

# Second Quarter 2011 Insights

Pawleys Investment Advisors, LLC

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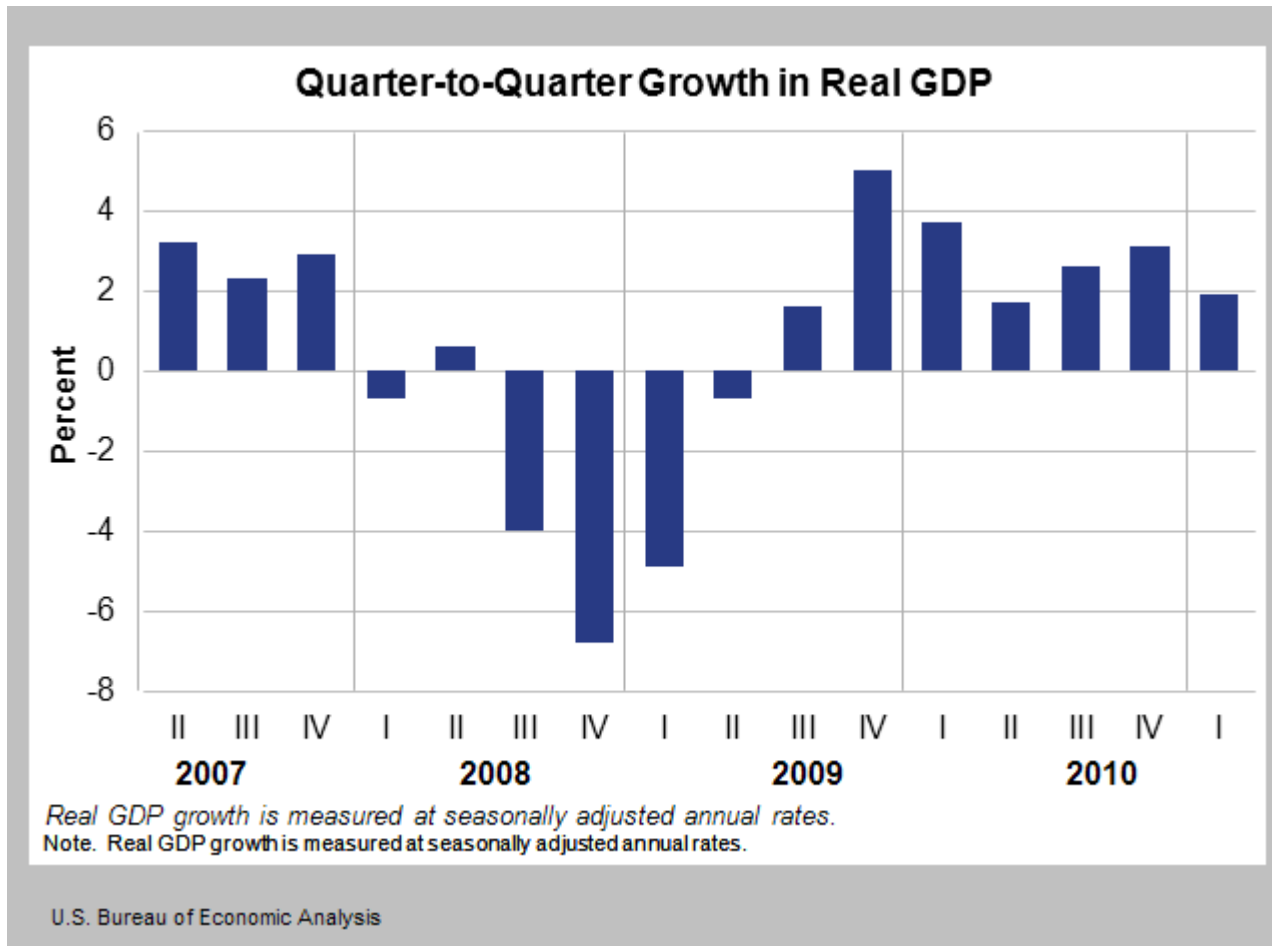
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*July 11, 2011*

# Second Quarter 2011 Insights

- The Business Cycle – Where are we Now?
- Review of Leading Economic Indicators
- The Yield Curve
- The Big Picture Versus Small Details
- 2011 Performance Update
- Portfolio Strategy Updates
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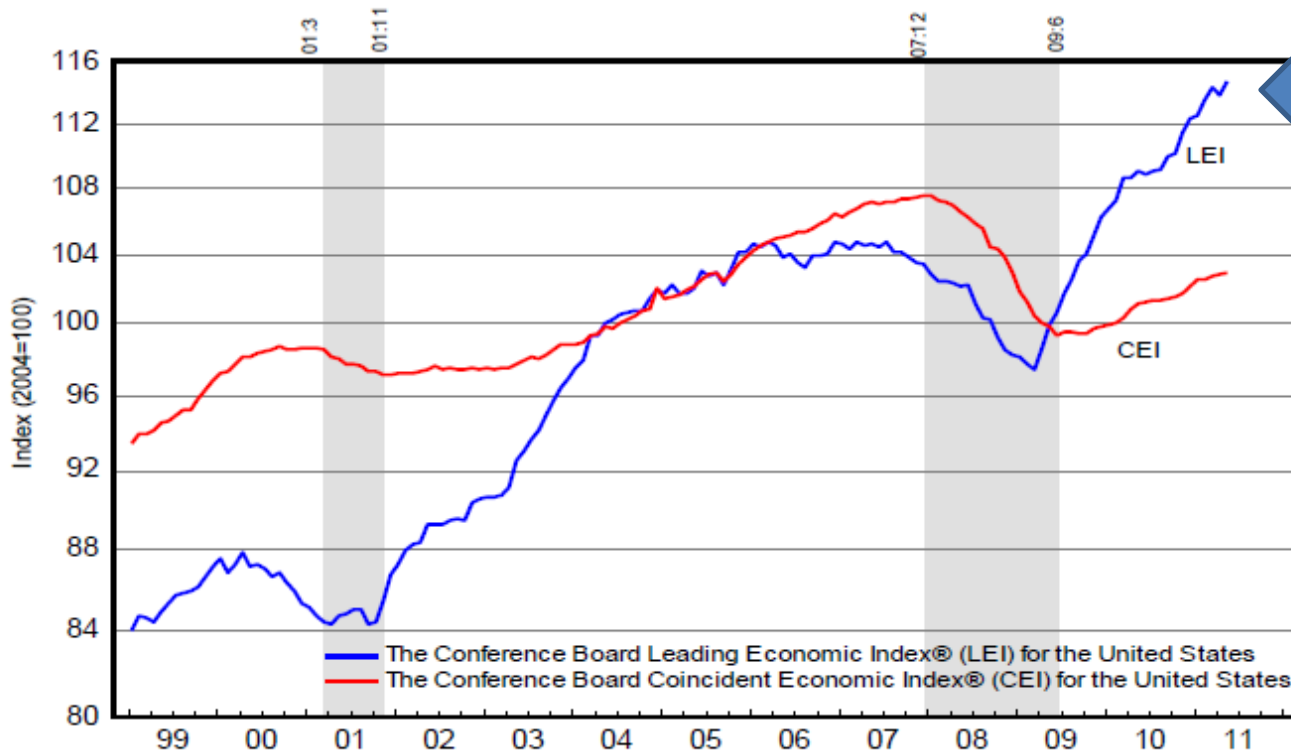
# The Business Cycle: 7 Consecutive Quarters of Growth



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.

# LEI Up in May: Upward Trend Continues After April Dip

**The Conference Board Leading Economic Index® (LEI) for the U.S. Increases in May**



Latest LEI Trough March 2009, Latest CEI Trough June 2009

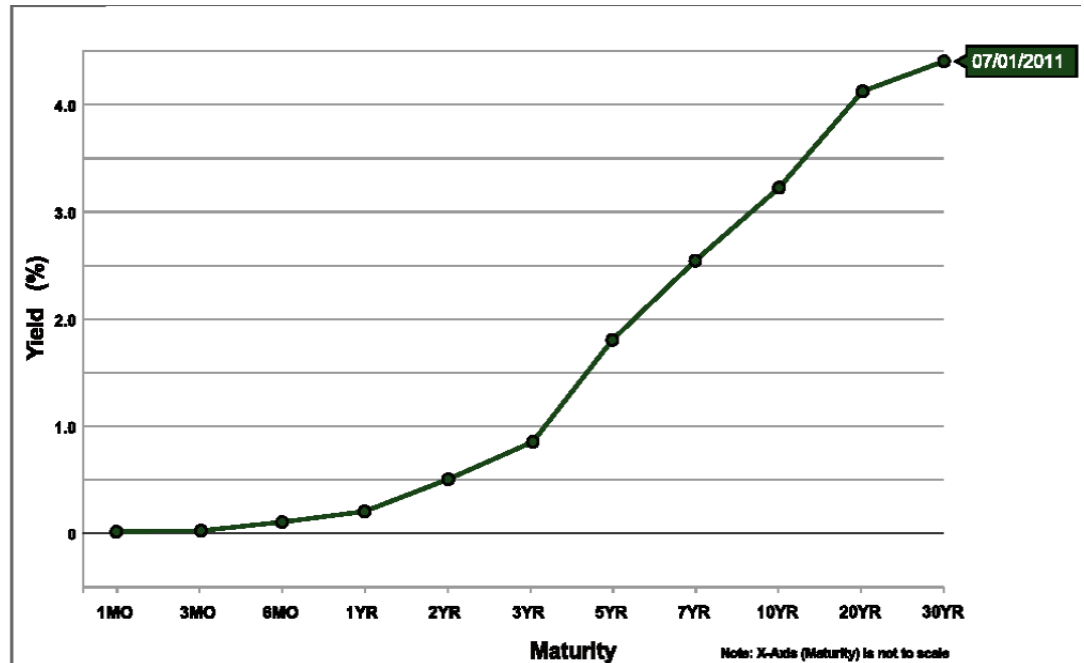
Shaded areas represent recessions as determined by the National Bureau of Economic Research.

Source: The Conference Board

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# The Yield Curve Today

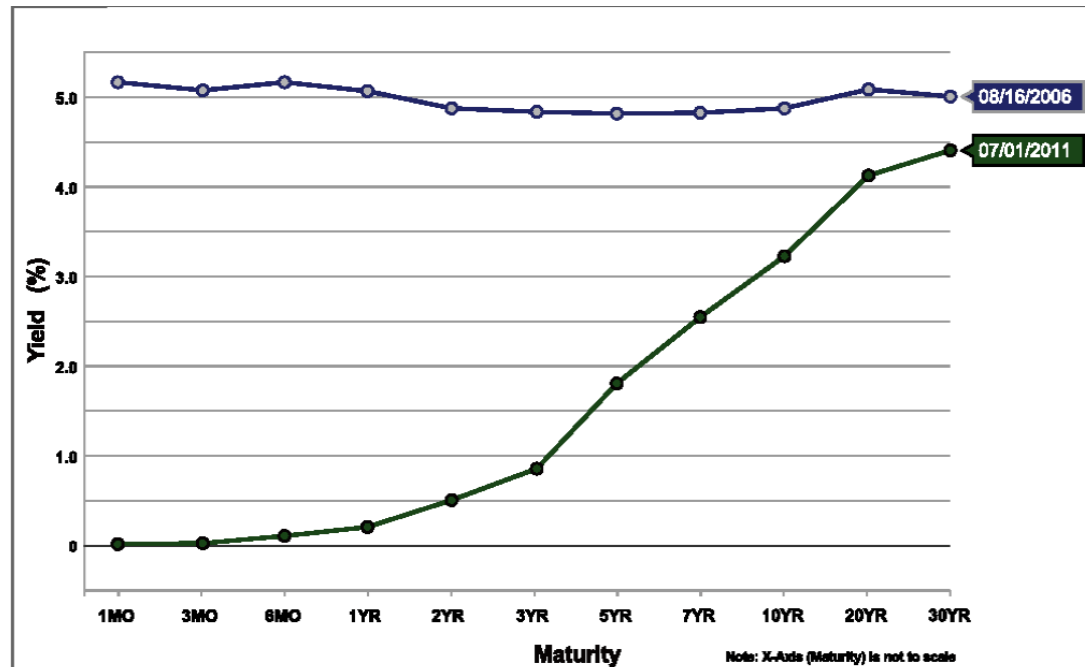
A positive or “normal” yield curve shows short-term interest rates lower than long term interest rates. Normally, investors are compensated with a higher yield to tie up their money for a longer period of time.



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# August 2006 Inversion Predictive of 2008-2009 Recession

An “inverted” yield curve, (blue line) where short-term rates rise above long term rates, is usually predictive of recessionary periods. Today’s curve in green is far from inverted, but PIA is watching closely as the economic cycle moves through the current expansionary period.



# The Big Picture Versus Small Details

## Macro Challenges

- Ballooning US debt
- Euro-zone contagion
- Japan disaster/ global summer slow-down
- Inflation

## The Details Show Positives

- US Corporate cash holdings at nearly \$2 Trillion
- Earning trend solid, expect good Q2 results despite “soft-patch” from weather and Japan disaster
- FactSet shows Q2 S&P 500 consensus estimates for 14.6% earnings growth

# Equity Market Performance: Year-to-date through June 30th

## Benchmark Indices to Measure Against

## Pawleys Investment Advisors All-Equity Portfolios

- S&P 500 Index: **+5.01%**
- Russell 2000 Index: **+5.76%**
- PIA Dividend Equity Portfolio: **+8.77**
- PIA American Equity Portfolio: **+6.89**

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.



# Portfolio Strategy Update – Time to be Patient

- Waiting for better rates to rotate back toward traditional fixed income, not likely during summer months or even later this year
- Watching economic cycle and also for any development of equity market overvaluation
- Good time to review portfolio structure for tax efficiency

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## ***Sea Turtle Nesting Season***

*Just as conflicting news headlines can distract us from our portfolio goals, artificial lights can disorient Loggerhead hatchlings from heading towards the moon to reach the sea*

## ***Lights Out!***



# Staying on Track



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