

# 2012 Perspective – Outlook and Risks

Pawleys Investment Advisors, LLC

*invest right, live right™*

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# 2012 Perspective – Outlook and Risks

- The Economic and Market Landscape
- 2011 Performance and New PIA 2012 All-Equity Model Portfolios
- Themes and Strategies
- Equity Sector Outlook
- Key Potential Risks
- *invest right, live right™*

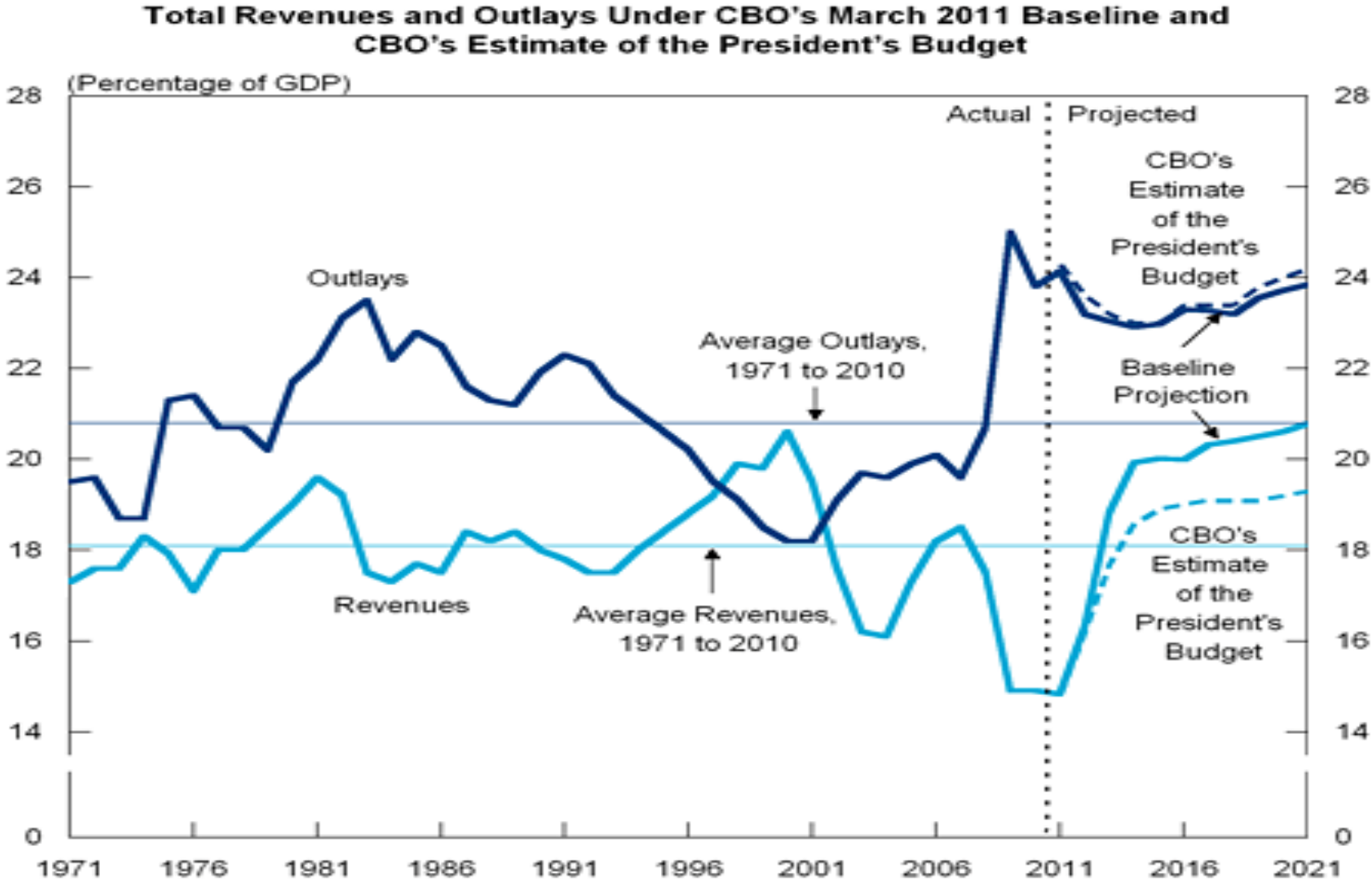
# The Economic and Market Landscape

- Global Outlook
- U.S. Deficit and Debt
- U.S. Gross Domestic Product
- Corporate Cash Holdings

# Global Outlook

- 41 out of 43 Global Countries on track to post *positive* economic output for 2011...
- ...yet ALL Foreign Indices posted negative returns, some greater than **-20%**
- International markets are undervalued, presenting opportunity during 2012, especially in Europe
- Lack of confidence in key sovereignties and their failure to make difficult decisions going forward is a potential risk

# U.S. Deficit - Government Reductions will be Key Catalyst for Growth – Private Sector will step in and increase spending



The quality of our research relies on the accuracy of data and information provided by companies and third parties, PIA does not guarantee completeness or accuracy. Future results cannot be guaranteed.

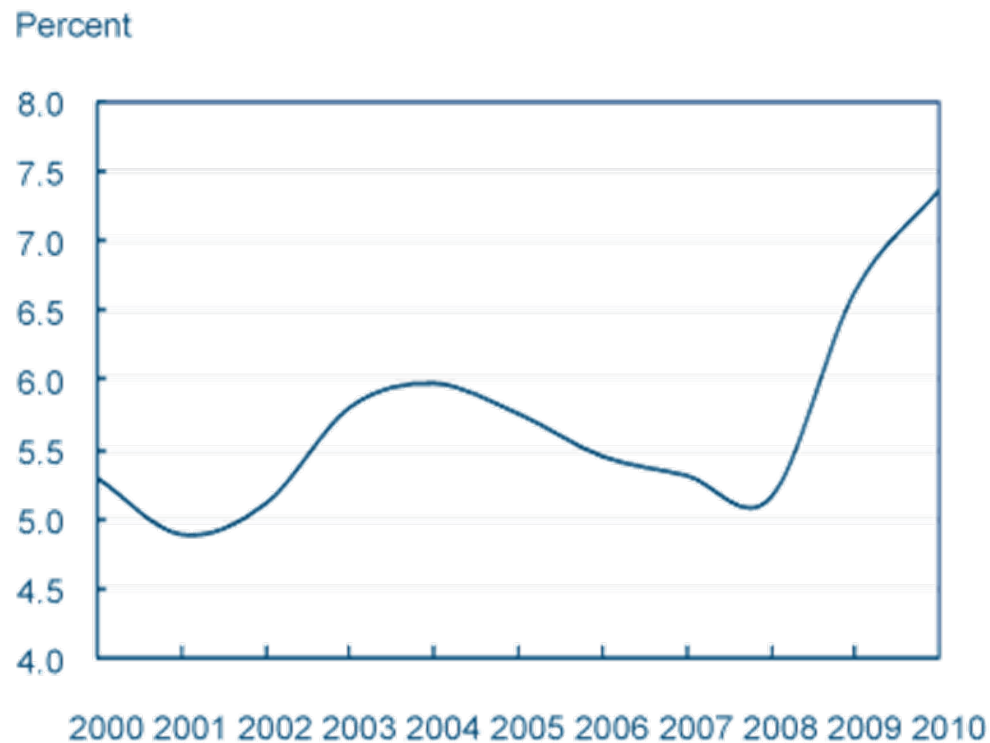
# U.S. Gross Domestic Product



*Real GDP growth is measured at seasonally adjusted annual rates.*

# Corporate Cash Holdings – Over \$2 Trillion

## Nonfinancial Corporations: Cash/ Liquid Assets as Share of Total Assets



Source: Federal Reserve Board / Haver Analytics.

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# Market Benchmark and PIA All-Equity Performance: 2011 Total Returns

## Benchmark Indices to Measure Against

## Pawleys Investment Advisors All-Equity Portfolios

- S&P 500 Index: -0.64%
- Russell 2000 Index: -6.03%
- MSCI EAFE: -12.14%

- PIA Dividend Equity  
Portfolio: +6.64%
- PIA American Growth  
Equity Portfolio: +1.78%

The performance calculations shown above are for informational purposes only and are not meant to take the place of your monthly statements. No adjustments have been made for fees or taxes. Future results cannot be guaranteed.



## PIA Dividend Portfolio 2012

Portfolio Weight	Sector	Symbol	Dividend %	Company	1yr Total Return*	Weight	Investment
9.23%	Consumer Discretionary	HD	2.75%	Home Depot Inc	23.4%	9.0%	\$ 22,500.00
9.52%	Consumer Staples	KO	2.69%	Coca-Cola Co	9.7%	9.0%	\$ 22,500.00
11.68%	Energy	XOM	2.20%	Exxon Mobil Corp	19.2%	10.0%	\$ 25,000.00
19.82%	Financials	JPM	3.03%	JPMorgan Chase and Co	-18.6%	8.0%	\$ 20,000.00
		CS	6.28%	Credit Suisse Group AG	-38.8%	8.0%	\$ 20,000.00
11.64%	Health Care	PFE	4.04%	Pfizer Inc	29.2%	10.0%	\$ 25,000.00
11.51%	Industrials	UTX	2.59%	United Technologies	-4.5%	10.0%	\$ 25,000.00
16.18%	Information Technology	IBM	1.62%	International Business Machines Cor	28.8%	8.0%	\$ 20,000.00
		INTC	3.42%	Intel Corp	21.2%	8.0%	\$ 20,000.00
3.23%	Materials	DD	3.58%	E I Dupont De Nemours	-4.2%	5.0%	\$ 12,500.00
3.75%	Telecommunication	VZ	5.00%	Verizon Communications Inc	18.9%	5.0%	\$ 12,500.00
3.44%	Utilities	PCG	4.36%	PG&E Corp	-11.4%	5.0%	\$ 12,500.00
			3.46%	average (not weighted)	6.1%	95.0%	\$ 237,500.00

Data as of 12/27/2011. Please check with PIA to see if these ideas fit within your existing portfolio

Past performance does not indicate future results.

Datasource: Interactive Data

\*\* recent fiscal year assumes dividends reinvested

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## PIA Growth Portfolio 2012

Portfolio Weight	Sector	Symbol	Company	Capitalization		
9.23%	Consumer Discretionary	WSM	Williams Sonoma Inc	Mid Cap	4.5%	\$ 11,250.00
		CTB	Cooper Tire and Rubber Co	Small Cap	4.5%	\$ 11,250.00
9.52%	Consumer Staples	WFM	Whole Foods Market Inc	Large Cap	4.5%	\$ 11,250.00
		BG	Bunge Ltd	Mid Cap	4.5%	\$ 11,250.00
11.68%	Energy	CVX	Chevron Corp	Large Cap	5.5%	\$ 13,750.00
		HP	Helmerich & Payne Inc	Mid Cap	5.5%	\$ 13,750.00
19.82%	Financials	MA	Mastercard Inc	Large Cap	6.0%	\$ 15,000.00
		ANCX	Access National Corp	Micro Cap	6.0%	\$ 15,000.00
		ITIC	Investors Title Co	Micro Cap	6.0%	\$ 15,000.00
11.64%	Health Care	LLY	Eli Lilly and Co	Large Cap	3.5%	\$ 8,750.00
		PRX	Par Pharmaceutical Companies Inc	Small Cap	3.5%	\$ 8,750.00
		MEDW	Mediware Information Systems Inc	Micro Cap	3.5%	\$ 8,750.00
11.51%	Industrials	FDX	FedEx Corp	Large Cap	4.0%	\$ 10,000.00
		BA	Boeing	Large Cap	4.0%	\$ 10,000.00
		FSTR	L.B. Foster Co	Micro Cap	4.0%	\$ 10,000.00
16.18%	Information Technology	IBM	International Business Machines Corp	Large Cap	4.0%	\$ 10,000.00
		QCOM	Qualcomm Inc	Large Cap	4.0%	\$ 10,000.00
		SNPS	Synopsys Inc	Mid Cap	4.0%	\$ 10,000.00
		IRF	International Rectifier Corp	Small Cap	4.0%	\$ 10,000.00
3.23%	Materials	BKI	Buckeye Technologies Inc	Small Cap	3.0%	\$ 7,500.00
3.75%	Telecommunication	DTEGY	Deutsche Telekom AG	International	3.5%	\$ 8,750.00
3.44%	Utilities	SWX	Southwest Gas Corp	Small Cap	3.0%	\$ 7,500.00
					95.0%	\$ 237,500.00

Data as of 1/1/2012. Please check with PIA to see if these ideas fit within your existing portfolio.

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Datasource: Interactive Data

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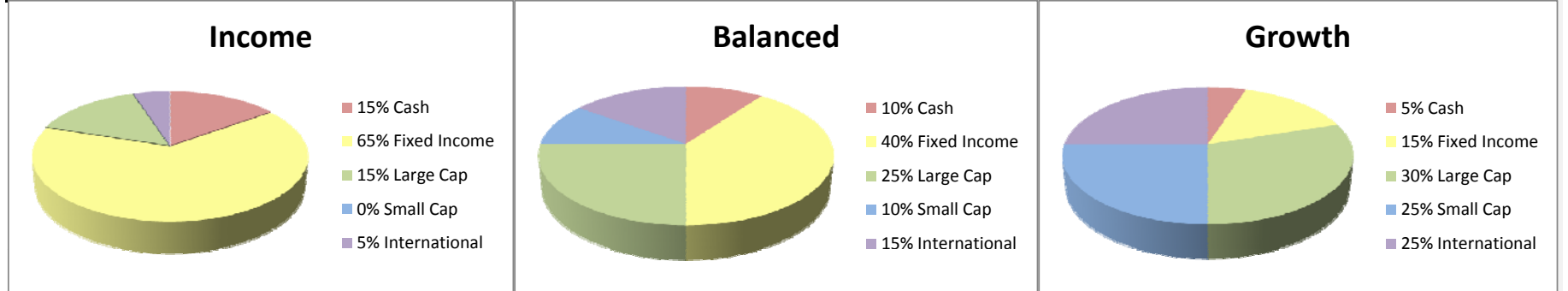
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# Themes and Strategies

- Rebalance towards asset allocation targets
- Fundamental focus on diversification, quality and a long-term view
- Tilt towards growth to supplement income from high quality fixed income (primarily municipals) and quality dividend stocks
- With Municipal bond issuance at a 10-year low during 2011 supply may be scarce, but be patient when adding and remain *highly* selective

80/20 <b>Income</b>	50/50 <b>Balanced</b>	20/80 <b>Growth</b>
15% Cash 0.15	10% Cash 0.1	5% Cash 0.05
65% Fixed Income 0.65	40% Fixed Income 0.4	15% Fixed Income 0.15
15% Large Cap 0.15	25% Large Cap 0.25	30% Large Cap 0.3
0% Small Cap	10% Small Cap 0.1	25% Small Cap 0.25
5% International 0.05	15% International 0.15	25% International 0.25



1995-2010	1995-2010	1995-2010
Best Return: 12.08	Best Return: 19.07	Best Return: 30.71
Average Return: 5.45	Average Return: 6.51	Average Return: 7.75
Worst Return: -5.13	Worst Return: -17.78	Worst Return: -29.80

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# Equity Sector Outlook

- Favor healthcare due to aging U.S. demographic
- Manufacturing and energy renaissance
- Tilt toward under-performing areas from 2011 including technology, industrials, materials, and select financial services stocks

# Key Potential Risks

- Lack of confidence in U.S. Government
- Sovereign debt drag will limit global growth
- If interest rates rise, value of fixed income portion of portfolios will drop
- The past two years of economic growth, albeit slow, may lead to an accelerating stock market that blindsides investors who have fled and are sitting on the sidelines in cash

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- Have a vision, build and work a reasonable plan
- Believe, stay positive, enjoy, be thoughtful
- Surround yourself with people that are financially healthy
- Anticipate challenges you may encounter, condition yourself to be prepared
- Regularly test and evaluate your behaviors - gauge how you are progressing, be flexible
- Maintain balance - proper context within the larger picture of your life and family/business
- Stay organized to reduce stress

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