

## Q3 2019 Insights

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November 15<sup>th</sup>, 2019*



# Q3 2019 Insights

- The Federal Reserve
- The Yield Curve & Leading Economic Indicators
- Love Him or Hate Him, Earnings are Good
- Falling Unicorns
- Pawleys Dividend and Growth 2019 Performance
- *invest right, live right™*



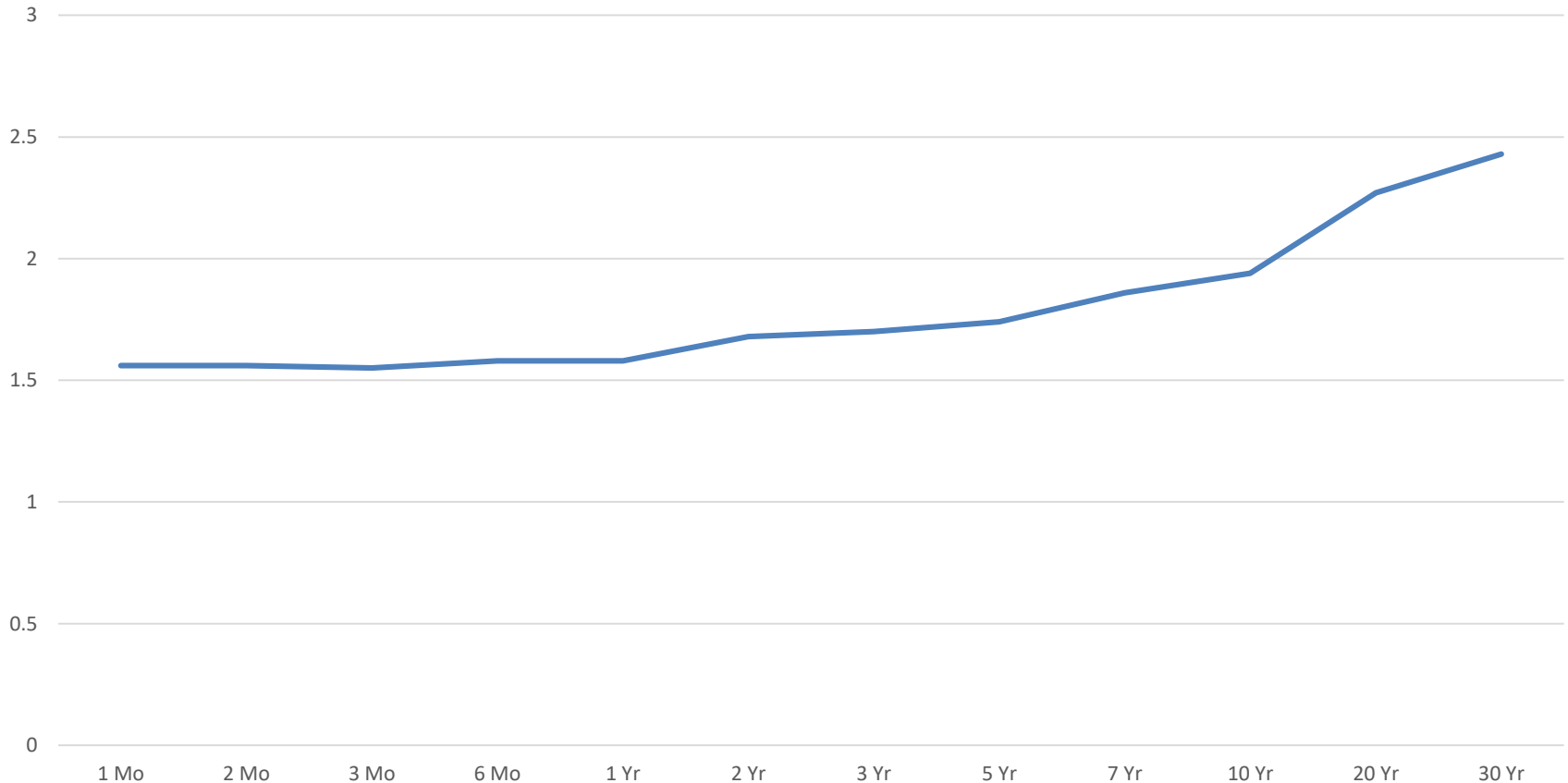
# The Federal Reserve

- Three rate cuts this year
- Fed funds rate is for collateralized overnight bank loans (repurchase agreements or “repos”)
- Very specialized part of our financial system
- In Mid-September, short-term rates spiked from 2% to 10%
- Fed injected billions of cash and also cut the interest on excess reserves rate
- This is the market that froze during 2008



# The Yield Curve

U.S. Treasury Yields



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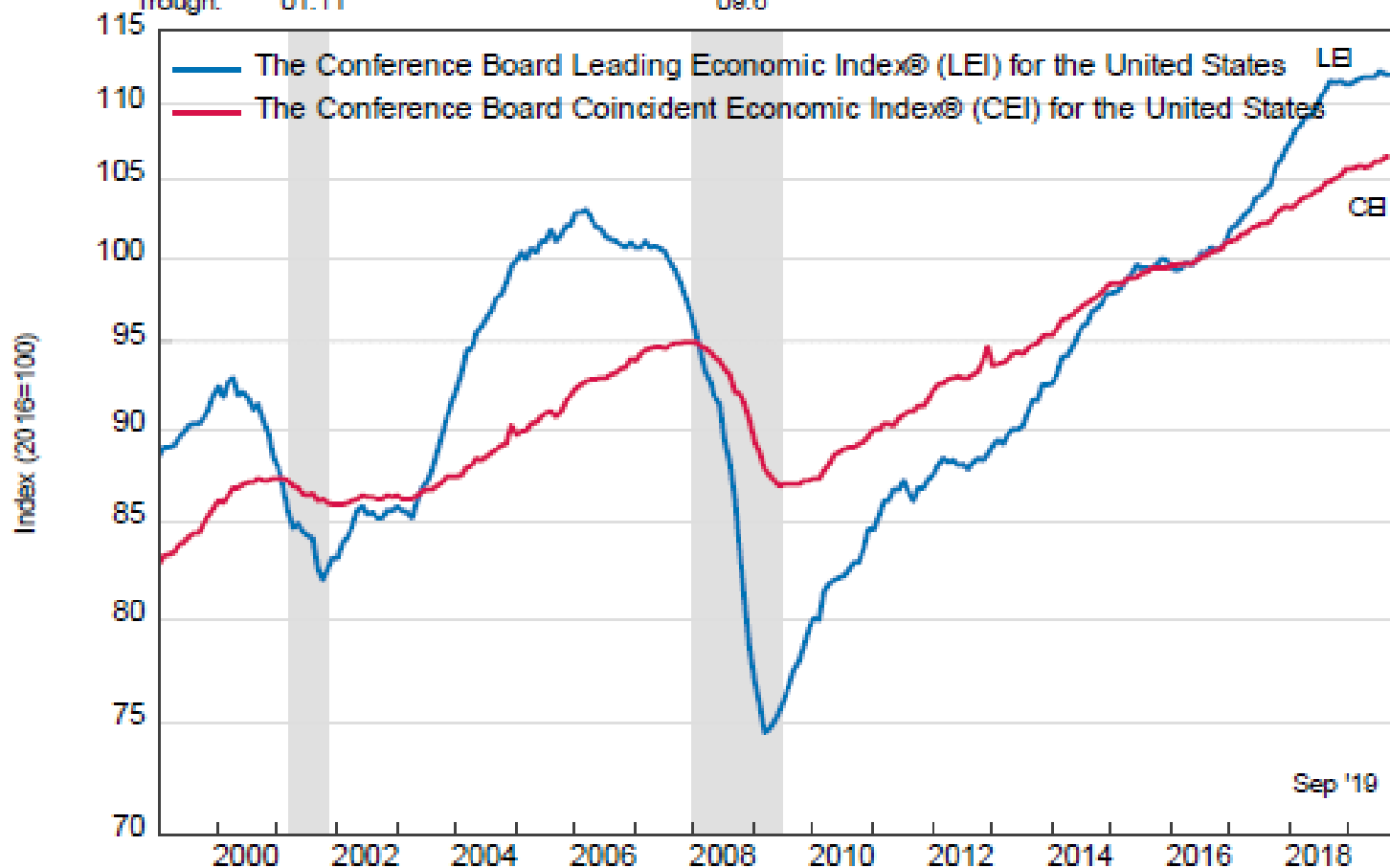


# Leading Economic Indicators

## The Conference Board Leading Economic Index® (LEI) for the U.S. declined in September

Peak: 01:3 07:12

Trough: 01:11 08:8



# Love Him or Hate Him, Earnings are Good

- Emotional Decisions lead to poor investment outcomes
- Republicans were pessimistic about economy under Obama, and Democrats are now pessimistic under Trump
- Over 2/3 of S&P 500 companies have beat earnings expectations for Q3
- The Dow, S&P 500 and NASDAQ have all hit record all-time highs



# Falling Unicorns

- Companies are staying private longer, so IPO buyers are very late to the party
- Hot IPO's like Uber and Lyft are trading way below debut prices, -39% and -40% respectively
- The public eschewed WeWork's stratospheric \$47 billion valuation and the IPO was shelved, and is now valued at \$5 billion, a -89% drop



# Pawleys Dividend Fund

Pawleys Dividend Fund		\$ 1,000,000.00					11/8/2019				
Company	Symbol	Weight	Cost Basis	1/02/2019 px	shares	dividends	splits	current price	current mkt value	Total Return	ytd TR
Home Depot Inc	HD	10.0%	\$ 100,000.00	\$ 171.82	582	\$ 2,374.58		\$ 232.84	\$ 135,513.91	\$ 137,888.49	38%
Estee Lauder Companies, Inc	EL	7.0%	\$ 70,000.00	\$ 130.10	538	\$ 694.08		\$ 187.27	\$ 100,760.18	\$ 101,454.27	45%
Phillips 66	PSX	5.0%	\$ 50,000.00	\$ 86.15	580	\$ 1,509.00		\$ 119.70	\$ 69,471.85	\$ 70,980.85	42%
JPMorgan Chase & Co	JPM	7.0%	\$ 70,000.00	\$ 97.62	717	\$ 2,366.32		\$ 130.38	\$ 93,491.09	\$ 95,857.41	37%
Bank of America Corp	BAC	7.0%	\$ 70,000.00	\$ 24.64	2841	\$ 1,363.64		\$ 33.26	\$ 94,488.64	\$ 95,852.27	37%
Novo Nordisk	NVO	8.0%	\$ 80,000.00	\$ 46.07	1736	\$ 2,149.77		\$ 57.87	\$ 100,490.56	\$ 102,640.33	28%
UnitedHealth Group Inc	UNH	8.0%	\$ 80,000.00	\$ 249.12	321	\$ 982.66		\$ 256.97	\$ 82,520.87	\$ 83,503.53	4%
Delta Airlines Corp	DAL	9.0%	\$ 90,000.00	\$ 49.90	1804	\$ 2,716.23		\$ 57.58	\$ 103,851.70	\$ 106,567.94	18%
Lam Research	LRCX	10.0%	\$ 100,000.00	\$ 136.17	734	\$ 2,460.16		\$ 272.68	\$ 200,249.69	\$ 202,709.85	103%
Visa	V	10.0%	\$ 100,000.00	\$ 131.94	758	\$ 568.44		\$ 178.97	\$ 135,644.99	\$ 136,213.43	36%
Steel Dynamics	STLD	5.0%	\$ 50,000.00	\$ 30.04	1664	\$ 1,198.40		\$ 31.62	\$ 52,629.83	\$ 53,828.23	8%
Verizon Communications Inc	VZ	5.0%	\$ 50,000.00	\$ 56.22	889	\$ 2,155.82		\$ 59.35	\$ 52,783.71	\$ 54,939.52	10%
Sempra Energy	SRE	5.0%	\$ 50,000.00	\$ 108.19	462	\$ 1,342.08		\$ 142.12	\$ 65,680.75	\$ 67,022.83	34%
	cash	4.0%	\$ 40,000.00	\$ 1.00	40000			\$ 1.00	\$ 40,000.00	\$ 40,000.00	0%
		100.0%	\$ 1,000,000.00			\$ 21,881.18			\$ 1,327,577.76	\$ 1,349,458.94	

Please check with Pawleys to see if these ideas fit within your existing portfolio.

No adjustments have been made to portfolio or benchmark for fees and taxes.

Past performance does not indicate future results.

Datasource: YAHOO! Finance, verified on Bigcharts.

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34.95%

21.15%

DJIA

Pawleys +/- Index:

13.80%

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# Pawleys Growth Fund

Pawleys Growth Fund		\$ 1,000,000.00				11/8/2019					
Company	Symbol	Weight	Cost Basis	1/02/2019 px	shares	dividends	splits	current price	current mkt value	Total Return	ytd TR
Capri Holdings	CPRI	5.0%	\$ 50,000.00	\$ 37.92	1319	\$ -		\$ 36.62	\$ 48,285.86	\$ 48,285.86	-3%
Lennar	LEN	5.0%	\$ 50,000.00	\$ 39.15	1277	\$ 204.34		\$ 57.80	\$ 73,818.65	\$ 74,022.99	48%
Norwegian Cruise Line Holdings	NCLH	5.0%	\$ 50,000.00	\$ 42.39	1180	\$ -		\$ 51.82	\$ 61,122.91	\$ 61,122.91	22%
Ulta Salon, Cosmetics and Perfume Inc.	ULTA	5.0%	\$ 50,000.00	\$ 244.84	204	\$ -		\$ 239.29	\$ 48,866.61	\$ 48,866.61	-2%
Valero Energy Corp	VLO	3.0%	\$ 30,000.00	\$ 74.97	400	\$ 1,080.43		\$ 100.86	\$ 40,360.14	\$ 41,440.58	38%
Diamondback Energy Corp	FANG	3.0%	\$ 30,000.00	\$ 92.70	324	\$ 162.14		\$ 75.43	\$ 24,411.00	\$ 24,573.14	-18%
MasterCard Inc.	MA	5.0%	\$ 50,000.00	\$ 188.65	265	\$ 349.85		\$ 274.89	\$ 72,857.14	\$ 73,207.00	46%
Evercore Inc	EVR	5.0%	\$ 50,000.00	\$ 71.56	699	\$ 1,159.87		\$ 78.28	\$ 54,695.36	\$ 55,855.23	12%
Universal Insurance Holdings Inc	UVE	5.0%	\$ 50,000.00	\$ 37.92	1319	\$ 632.91		\$ 30.16	\$ 39,767.93	\$ 40,400.84	-19%
Biogen Idec	BIIB	5.5%	\$ 55,000.00	\$ 300.92	183	\$ -		\$ 293.25	\$ 53,598.13	\$ 53,598.13	-3%
Cigna Corporation	CI	5.5%	\$ 55,000.00	\$ 189.92	290	\$ 11.58		\$ 188.20	\$ 54,501.90	\$ 54,513.48	-1%
AMN Healthcare Services Inc	AMN	5.5%	\$ 55,000.00	\$ 56.66	971	\$ -		\$ 60.53	\$ 58,756.62	\$ 58,756.62	7%
Southwest Airlines Co	LUV	5.0%	\$ 50,000.00	\$ 46.48	1076	\$ 559.38		\$ 58.18	\$ 62,586.06	\$ 63,145.44	26%
IDEX Corp	IEX	5.0%	\$ 50,000.00	\$ 126.26	396	\$ 764.30		\$ 159.62	\$ 63,210.83	\$ 63,975.13	28%
Electronic Arts	EA	6.5%	\$ 65,000.00	\$ 78.91	824	\$ -		\$ 98.27	\$ 80,947.28	\$ 80,947.28	25%
Applied Materials	AMAT	6.5%	\$ 65,000.00	\$ 32.74	1985	\$ 1,230.91		\$ 56.03	\$ 111,238.55	\$ 112,469.46	73%
Advanced Energy Industries Inc	AEIS	6.5%	\$ 65,000.00	\$ 42.93	1514	\$ -		\$ 63.61	\$ 96,311.44	\$ 96,311.44	48%
Louisiana-Pacific Corp	LPX	3.0%	\$ 30,000.00	\$ 22.22	1350	\$ 546.80		\$ 29.15	\$ 39,356.44	\$ 39,903.24	33%
Arista Networks Inc	ANET	3.0%	\$ 30,000.00	\$ 210.70	142	\$ -		\$ 192.61	\$ 27,424.30	\$ 27,424.30	-9%
Ameren Corp	AEE	3.0%	\$ 30,000.00	\$ 65.23	460	\$ 655.37		\$ 73.81	\$ 33,946.04	\$ 34,601.41	15%
	cash	4.0%	\$ 40,000.00	\$ 1.00	40000	\$ -		\$ 1.00	\$ 40,000.00	\$ 40,000.00	0%
		100.0%	\$ 1,000,000.00			\$ 7,357.89		\$	\$ 1,186,063.18	\$ 1,193,421.08	

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19.34%

25.52%  
S&P 500

Pawleys +/- Index:  
-6.18%

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“I love money. I love everything about it. I bought some pretty good stuff. Got me a \$300 pair of socks. Got a fur sink. An electric dog polisher. A gasoline powered turtleneck sweater. And, of course, I bought some dumb stuff, too.”

-Steve Martin



# Pawleys Investment Advisors, LLC

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