



# Third Quarter, 2015 Insights

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[www.PawleysAdvisors.com](http://www.PawleysAdvisors.com)

*Kathryn E. Schwartz*  
*Chief Executive Officer*  
*kschwartz@PawleysAdvisors.com*  
*October 14, 2015*

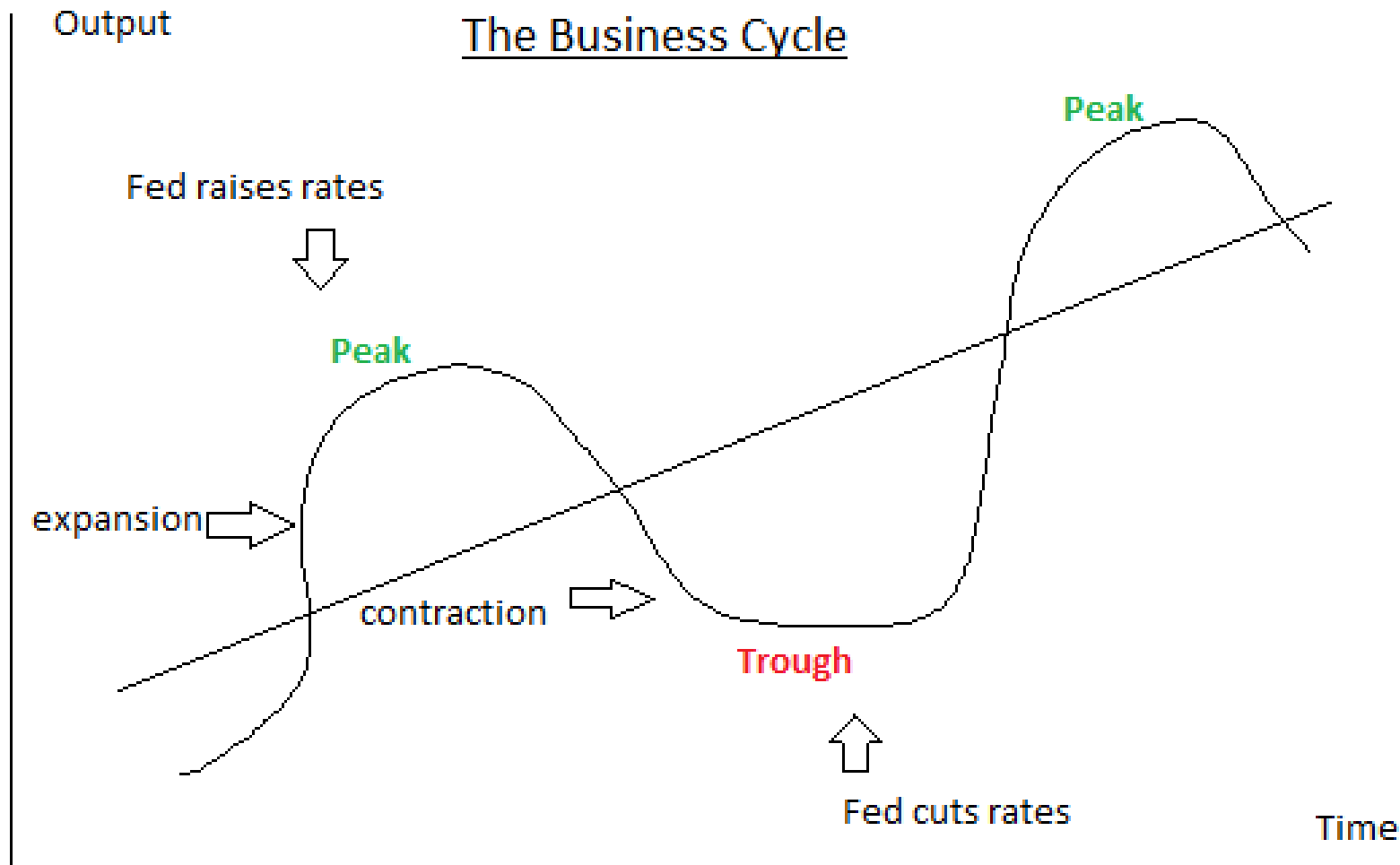


# Third Quarter, 2015 Insights

- The Business Cycle
- The Fed Dual Mandate
- Why has the Fed not Raised Rates?
- What it Means for Your Portfolio
- The Importance of Stock Selection
- Review of Pawleys Stock Criteria
- invest right, live right™



# The Business Cycle



# The Fed Dual Mandate

*To promote maximum sustainable employment and price stability.*

*Keep people working, and make sure goods don't cost too much.*



# Why has the Fed not yet Raised Rates?

- Unemployment target = 4.9%
  - currently at 5.1%
- PCE target = 2%
  - currently at 1.7%

*If they raise too soon, it could inadvertently weaken the economy.*



# What it Means for Your Portfolio

- Fed raises rates when economy is stronger
- Stock market peaks near end of business cycle
- We will then shift portfolio allocations to be more conservative, meaning in stages, we will sell stocks and move money into more conservative fixed income and cash investments - which should pay better interest by then!



# The Importance of Stock Selection

- S&P 500 Index fund has all 500, including the bad
- Used to have Sears, Eastman Kodak, and Circuit City
- Innovators like Apple & Whole Foods added
- Focus on funds and managers that pick stocks with good financials and relevance for the future



# Review of Pawleys Stock Criteria

- Little or no debt
- Strong 5-year earnings growth
- Solid cash-flow
- Stock price:earnings
- Brand value





*“It is not enough to do your best;  
you must know what to do,  
and then do your best.”*

*-W. Edwards Demming*



# Pawleys Investment Advisors, LLC

- Website: [www.PawleysAdvisors.com](http://www.PawleysAdvisors.com)

knowledge

- Email: [kschwartz@PawleysAdvisors.com](mailto:kschwartz@PawleysAdvisors.com)

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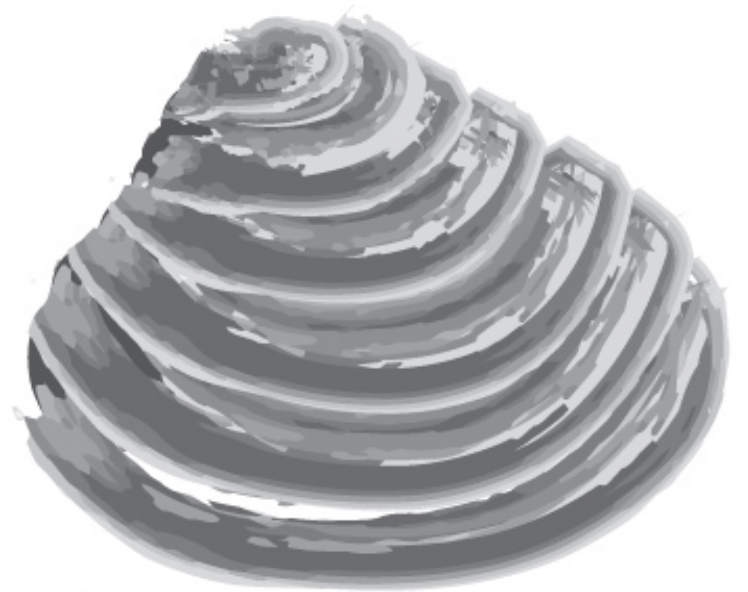
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