Fourth Quarter 2011 Insights ©

Pawleys Investment Advisors, LLC

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Fourth Quarter 2011 Insights

- Leading Economic Indicators Up Again
- U.S. Output Continues to Grow – GDP
- The Yield Curve
- Employment Analysis
- The Consumer is Back
- The Importance of Rebalancing
- Performance Update – PIA Equity Portfolios
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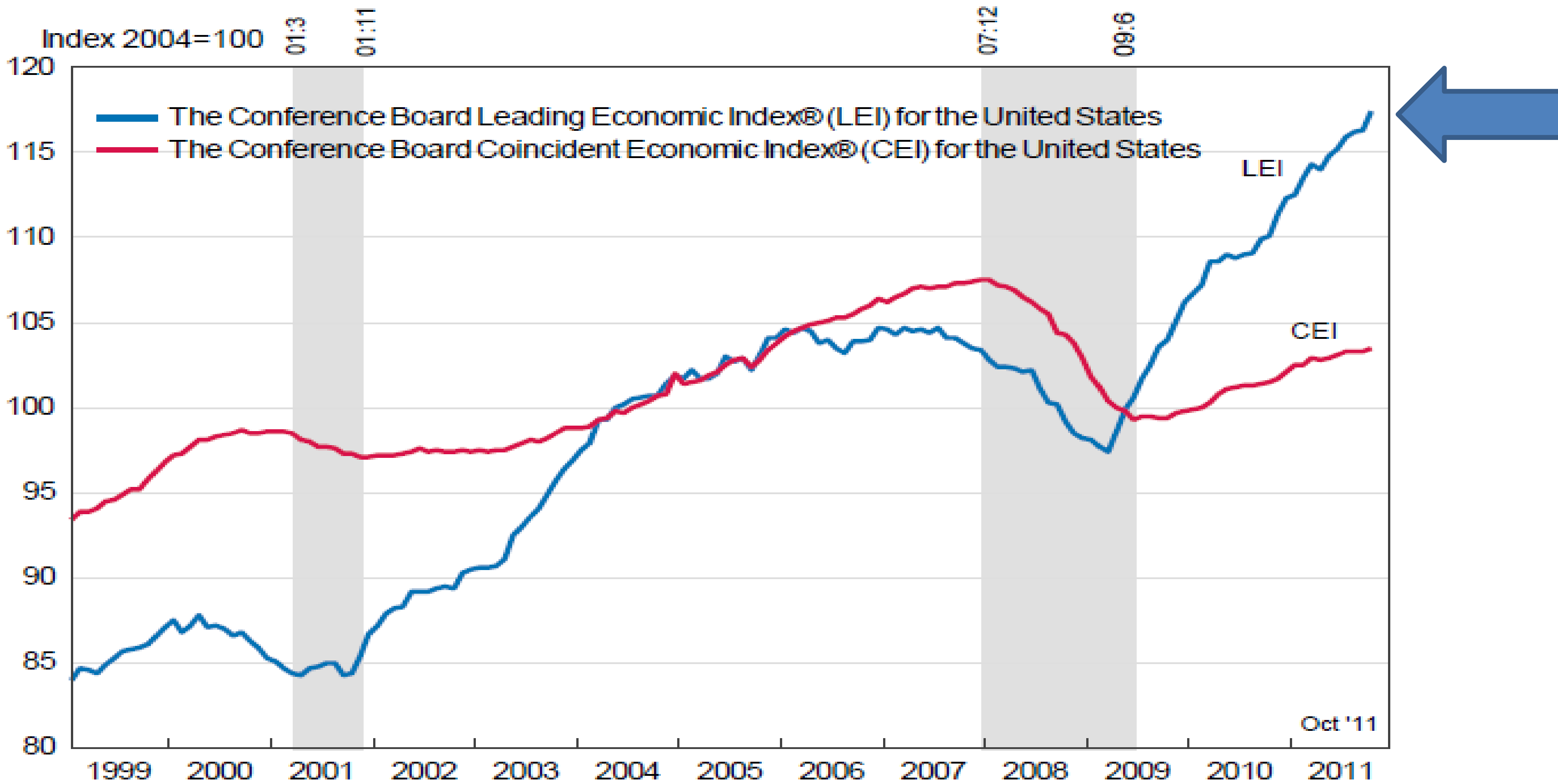
Leading Economic Indicators: A Refresher

- The Conference Board Leading Economic Index (LEI) is a basket of economic data designed to reveal common patterns which signal peaks and troughs in the business cycle. Measures such as manufacturing orders, building permits, and consumer expectations tend to anticipate the direction of the business cycle, and have been predictive of recessions in the past. When the LEI starts to drop, PIA recommends a more defensive portfolio positioning*.

*The shaded grey areas on the next page show previous times of recession. Please take particular note of the drop in the blue line(LEI) before recession periods begin.

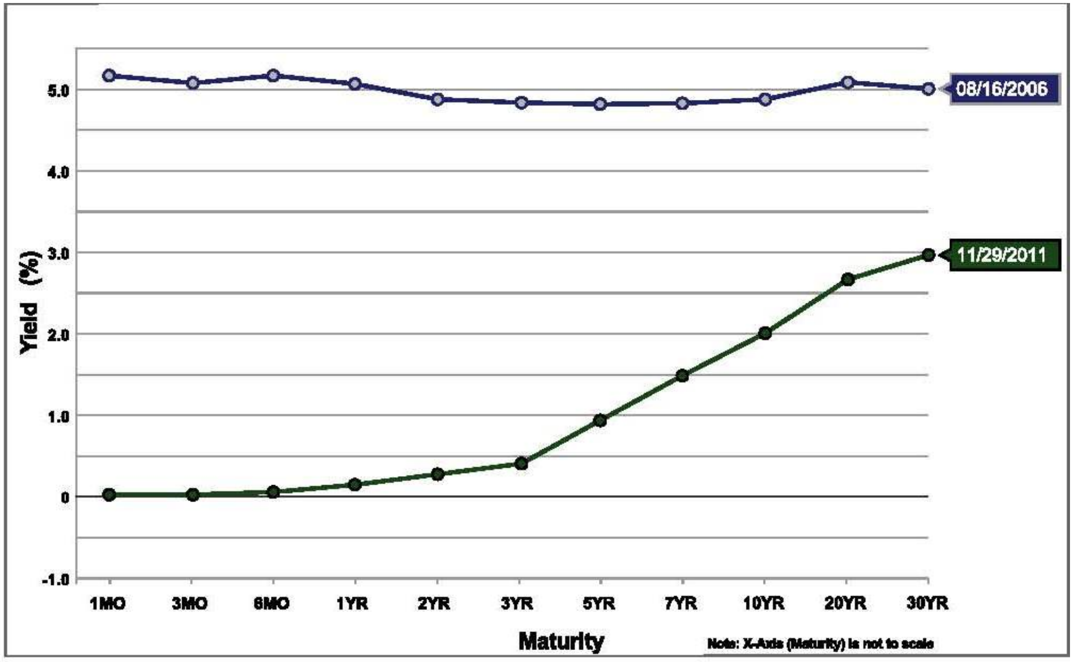
LEI for October: Upward Trend Continues



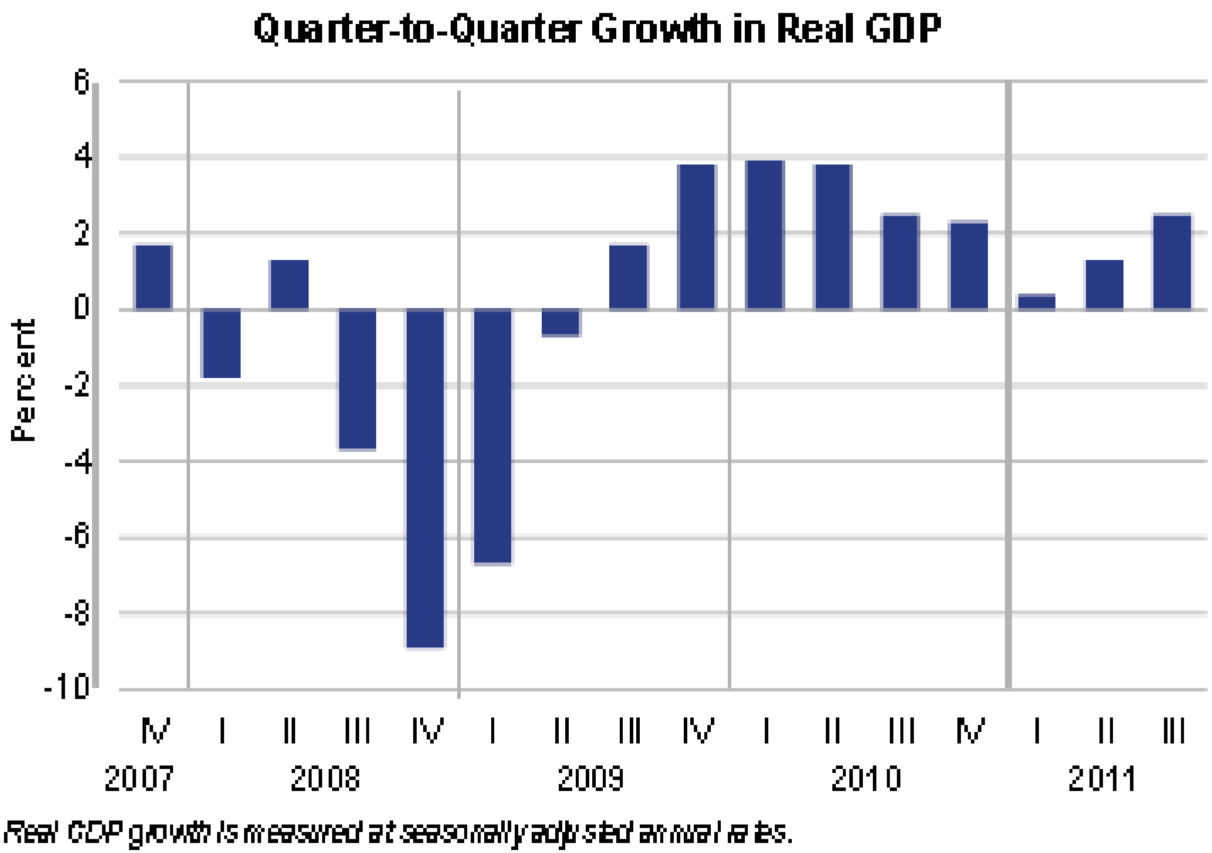
Latest LEI Trough March 2009, Latest CEI Trough June 2009
Shaded areas represent recessions as determined by the National Bureau of Economic Research.
Source: The Conference Board

Inverted Yield Curve
Predictive of Recession – Not Currently Indicated

An “inverted” yield curve, (blue line) where short-term rates rise above long term rates, is predictive of recessionary periods. Today’s curve (green line) is far from inverted as it was during August 2006, which signaled the 2008-2009 Recession. Please also note the 5-year treasury currently pays under 1% and the 10-year pays only 2%.



U.S. Output: Over 2 Years of Growth



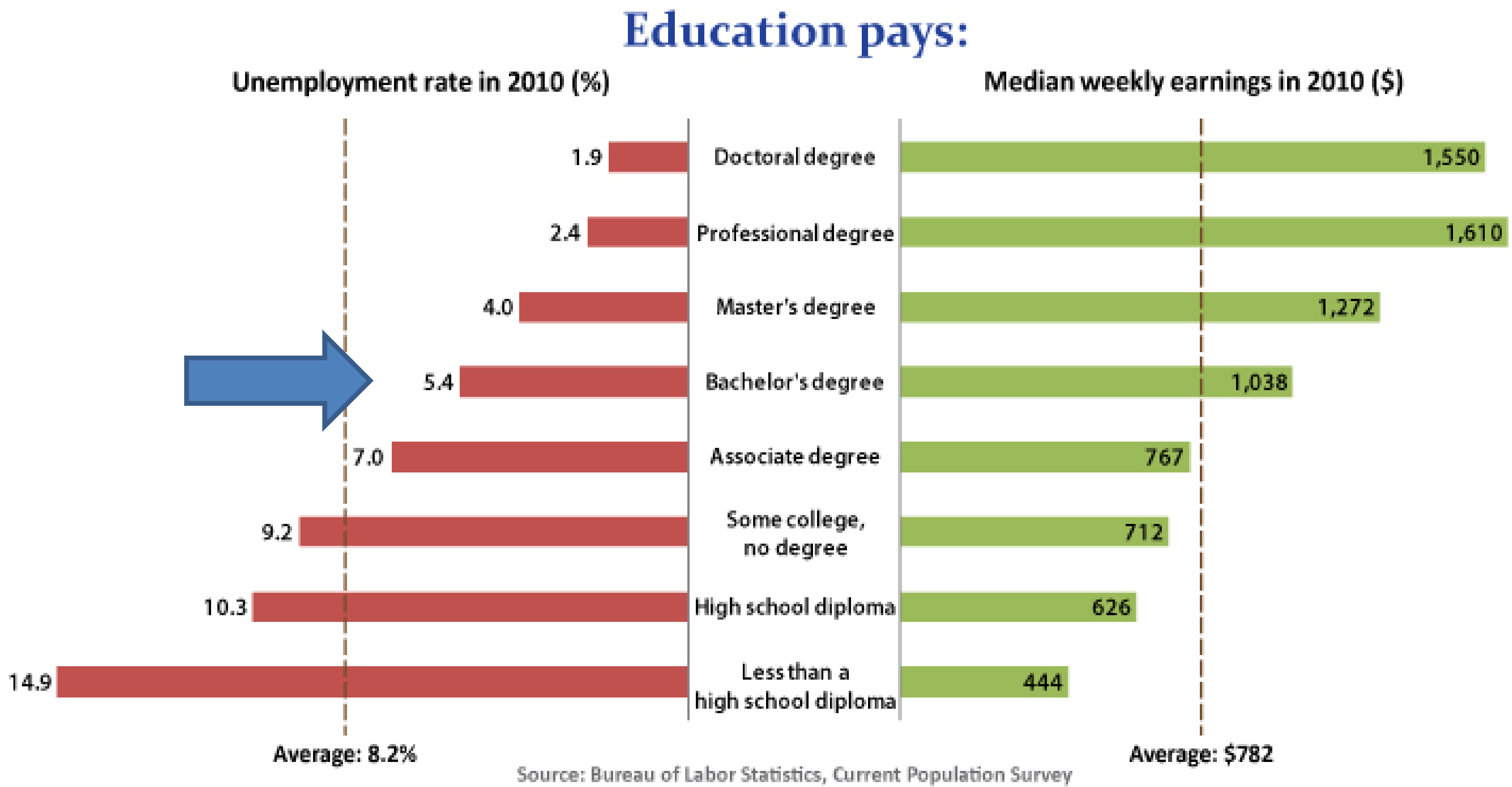
Source: U.S. Bureau of Economic Analysis. The quality of our research relies on the accuracy of data and information provided by companies and third parties. PIA does not guarantee completeness or accuracy. Future results cannot be guaranteed.

Unemployment Continues to fall

Note: Cross-hatched area represents recession.

Source: BLS, as of October 2011. 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.

But Companies Cite Difficulty Finding Workers with Education and Skills Required for Open Job Positions



The Consumer is Back

- 226 million U.S. shoppers spent $52.4 billion over the Black Friday weekend at brick & mortar and online retailers. Cyber Monday online sales totaled $1.25 billion, up 22% from last year. These record figures offer a huge contrast to the lack of confidence shown by consumers and investors alike.

*National Retail Federation, Reuters. 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.

Growth will be slow until Government Debt/GDP Ratio Drops in U.S. & Globally

Stay tuned for more in the Pawleys Investment Advisors 2012 Annual Outlook (coming early in January), but selection of quality investments and ongoing monitoring will be ***critical*** to portfolio performance if growth continues to be anemic throughout next year.

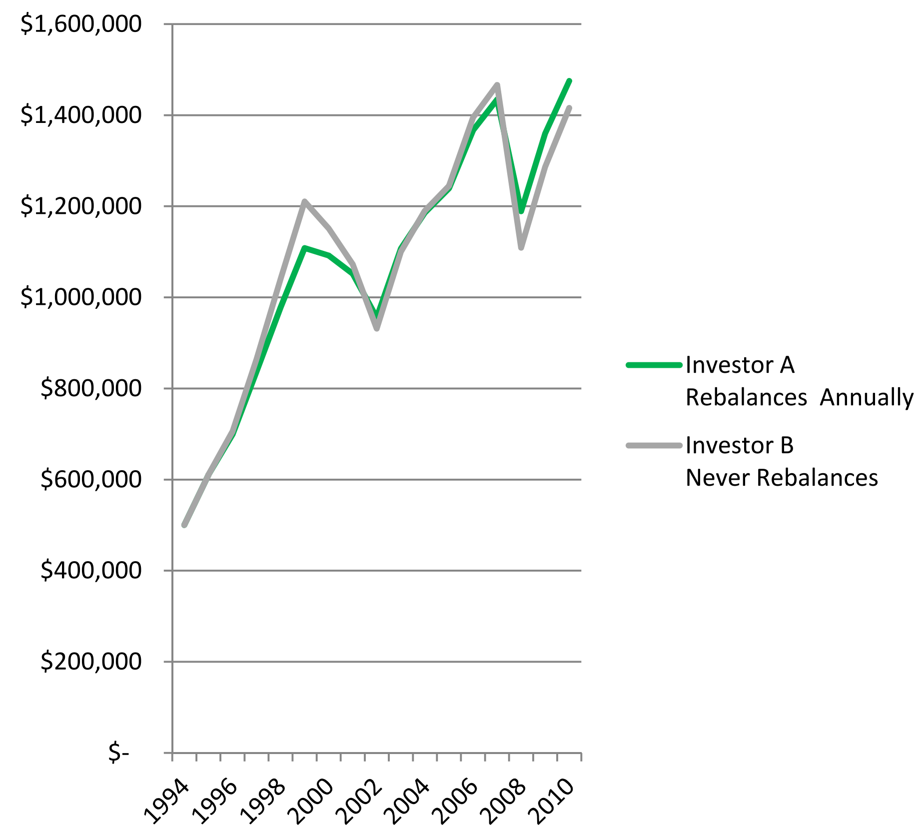
The Importance of Rebalancing

Rebalancing Improves Portfolio Performance Over Time…

- Two investors start with $500,000 each on January 1, 1995, with 50% in equities and 50% in fixed income*. Investor A rebalances their portfolio back to 50% equity and 50% fixed income at the end of each year, while Investor B never rebalances. At the end of 2010, Investor A's portfolio is worth $1,475,173, while Investor B's portfolio is worth $1,415,993, a difference of **$59,180** or 11.8% over 16 years.

  *Calculations based on 5 Year U.S. Treasury and S&P 500 Index Performance figures

…AND Reduces Volatility during bear markets like 2000-2002 and 2008



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.

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

Benchmark Indices to Measure Against	Pawleys Investment Advisors All-Equity Portfolios

Benchmark Indices to Measure Against

- S&P 500 Index: +1.08%
- Russell 2000 Index: -4.80%
- MSCI EAFE: -11.3%

Pawleys Investment Advisors All-Equity Portfolios

- PIA Dividend Equity Portfolio: +5.48%
- PIA American Equity Portfolio: -0.23%

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Happy holidays

and thank you!

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