

Second Quarter 2012 Insights

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Pawleys Investment Advisors, LLC

invest right, live right™

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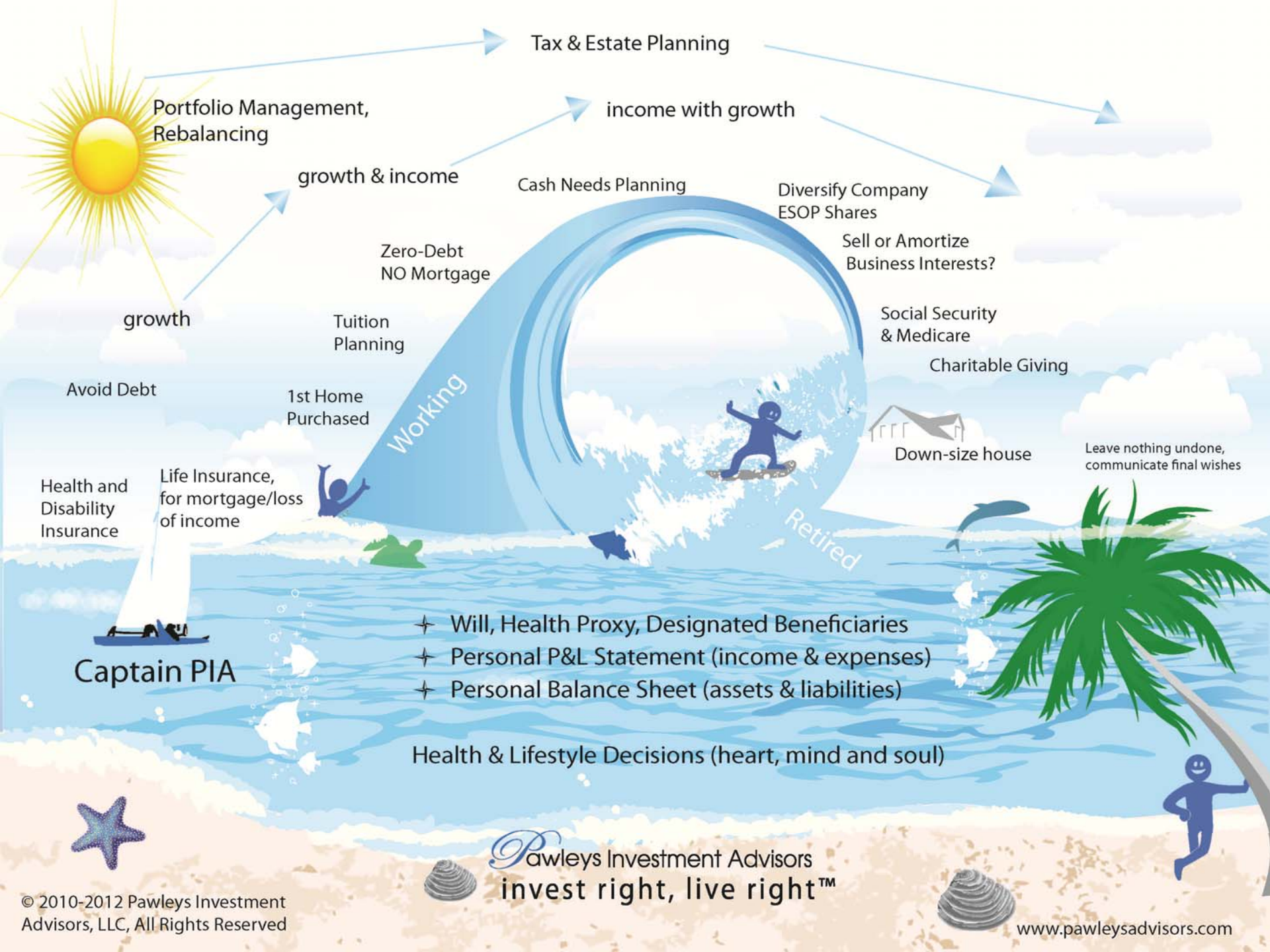
July 10, 2012

Second Quarter 2012 Insights

- PIA LifeCycle Wave
- Caution and Optimism
- The U.S. and Global Economy
- Mutual Fund Flows – Here is the Risk!
- Performance Update
- *invest right, live rightTM*

PIA LifeCycle Wave

The fluctuations of the economy and markets have been around for centuries and will never go away. Investing and portfolio management is about *you* and how you navigate the financial markets based on your goals. PIA focuses on building portfolios of quality investments that will perform well in a myriad of economic and market environments. Planning decisions, however, can have a much more significant financial impact.



Tax & Estate Planning

Portfolio Management,
Rebalancing

income with growth

growth & income

Cash Needs Planning

Diversify Company
ESOP Shares

Zero-Debt
NO Mortgage

Sell or Amortize
Business Interests?

growth

Tuition
Planning

Social Security
& Medicare

Charitable Giving

Avoid Debt

1st Home
Purchased



Down-size house

Leave nothing undone,
communicate final wishes

Health and
Disability
Insurance

Life Insurance,
for mortgage/loss
of income

Retired

Captain PIA

- + Will, Health Proxy, Designated Beneficiaries
- + Personal P&L Statement (income & expenses)
- + Personal Balance Sheet (assets & liabilities)

Health & Lifestyle Decisions (heart, mind and soul)

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PIA LifeCycle Wave

- Title assets properly
- Plan forward for taxes
- Keeping beneficiaries updated
- Review your budget
- Stay positive and healthy
- Enjoy the people you care about

A Balanced View of the Economy and Markets

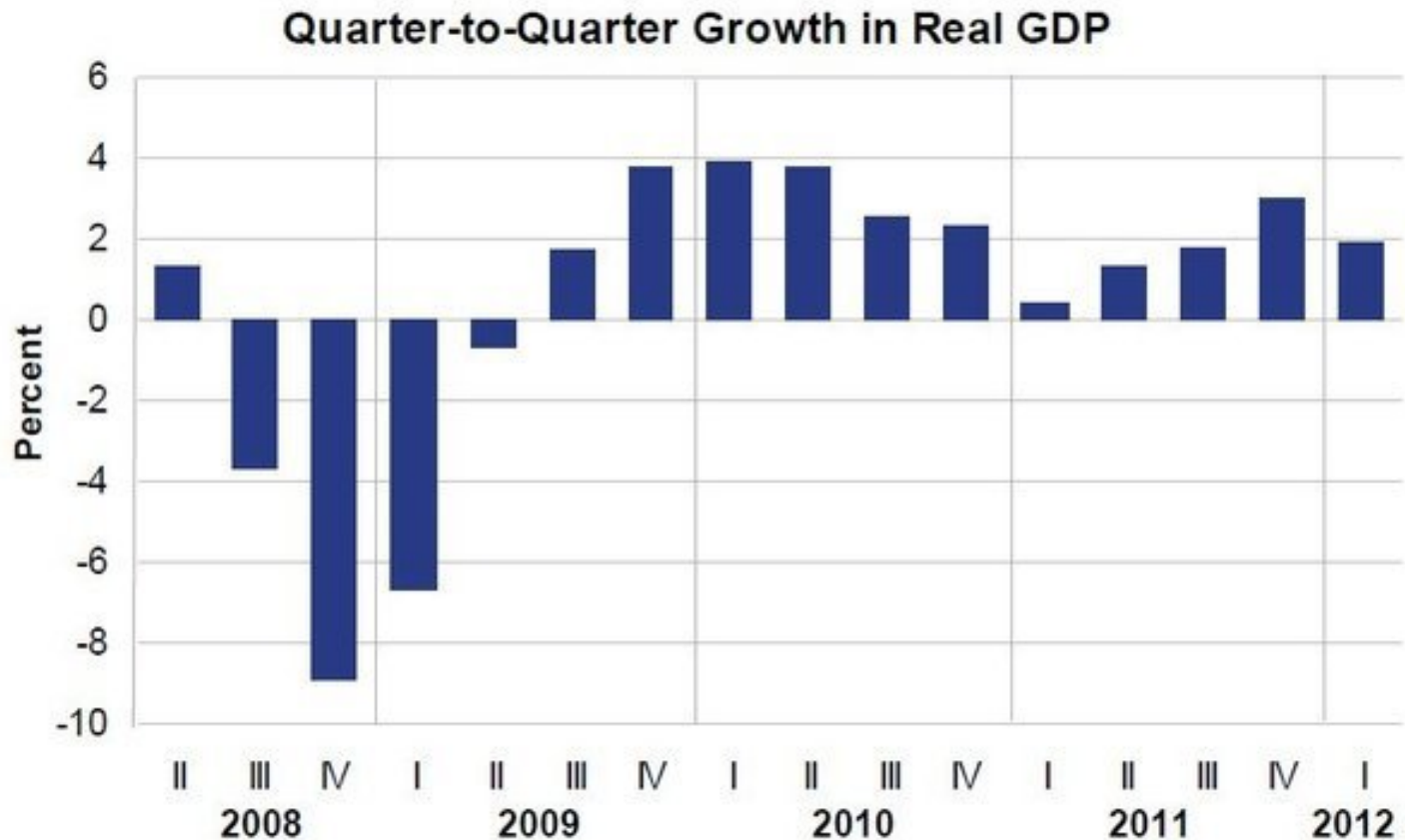
Caution:

- Summer frothiness historically results from “Headline Risk” as investors use news stories instead of data to drive decisions
- Many LEI’s have dropped
- Significantly overbought bond market – potential next “bubble”
- Heavy global leveraging

Optimism:

- Election may signal certainty of Fed interest rate decisions and tax rates
- U.S. Corporations still firing on all cylinders, \$2.2 Trillion in cash
- Housing recovery and industrial/manufacturing revival continue

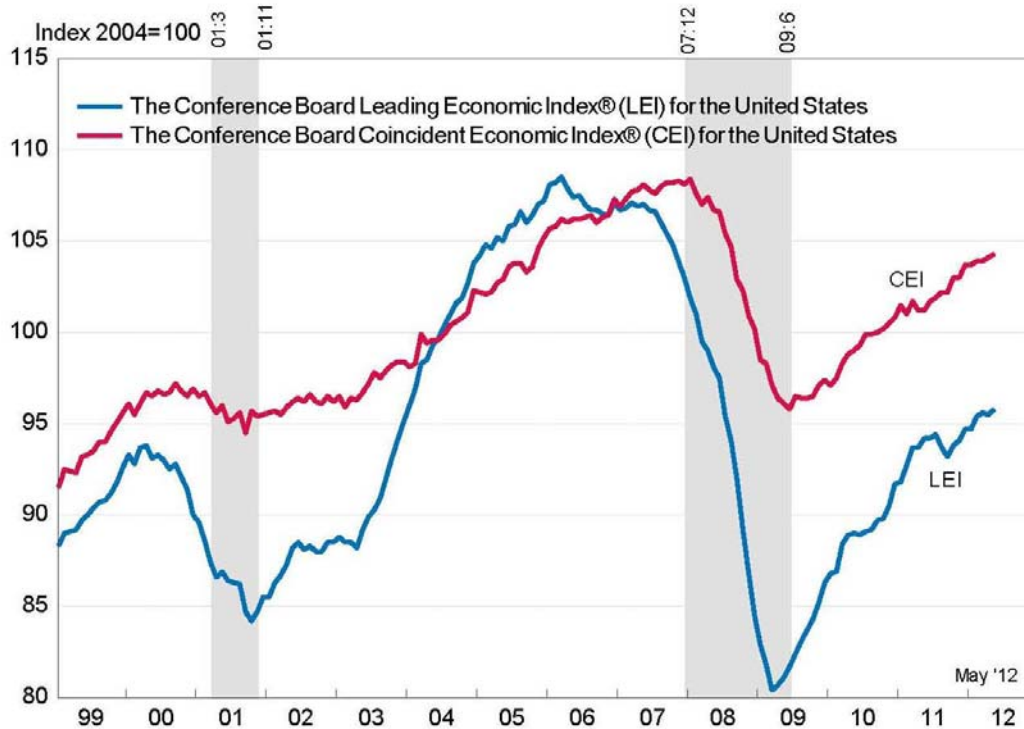
U.S. Economy Still Expanding



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. Leading Economic Indicators Up

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

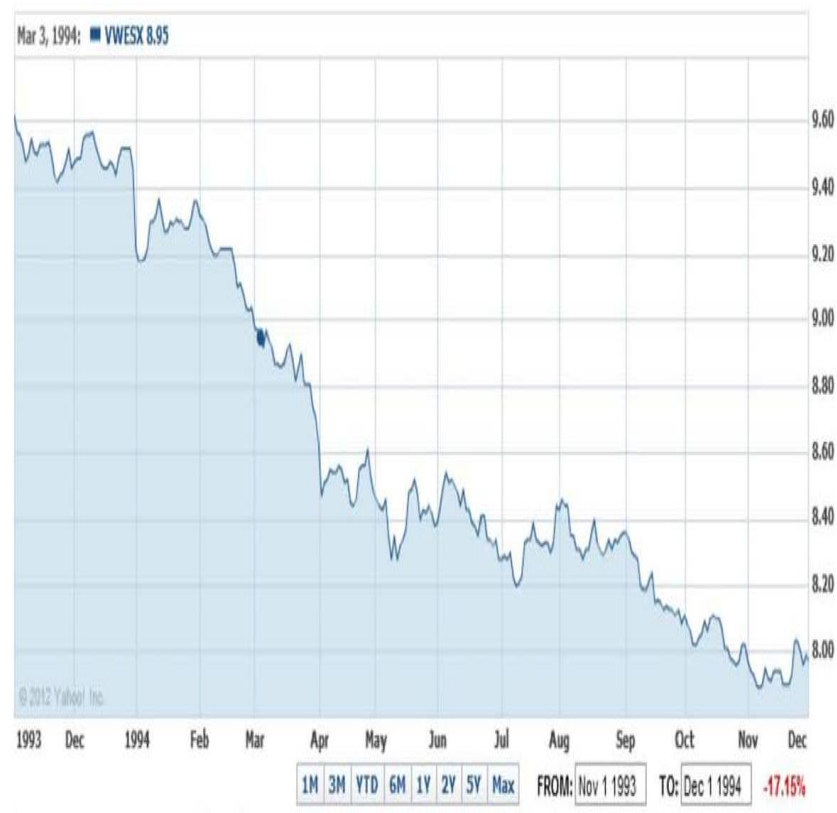
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Overheated Bond Market

- At the end of Q1 the 10 year US Treasury yielded 2.35% and people said rates could not go lower...they did
- Yet investors continued to pour what is rapidly approaching \$1 trillion over 4 short years into bond funds – reflects extreme pessimism
- Investors should be more wary of this than the global equity markets and daily headline news

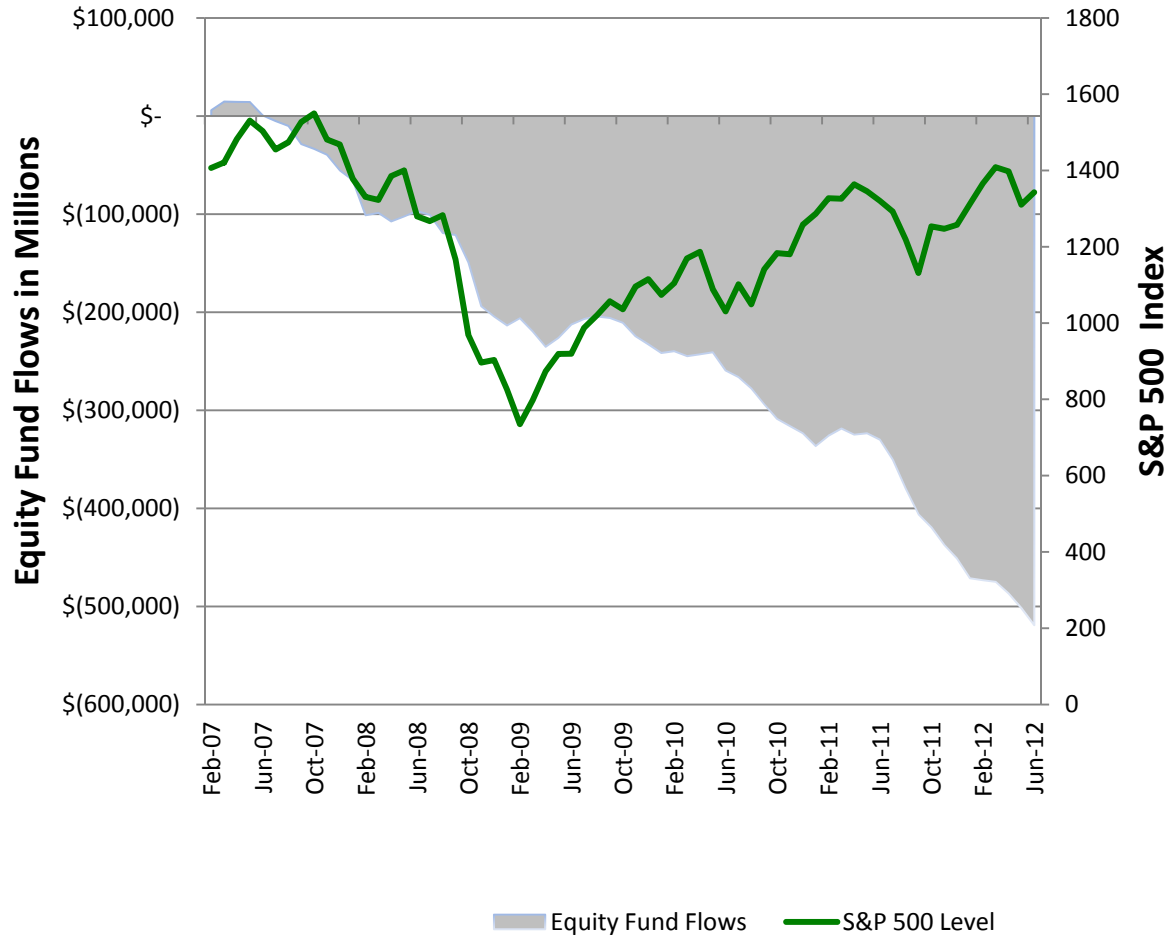
Good mutual funds crushed by rising rates

- Launched in 1973, the Vanguard Long Term Investment Grade Bond Fund is the oldest Vanguard bond fund. When the Fed started raising short-term interest rates in 1993-1994, the fund plummeted over 17%.



Source: Yahoo! Finance. 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. Equity Fund Flows Vs S&P 500



Source: ICI, Interactive Data. 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.

Market Benchmark and PIA All-Equity Performance: 2012 Total Returns YTD thru Q2

Benchmark Indices to Measure Against

Pawleys Investment Advisors All-Equity Portfolios

- S&P 500 Index: +5.9%
- Russell 2000 Index: +7.77%
- PIA Dividend Equity Portfolio: +6.76%
- PIA Growth Equity Portfolio: +13.98%

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Sometimes
we head a bit
off track, but
ultimately
end up
heading back
in the right
direction.



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