

## **Legend Advisory Corporation Remains Bullish; Higher-Quality Investments Take the Lead**

### **—Domestic Large-Capitalization Stocks, Bonds & Developed Market Debt Favored—**

Palm Beach Gardens, FL—Legend Advisory Corporation, a registered investment adviser, announced that its Asset Allocation Neural Network (AANN), a form of artificial intelligence aimed at forecasting the relative strength of global market sectors, continues to be bullish on the equity markets – albeit less so than earlier in the year. Based on the analysis of AANN's most recent output and Legend Advisory's investment committee outlook, Legend Advisory is making allocation recommendations in an attempt to reduce the risk in their portfolios across equity and debt asset classes.

Legend Advisory Corporation's Chief Investment Officer, Shashi Mehrotra, CFA, acknowledges that the continued appreciation in equities, both here and abroad, may come with increased volatility. "I remain bullish, as do our models, albeit less so now that some market sectors have had triple-digit appreciation," said Mr. Mehrotra. "Moreover, while equities may continue to rise, I expect a more tepid pace compared to the last 9 months." On the domestic equity front, the recommended changes to portfolios included a reduction in small and mid capitalization stocks in favor of large capitalization stocks. In addition, Legend Advisory reduced exposure in equities to facilitate an increase in bonds and money market securities where appropriate.

In its domestic bond allocation, Legend Advisory Corporation now favors higher-quality corporate bonds, believing that they offer a better risk-return trade off as compared to high-yield bonds. Additionally, while over the last nine months lower-quality investments have outperformed, Legend Advisory Corporation's investment committee believes this trend will reverse in certain asset classes. Consistent with this anticipated change of investment theme, Legend Advisory Corporation has moved monies from small and mid capitalization stocks to provide for an increase in exposure to large capitalization stocks.

Among foreign debt, Legend Advisory Corporation reduced emerging market debt by increasing exposure to developed market debt, expecting that the geopolitical environment will likely pose some challenges over the next 6 months due to tensions in the Middle East.

AANN is a computer-based model that is designed to think and learn much like a human brain, but at much faster speeds. AANN is a form of artificial intelligence known as a "neural network." A neural network is an analogy to human brain cells, called neurons, with connected neurons referred to as a neural network. Neural networks, such as AANN, sift through data using highly interconnected processes and, similar to brain cells, are designed to learn the structure of data and detect patterns. AANN is able to scan thousands of pieces of data at a time at very fast speeds, examining their interrelationships and making predictions as to the relative strength of asset classes in domestic and international stock and bond markets.

Every month, AANN ranks the relative strength of seven asset classes: large- and small-capitalization domestic stocks, investment grade and high-yield domestic debt, international debt and equities, and cash. After an evaluation of AANN's output by Legend Advisory Corporation's Investment Committee, recommendations are fed into a separate optimization program, which creates weightings to suit the individual risk tolerances of Legend Advisory Corporation's managed portfolios. Mutual funds and sub-accounts within variable annuity contracts are then researched and evaluated to fill the designated asset allocations.

Legend Advisory Corporation, [www.legendadvisorycorp.com](http://www.legendadvisorycorp.com), is a registered investment adviser headquartered in Palm Beach Gardens, Florida. Legend Advisory Corporation is a subsidiary of Waddell & Reed Financial, Inc. (NYSE: WDR), one of the oldest mutual fund complexes in the U.S. with over \$64 billion under management (as of September 30, 2009, including all investment managers within the organization). Legend Advisory Corporation has over \$1.34 billion in assets under management (as of September 30, 2009) from public and private retirement plans, endowments, foundations, institutions and individuals. AANN's *Investing with Intelligence* is available to clients through Legend Advisory Corporation's national network of financial advisors.

Advisory Services offered through Legend Advisory Corporation, a registered investment adviser.  
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***Opinions expressed herein are those of Shashi Mehrotra, Chartered Financial Analyst and Chief Investment Officer of Legend Advisory Corporation. These views are as of December 14, 2009 and are subject to change at anytime, without notice.***

*Investing involves market risk, including the possible loss of principal. Past performance is no guarantee of future results.*

*There is no guarantee that the recommendations made by AANN in the future will be accurate. AANN is a computer-based modeling tool which utilizes artificial intelligence to formulate its results. Output from AANN's results are then used by Legend Advisory Corporation's Investment Committee to make investment decisions in managing their portfolios. AANN does not, in and of itself, make any investment decisions.*

*To the extent that Legend Advisory Corporation makes or publishes forward-looking statements, a variety of factors, many of which are beyond Legend Advisory Corporation's control, could cause actual results and experiences to differ materially from the expectations and objectives expressed in these statements. No predictions or forecasts can be guaranteed. Moreover, this material does not constitute a recommendation to buy or sell any security.*

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