



## Legend Advisory Corporation

August 01, 2007 09:50 AM Eastern Daylight Time

### **Legend Advisory's Artificial Intelligence: AANN's Outlook Cautious on Equities; Continues to Favor Further Decrease in Equities with Movement into Bonds and Cash**

PALM BEACH GARDENS, Fla.—(BUSINESS WIRE)—Following the recent downturn in domestic and international equities, Legend Advisory Corporation, a registered investment adviser, noted that its Asset Allocation Neural Network (AANN), a form of artificial intelligence aimed at forecasting the relative strength of global market sectors, had advised on a significant decrease in asset allocation to equities in mid-June. The artificial intelligence, which looks out four months ahead, had alerted Legend to lower its equity exposure in June and allocate more into cash and bonds, a significant move. At July's month-end, AANN continues to favor that course of action, continuing to advise lowering equity exposure.

"As a result of AANN's recommendation, in mid-June, we decided to reduce our equity exposure in all of our model portfolios," Says Shashi Mehrotra, Chartered Financial Analyst and Legend Advisory's Chief Investment Officer. "Specifically, our most aggressive portfolio, the Global Capital Growth model, saw as much as an 8% reduction in its allocation to equities."

Though Mehrotra believes the current market turmoil is a temporary decline, nonetheless, he adds, "The markets appear to be looking for any excuse to go down. We have had a continual run-up for nearly five years. I feel the market needs a breather." He noted that while the current market downturn has been about 5 to 6%, he believes that more volatility going forward can be expected.

AANN's artificial intelligence is essentially a computer model that thinks and "learns" much like a human brain but at very fast speeds and with the ability to see dimensions beyond that of the human brain or traditional computer models.

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 sift through data using highly interconnected processes, and like brain cells, are designed to learn the structure of data and detect patterns. AANN responds to the interrelationship of that data in order to make predictions with respect to the relative strength of asset classes among 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 equity, 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's model portfolios. Yet another set of screens picks out the appropriate mix of mutual funds to fill the designated asset allocations.

Legend Advisory Corporation, [www.legendadvisorycorp.com](http://www.legendadvisorycorp.com), is a registered investment advisor headquartered in Palm Beach Gardens, Florida. Legend Advisory Corp. is a subsidiary of Waddell & Reed Financial, Inc. (NYSE: WDR), one of the oldest mutual fund complexes in the U.S. with over \$50 billion under management (as of June 30, 2007, including all investment managers within the organization). Legend Advisory Corporation has over \$1.5 billion in assets under management (as of June 30, 2007) 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.

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