



# First Quarter, 2013 Insights

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# First Quarter, 2013 Insights

- 2013 Tax Increases and Sequester
- Economic Update – GDP and LEI's
- Historic Q1 Market Performance
- New Fed Monetary Policy
- Performance Update – Pawleys Portfolios
- invest right, live right™



# 2013 Tax Increases and the Sequester

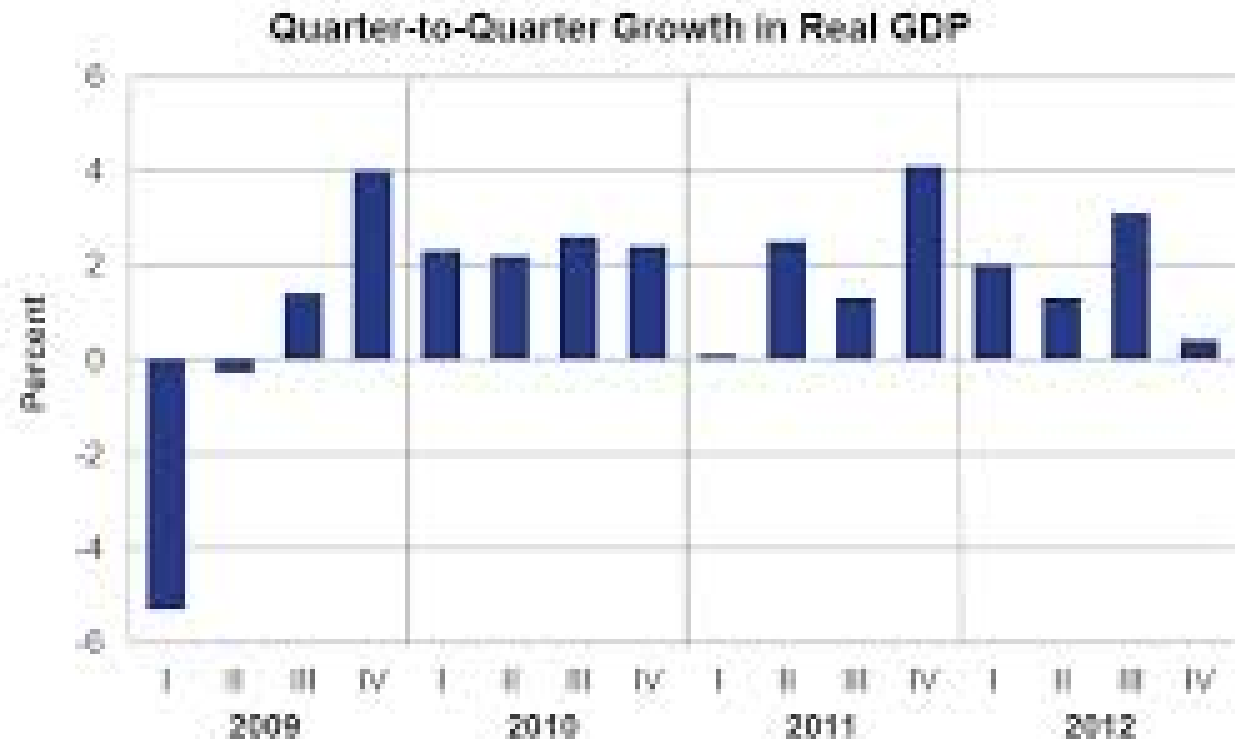
- Increases in ordinary income tax rates and top rates for investment income and capital gains
- High income tax increases enacted as part of the Affordable Care Act, including 3.8% investment surtax
- Increase in top Estate Tax rate to 55% and exemption reduced to \$1 million
- Reduction of exemptions and deductions
- Sequestration cuts split between domestic and defense programs with the bulk affecting discretionary spending
- Government spending naturally increases following a recession like 2007-2008, and is later reduced



# U.S. Gross Domestic Product

*US economic output has grown for 3 ½ years.*

*This set of data is backwards-looking.*



*Real GDP growth is measured at seasonally adjusted annual rates.*

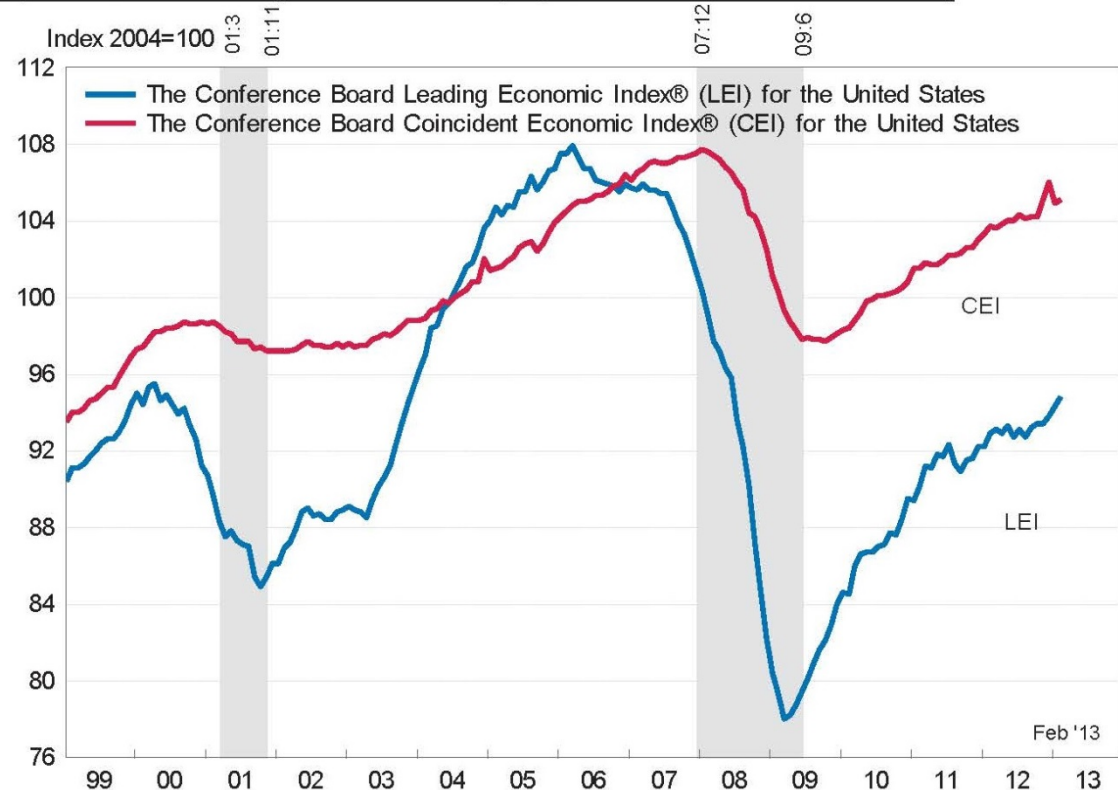


# Leading Economic Indicators

*LEI's are designed to anticipate the direction of the economy over the next 6-12 months.*

*LEI's (the blue line) continue to rise.*

**The Conference Board Leading Economic Index® (LEI) for the U.S. Increased in February**



Latest LEI Trough March 2009, Latest CEI Trough October 2009

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

Source: The Conference Board



# Historic Q1 Market Performance



*The S&P 500, shown above, and the Dow Jones Industrial Average finished Q1 with new all-time highs.*

*At the same time, the Federal Reserve reported that U.S. Household Net Worth is approaching previous record highs, driven by strong stock market performance and modest gains in housing values.*



# New Fed Monetary Policy

- Monetary policy set by Federal Reserve attempts to control flow of money and credit to smooth the ups and down of the economic cycle.
- Fed recently announced they will shift from providing calendar guidance to economic data targets to signal policy changes .



# Performance Update

	2011 Total Return	2012 Total Return	YTD 2013 Total Return thru March 28th
Pawleys Dividend Portfolio	+6.74%	+10.78%	+10.25%
Pawleys Growth Portfolio	+8.72%	+23.24%	+11.62%
S&P 500 Benchmark	+2.11%	+14.94%	+10.69%

*A math-driven, objective stock selection process is designed to identify best-in-class stocks and produce consistent returns regardless of market conditions.*

Source: YAHOO! Finance, Bigcharts, Morningstar.

Price and total return calculations are for informational purposes only and are not intended to take the place of your monthly statements. Not adjustments have been made for fees or taxes. Please consult Pawleys Investment Advisors to see if these investment ideas fit within your existing portfolio. Past performance does not guarantee future results.





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Happy Spring!  
Summer is just  
around the corner  
and it will be  
time to slow down  
a bit and enjoy!





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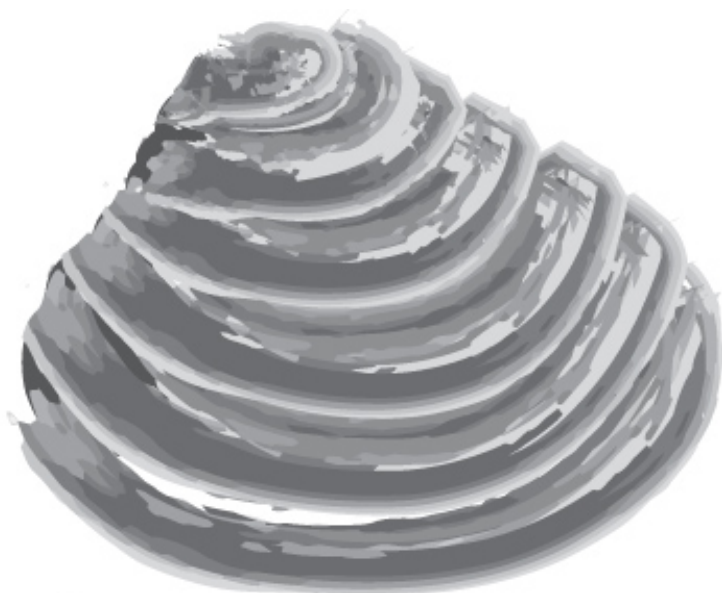
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