

Third Quarter 2011 Insights ©

Pawleys Investment Advisors, LLC

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www.PawleysAdvisors.com

Kathryn E. Schwartz, CRPC

Chief Executive Officer

kschwartz@pawleysadvisors.com

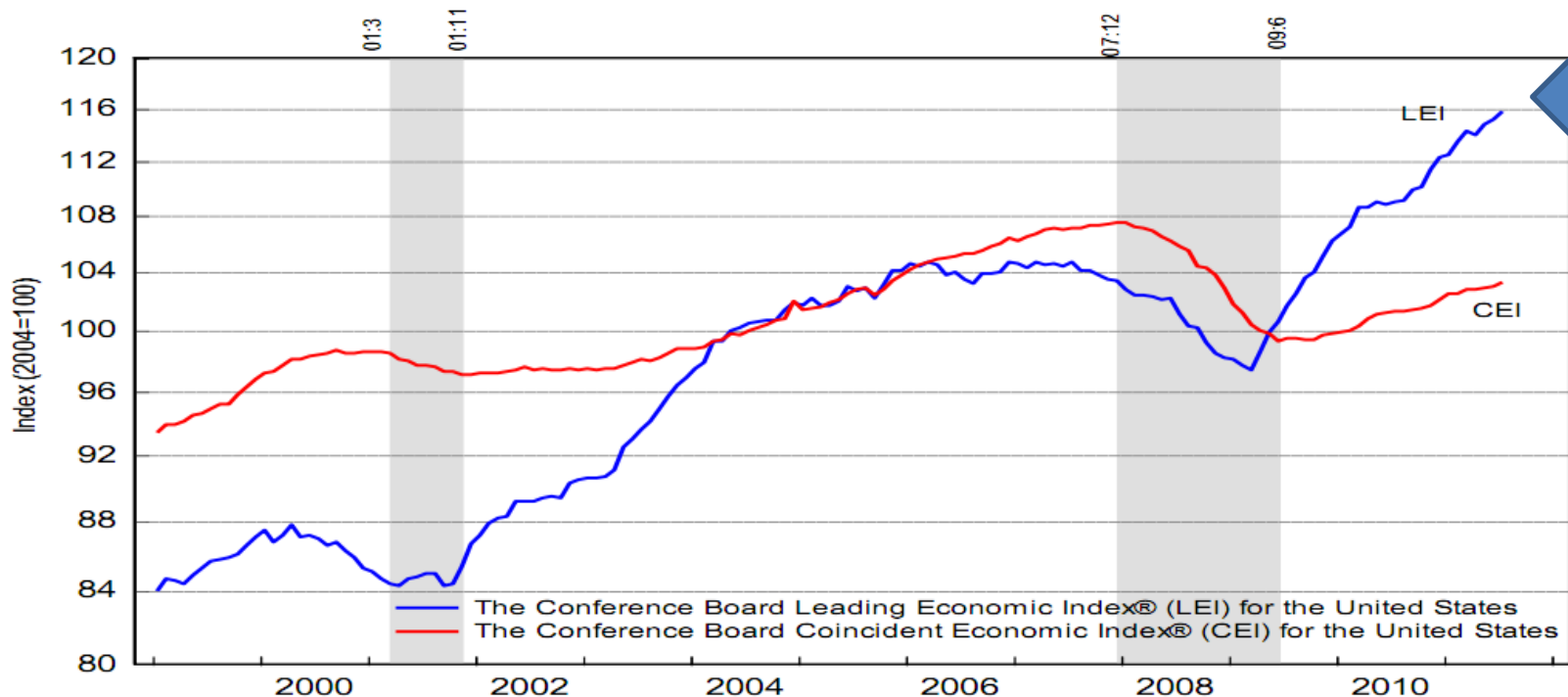
October 5, 2011

Third Quarter 2011 Insights

- Leading Economic Indicators Up Again
- US Output Continues to Grow – GDP
- Municipal Market Update
- Positive Underpinnings for the Markets
- Performance Update – PIA Equity Portfolios
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LEI Up in July: Upward Trend Continues

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



Latest LEI Trough March 2009, Latest CEI Trough June 2009

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

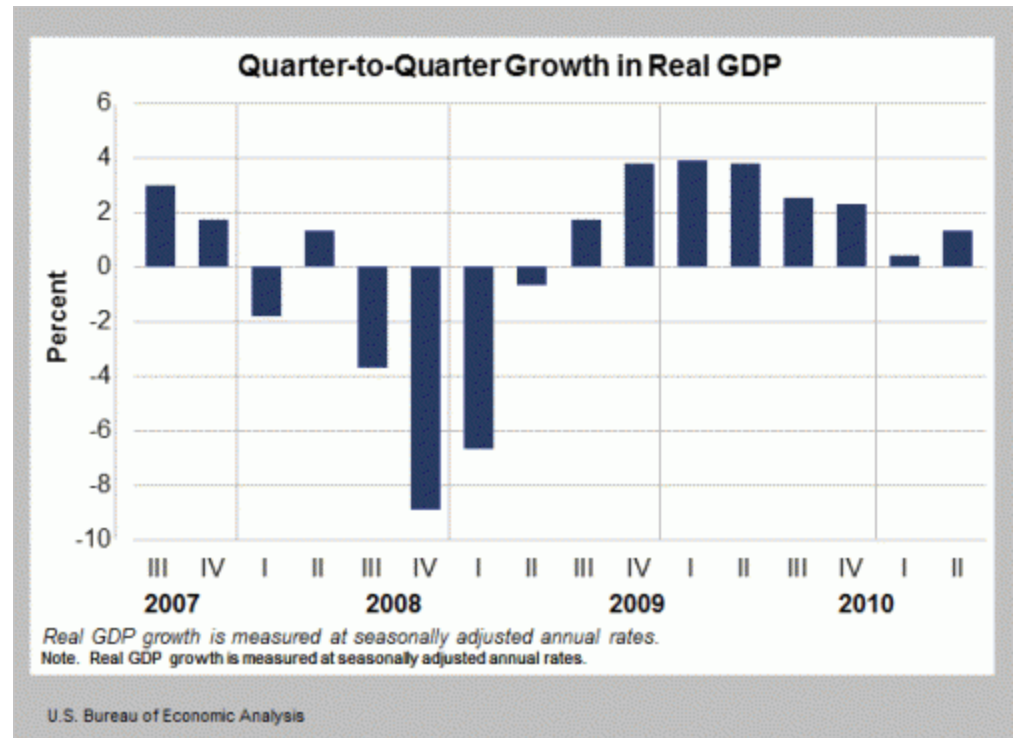
Source: The Conference Board

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.

US Output:

8 Consecutive Quarters of Growth

The markets have been volatile this quarter, but not much has changed since last year. PIA anticipated 2 keys risks for investors in the 2011 Outlook Report released this past January: Lack of congressional discipline in resolving long-term budget and debt issues, and global recovery headwinds resulting from deficits, contagion etc. Yes, we were correct in anticipating those two risks for 2011, however we do not base portfolio construction on predictions. We build portfolios that we believe will perform well in a myriad of economic and market conditions.



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Municipal Market Update

- Remember the doom and gloom from late last year? Meredith Whitney predicted “hundreds of billions” of municipal defaults in an appearance on “60 Minutes”
- Clients who took PIA’s advice and added to highly rated South Carolina municipal issues have been rewarded
- Barclay Capital Municipal Index is +8.4% year-to-date through 9/30/2011
- During 2009, there were \$8.2 billion in municipal defaults, year-to-date through 7/31/2011 only \$750 million

News Swept Under the Rug:

- For News Release May 26, 2011 from New York: “Moody’s upgrades Charleston County Parks & Recreation District to AAA reflecting the district’s strong cash position and conservative budgeting”
- July 21, 2011 Wall Street Journal: “Standard & Poor's Ratings Services on Thursday upgraded its rating on the general-obligation debt of Greenville, S.C., to AAA from AA+, citing the city's strong financial performance throughout the recession”
- August 25, 2011 Charleston Business Journal: “Fitch Ratings upgraded Charleston County bonds...to AAA, citing the fiscal discipline of the county and the local economy’s stability and increasing diversification”
- September 28, 2011 Coastal Observer: “Moody's, the bond rating firm, raised its rating on the Georgetown County School District from A1 to Aa3...citing their growing money reserve”

Positive Underpinnings for the Markets

- US Corporations have over \$2 trillion in cash
- Growth, although slow, continues – last week Q2 GDP was revised upwards
- Selling in global markets has been indiscriminate – also known as throwing the baby out with the bath water, good countries and companies have been dragged down
- ECB committed to providing liquidity in Europe

PIA Equity Performance Versus Benchmarks: Year-to-date through September 30th, 2011

Benchmark Indices to Measure Against

Pawleys Investment Advisors All-Equity Portfolios

- S&P 500 Index: -8.86%
- Russell 2000 Index: -17.02%
- MSCI EAFE: -16.84%
- PIA Dividend Equity Portfolio: -2.33%
- PIA American Equity Portfolio: -7.37

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

- Maintain focus on quality – high grade Fixed Income and quality dividend paying stocks
- Opportunity to add to portfolios in oversold areas – Small Capital US stocks, areas of Europe, and China all sold off 20-30% over the past three months
- Stick with the big picture - PIA's recommended portfolio structure is intended to perform well in a myriad of economic and market conditions
- Focus on what you can control and avoid letting frantic media reporting get the best of your emotions

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“...You will never regret not having passed one more test, not winning one more verdict or not closing one more deal. You will regret time not spent with a husband, a friend, a child, or a parent. “

-Barbara Bush

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