

## **Legend Advisory's Artificial Intelligence, AANN, Anticipates Continued Strengthening in the Global Equity Markets**

### **—Domestic Small-Capitalization Stocks Regain Favor—**

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, is indicating its belief that the equity markets will likely continue their cyclical upturn. A continued strengthening of the global equity markets is anticipated. Furthermore, after disfavoring domestic small-capitalization stocks for almost two years, AANN has recently begun to favor this asset class.

As a result, Legend Advisory's Investment Committee recommended an increase in exposure to international and emerging market equities, as well as, small-capitalization stocks and an allocation was advised. After maintaining a relatively conservative stance in all its managed portfolios since June, 2007, Legend Advisory Corporation began allocating to accommodate a more aggressive stance in terms of debt-to-equity ratios in December, 2008. This posture was intensified in Legend Advisory Corporation's latest allocation. The move was facilitated mainly by a reduction in exposure to high quality government bonds and international debt. In addition, some monies were moved from domestic large-capitalization stocks to provide for an increase in exposure to both domestic small- and mid-capitalization stocks.

In its domestic bond allocation, Legend Advisory Corporation's Investment Committee now favors corporate bonds over high quality government bonds because the Committee believes that historical wide spreads, caused by increased fear among investors, should continue to narrow. The Committee anticipates that this narrowing of credit spreads among corporate bonds should lead to better performance.

Legend Advisory Corporation's Investment Committee also believes that the U.S. economy could reach a bottom much sooner than the consensus expectations. While some economic speculators are calling for the recession to extend well into 2010, the Committee is of the opinion that the recession is likely to end in the next three months and the economy will get past an inflection point in terms of its growth curve. Consequently, Legend Advisory Corporation expects that the U.S. economy will start to grow, although at an anemic pace, during the third quarter of 2009. Furthermore, the Committee believes that once investors realize this, the current cyclical rally should experience a further boost due to altered investor expectations on the U.S. economy's future prospects.

With regards to international debt, Legend Advisory Corporation replaced foreign developed market debt by increasing exposure to emerging market bonds due to stronger fundamentals in these economies and the expectation that emerging bond spreads should also continue to narrow.

Essentially, AANN is a computer-based 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, 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 up to five managed portfolios. Mutual funds and variable annuities 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 \$47 billion under management (as of March 31, 2009, including all investment managers within the organization). Legend Advisory Corporation has over \$1 billion in assets under management (as of March 31, 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 brokers and financial advisors.

Advisory Services offered through Legend Advisory Corporation, a registered investment adviser.  
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*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.*

*Opinions expressed herein are those of Shashi Mehrotra, Chartered Financial Analyst and Chief Investment Officer of Legend Advisory Corporation. These views are as of May 26, 2009 and are subject to change at anytime, without notice.*

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