

Legend Advisory's Artificial Intelligence, AANN, Advises a Significant Decrease in Exposure to International Equities of Developed Nations in Favor of Domestic Equity Markets

--Model Continues to Favor Emerging Markets Equities Overall; International Bonds Over Domestic Bonds--

Palm Beach Gardens, FL – Legend Advisory Corporation, a registered investment adviser, has reported that its Asset Allocation Neural Network (AANN), a form of artificial intelligence aimed at forecasting the relative strength of global market sectors, has recommended a significant reduction in the allocation to international equities of developed nations in favor of domestic equities for the first time in five years.

“We’ve maintained an over-allocation to the international equity markets since 2003, but this trend has weakened over the last quarter” says Shashi Mehrotra, Chartered Financial Analyst and Legend Advisory’s Chief Investment Officer. “This is the first time I’ve seen the model favoring domestic markets over international markets.”

However, Mehrotra stated that emerging markets are an exception. “We believe emerging markets are still going to offer better value over the long term than the domestic markets and those of other developed nations worldwide.”

He added that the environment for emerging markets could be challenging over the short term due to inflationary pressures. “We’re importing inflation from India and China because their demand for commodities has dramatically increased over the last three years, and we don’t believe it will abate any time soon,” said Mehrotra. “We expect the economies to keep pace, but believe the profit margins will come under pressure as we don’t see any opportunity to squeeze any more from the current variables. That has been a challenge in the U.S. as well as in Europe and other developed countries, but we think it’s going to start to be a challenge even for the emerging economies.”

The artificial intelligence program, which is designed to look four months ahead, has alerted Legend Advisory Corporation’s Investment Committee to reduce exposure to international equities in all of Legend Advisory’s managed portfolios, while increasing the allocation to bonds and domestic mid-cap equities. “Among bonds, the model continues to favor international issuers,” noted Mehrotra. Within this asset class, the investment committee decided to move some funds out of bonds issued by developed economies and into emerging market bonds because the US dollar has not depreciated as much against emerging market currencies as it has against the currencies of developed nations. The Committee believes that emerging economy currencies may also start to appreciate against the US dollar and once that happens, there may be a second wave of international bond appreciation, particularly among emerging market bonds. The Committee maintained the allocation to emerging markets equities as the model continues to favor this asset class overall.

The artificial intelligence program, AANN, is essentially a computer model that thinks and learns 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 like 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's Investment Committee, recommendations are fed into a separate optimization program, which creates weightings to suit the individual risk tolerances of Legend Advisory's managed portfolios. Mutual fund and variable annuities are then researched and evaluated to fill the designated asset allocations.

Legend Advisory Corporation, 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 \$62 billion under management (as of June 30, 2008, including all investment managers within the organization). Legend Advisory Corporation has over \$1.4 billion in assets under management (as of June 30, 2008) 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 brokers and financial advisors.

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's Investment Committee to make investment decisions in managing the model 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. Under no circumstances should this information be construed as investment advice.