:

1. Market neutral or relative value funds encompass a range of funds that invest in bonds and/or equity, but are not dependent on the direction of market movements. Managers seek to exploit market inefficiencies or mis-pricing and balance long and short market exposures. Returns are typically uncorrelated with other asset classes.

2. Event driven funds pursue strategies largely unaffected by the direction of equity and bond markets with investment based on the actual or anticipated occurrence of a particular event, such as a merger, bankruptcy or corporate re-organization. Returns tend to have low correlation with other asset classes.

3. Long/short strategies invest in equity and/or bond markets combining long investments with short sales to reduce, but not eliminate, market exposure and isolate the performance of the fund from the performance of the asset class as a whole. Returns can be more correlated with other asset classes due to bias towards long-market exposure.

4. Tactical trading funds speculate on the direction of market prices of currencies, commodities, equities and/or bonds in the futures and cash markets. This is the most volatile hedge fund category in terms of performance. Correlation of returns with traditional asset classes is low.

There are many benefits of hedge funds including:

A. Hedge fund strategies have the ability to generate positive returns in both rising and falling equity and bond markets.

B. Inclusion of hedge funds in a balanced portfolio reduces overall portfolio risk and volatility which, hopefully, results in increased returns.

C. There are a huge variety of hedge fund investment styles – many of which are non-correlated with each other – which provides investors with a wide choice of hedge fund strategies to meet their investment objectives.

D. Academic research has proven hedge funds have higher returns and lower overall risk than traditional investment funds.

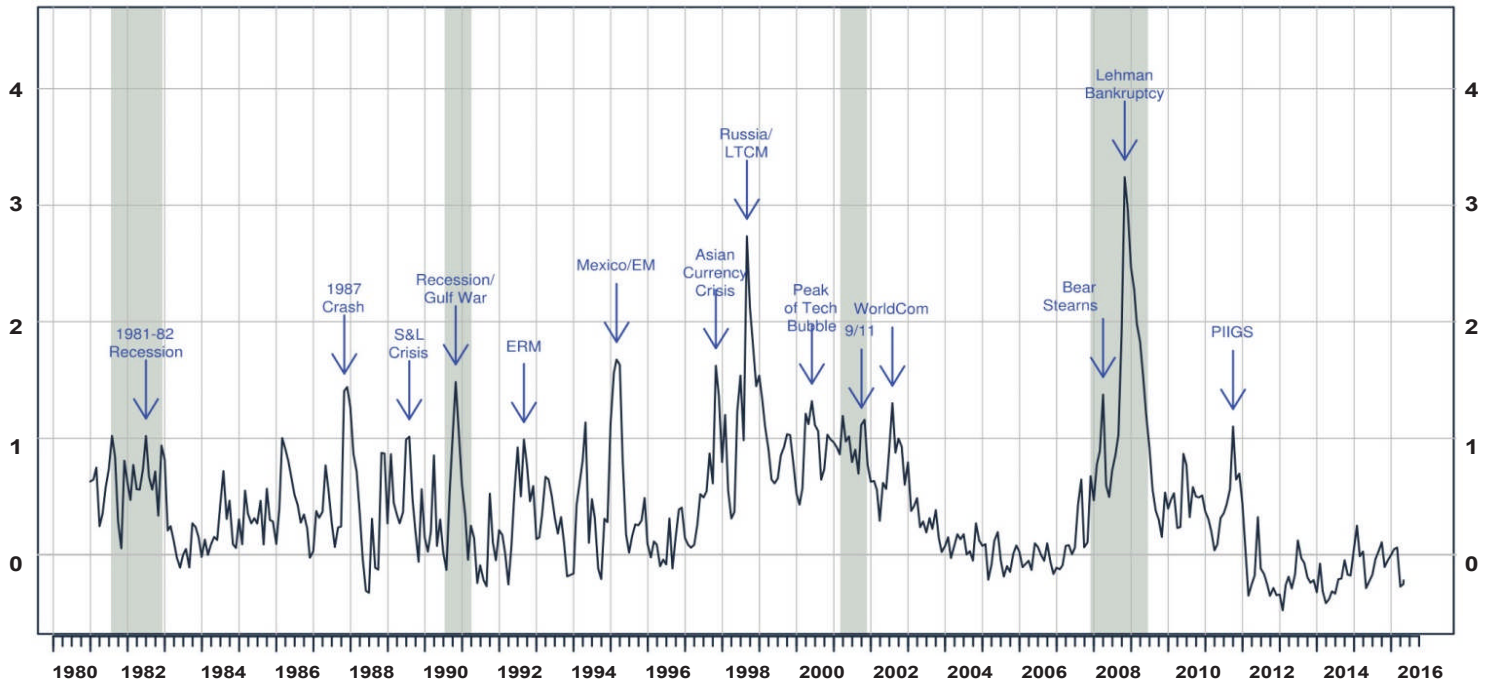
E. Hedge funds provide an ideal long-term investment solution, eliminating the need to correctly time entry and exit from financial markets.

F. Adding hedge funds to an investment portfolio provides diversification not otherwise available in traditional investing.

While hedge funds do have many positives, they have dangers as well. They are far less regulated than mutual funds, and their managers are free to use leverage and other risky techniques. Even if investors can obtain entry, they may want to think twice before tying up a large chunk of their wealth in a single hedge fund. An investment option may be a fund of funds investment strategy.

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.

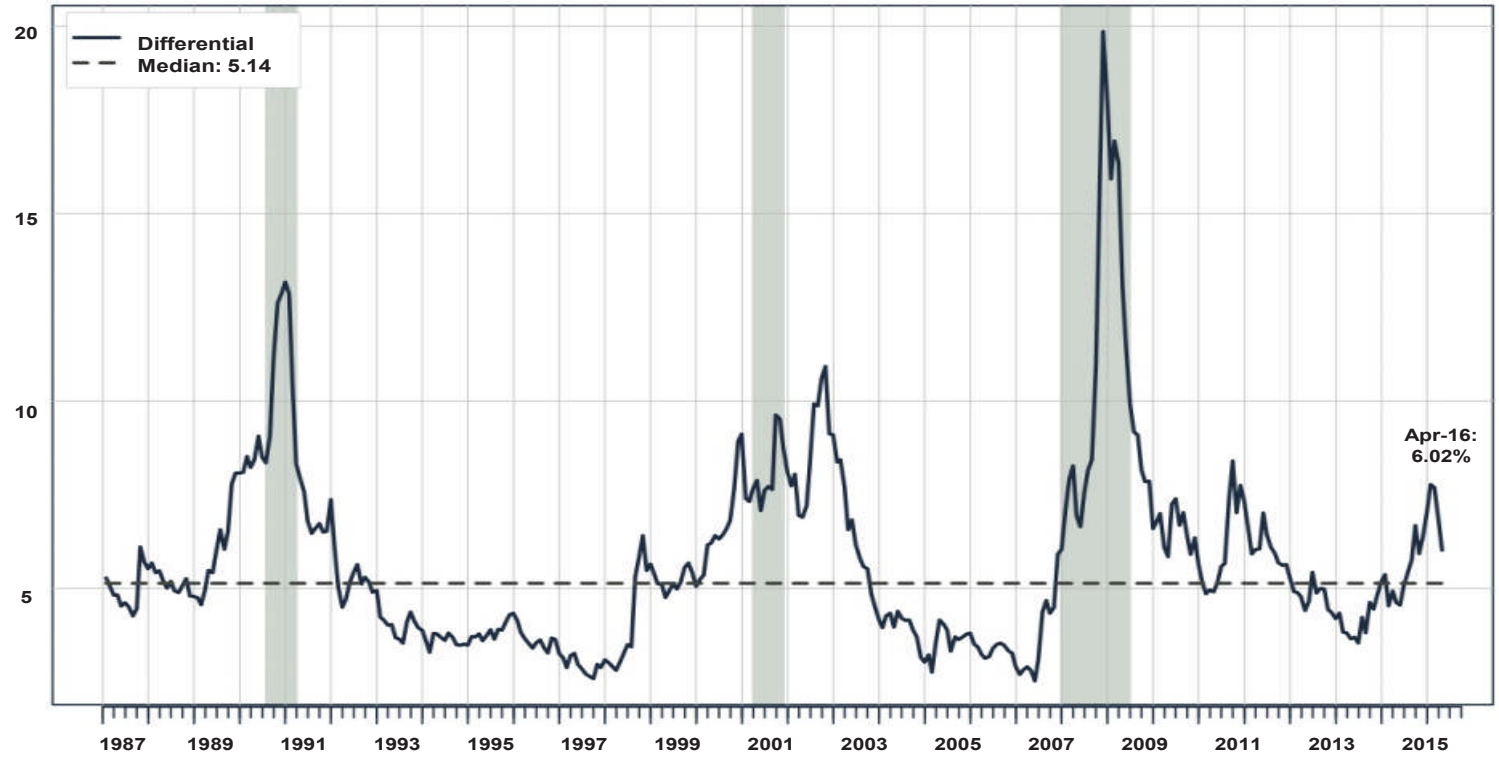


As of: May 6, 2016

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

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

High Yield Bond Yields Rise Again



As of: May 6, 2016

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

SECULAR BEAR MARKET WATCH

April 1, 2000 to April 30, 2016
(16 years and 1 month)

	Annual Compound Return	Total Return
Consumer Price Index (Inflation)	2.10%	39.76%
90-Day Treasury Bills Index-Total Return	1.64%	29.85%
Barclays Aggregate Bond Index-Total Return	5.42%	133.69%
HFRX Global Hedge Fund Index	2.20%	41.88%
S&P 500 Index (U.S. Stock Market)	4.00%	87.96%
MSCI EAFE Index (Developed Foreign Equities)	2.86%	57.46%
MSCI Emerging Market Index (Equities)	6.00%	155.51%
Newedge CTA Index (Managed Futures)	5.29%	129.23%
Dow Jones–UBS Commodity Index-Total Return (USD)**	-0.88%	-13.20%
Dow Jones U.S. Real Estate Index-Total Return (USD)**	10.95%	432.05%
Gold Bullion	10.00%	363.54%

* 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: April 30, 2016

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 1 month. 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 April 30, 2016
(4 months)

	Year-to-Date Total Return
Consumer Price Index (Inflation)	1.16%
90-Day Treasury Bills Index-Total Return	0.09%
Barclays Aggregate Bond Index-Total Return	3.43%
HFRX Global Hedge Fund Index	-1.47%
S&P 500 Index (U.S. Stock Market)	1.74%
MSCI EAFE Index (Developed Foreign Equities)	0.05%
MSCI Emerging Market Index (Equities)	6.29%
Newedge CTA Index (Managed Futures)	1.73%
Dow Jones–UBS Commodity Index-Total Return (USD)**	8.86%
Dow Jones U.S. Real Estate Index-Total Return (USD)**	3.36%
Gold Bullion	21.72%

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

Source: Bloomberg Investment Service

As of: April 30, 2016

Is A 25 Percent Depreciation In China's Currency Possible?, *continued from page 1*

in Renminbi, not U.S. Dollars, Middle East suppliers would be hurt.

Editor's Note: Please note that the S&P 500 fell approximately 14.0% last August, when the Chinese devalued their currency 2.0% in a day.

CLSA points to several winners, however, including investors. The devaluation could very well "represent the best opportunity to buy Chinese assets that investors have had since the financial crisis," the investment banking firm writes. China's materials sector, local exporting producers and mainland gold producers should also benefit. The Renminbi will "inevitably" fall, CLSA says, "irrespective of economic fundamentals, as a free market works out what it is worth."

It's little wonder then that, in the meantime, the country's consumption of gold has skyrocketed in recent years as it vies to become one of the world's key gold price makers. China recently introduced a new Renminbi-denominated gold fix price.

In addition, it was reported earlier this week that the Chinese bank Industrial Commercial Bank of China (ICBC) Standard just purchased one of Europe's largest gold vaults from Barclays, located in London, for $90 billion. This will help give the country greater control over gold transactions around the world, about $5 trillion of which are cleared in London every year.

Source: This article was excerpted from "Gold Takes A Breather... Is This The Buying Opportunity Investors Are Looking For?", by Frank Holmes, CEO and Chief Investment Officer, U.S. Global Investors, (Advisor Alert, May 20, 2016), www.usfunds.com.

PULSE

AN ALARMING 2008 ANALOGY?

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

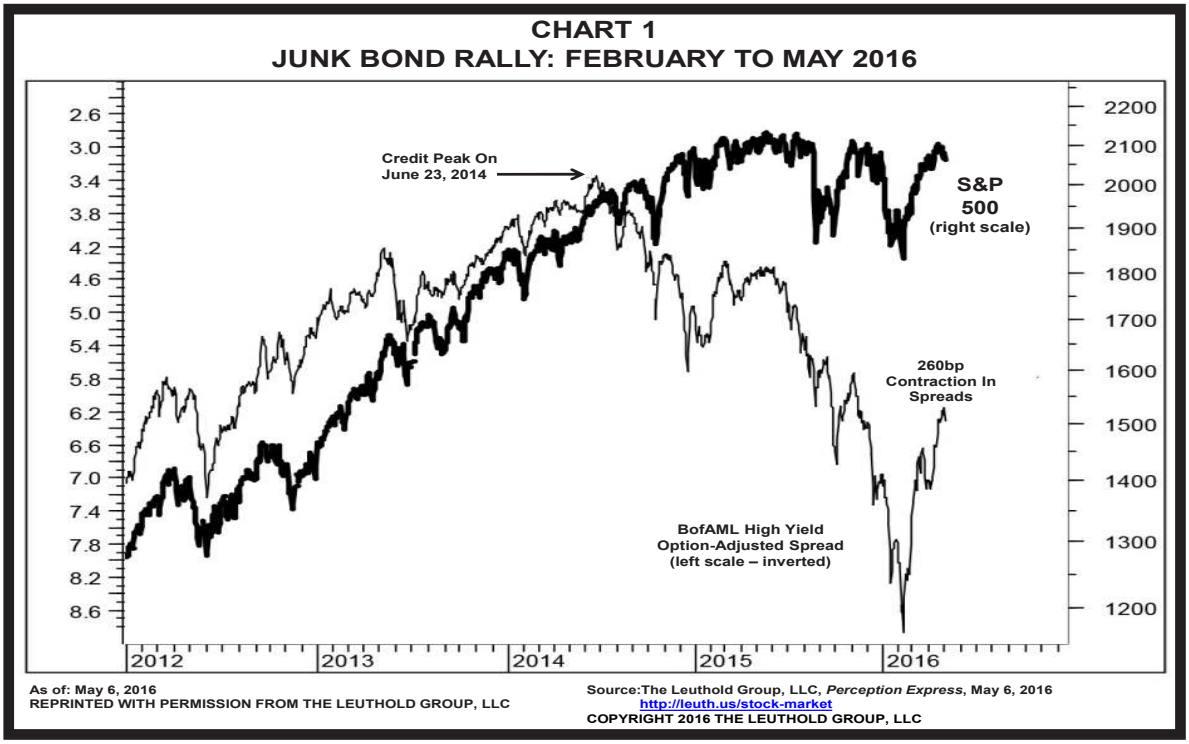
While breadth and leadership of stocks accompanying the upswing off February, 2016 lows have been impressive, the most outstanding feature of this advance might be the confirmation (similar pattern of performance) provided by high yield bonds. Option-adjusted spreads contracted about 260 basis points alongside the 14.9% gain in the S&P 500 from February 11th through April 20th, 2016 (Chart 1, below). By contrast, spreads contracted only 110 basis points during 2015's Fall +13.0% S&P 500 rally.

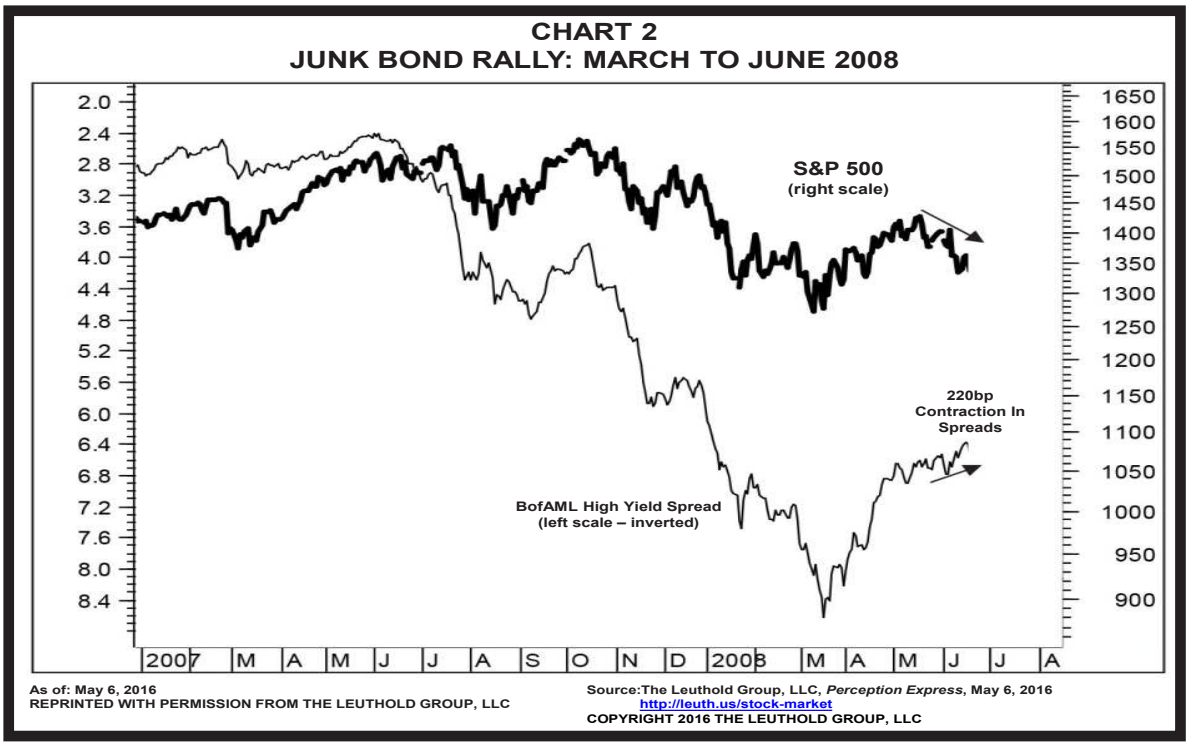
The strong recovery in credit lends legitimacy to the rally, and it's certainly been captured by various measures within Leuthold's Major Trend Index. However, we won't go so far as to label this development (nor any other we've observed during this rally) as a definitive "bear killer."

Our memory of the 2008 debacle has (thankfully) begun to fade, but our general recollection is that junk bond movements led the stock market at all key inflection points before and during the meltdown. For example, junk spreads reached their cycle "tights" four months before the stock market peaked, and blew out to their cycle "wides" three months before stocks bottomed.

However, junk investors were clearly fooled in the spring of 2008 (Chart 2, bottom right)—something we either failed to observe at the time or have already buried deep within our subconscious. During a ten-week rally that drove the S&P 500 up 12.0% into mid-May of 2008, junk bond (high yield) spreads contracted about 190 basis points—providing solid "confirmation" of the rally. Worse, though, was that those spreads proceeded to contract another 30 basis points over the next month as the stock market was decisively rolling over.

High yield bonds provide helpful information to equity investors, although we don't subscribe to the view (popularized post-2008) that investors in junk credits are somehow more prescient than equity analysts. Notwithstanding their spring 2008 miscue, credit trends are positively correlated (move similarly) to stocks.





Source: This article was excerpted from "An Alarming 2008 Analogy?", by Doug Ramsey, CFA, CMT, Chief Investment Officer, The Leuthold Group, LLC, (*Perception Express*, May 6, 2016), http://leuth.us/stock-market

PULSE

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

INVESTMENT MANAGEMENT SERVICES

Legend Financial Advisors, Inc.® (Legend) and EmergingWealth Investment Management, Inc. (EmergingWealth) offer Personalized Investment Management Services to individuals and institutions. Investment portfolios are developed to match the client's return and risk requirements, which are determined by the clients' completion of a Risk 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