

# Second Quarter 2012 Insights

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Pawleys Investment Advisors, LLC

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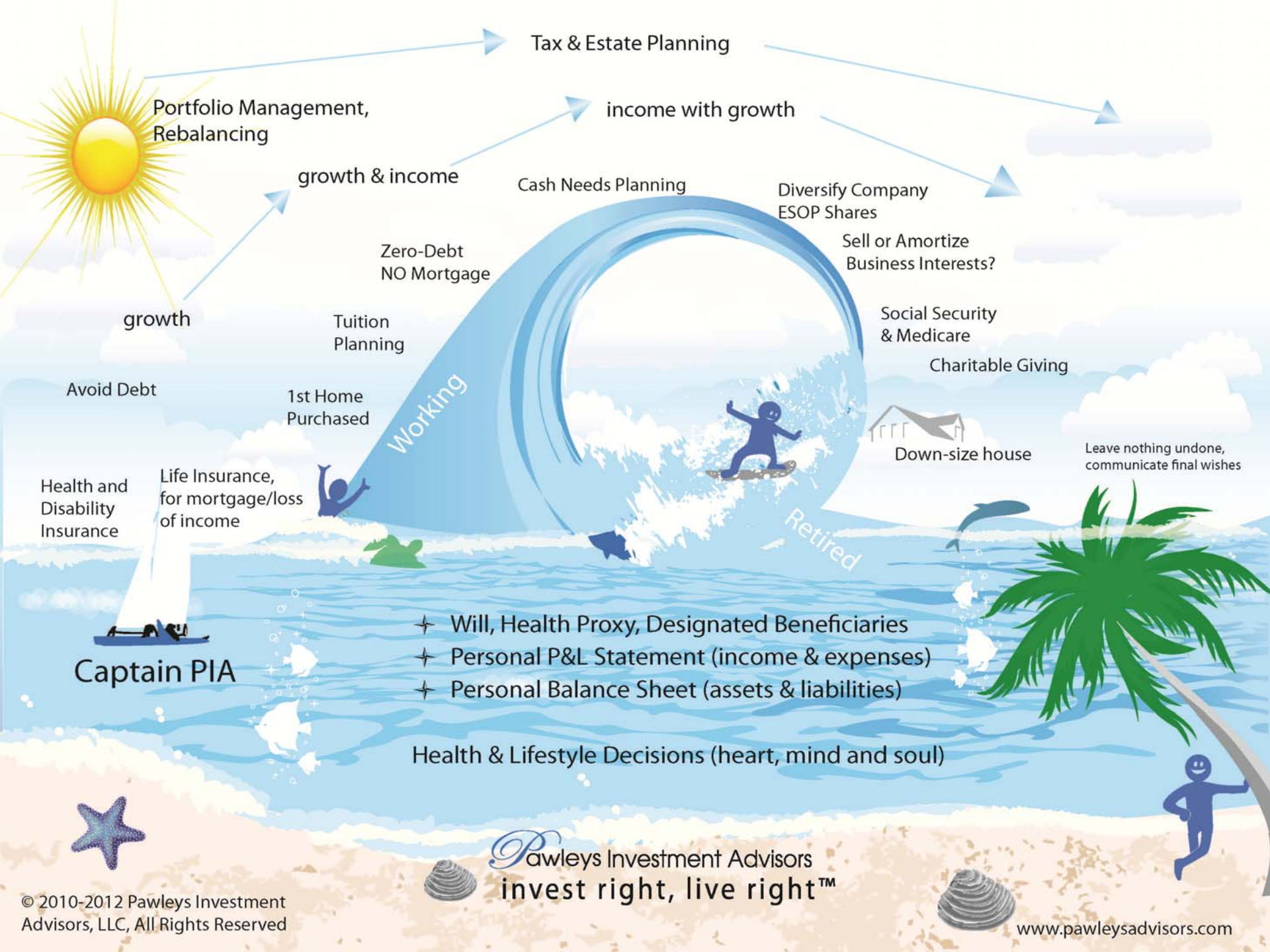
*July 10, 2012*

# 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
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# 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.



# 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

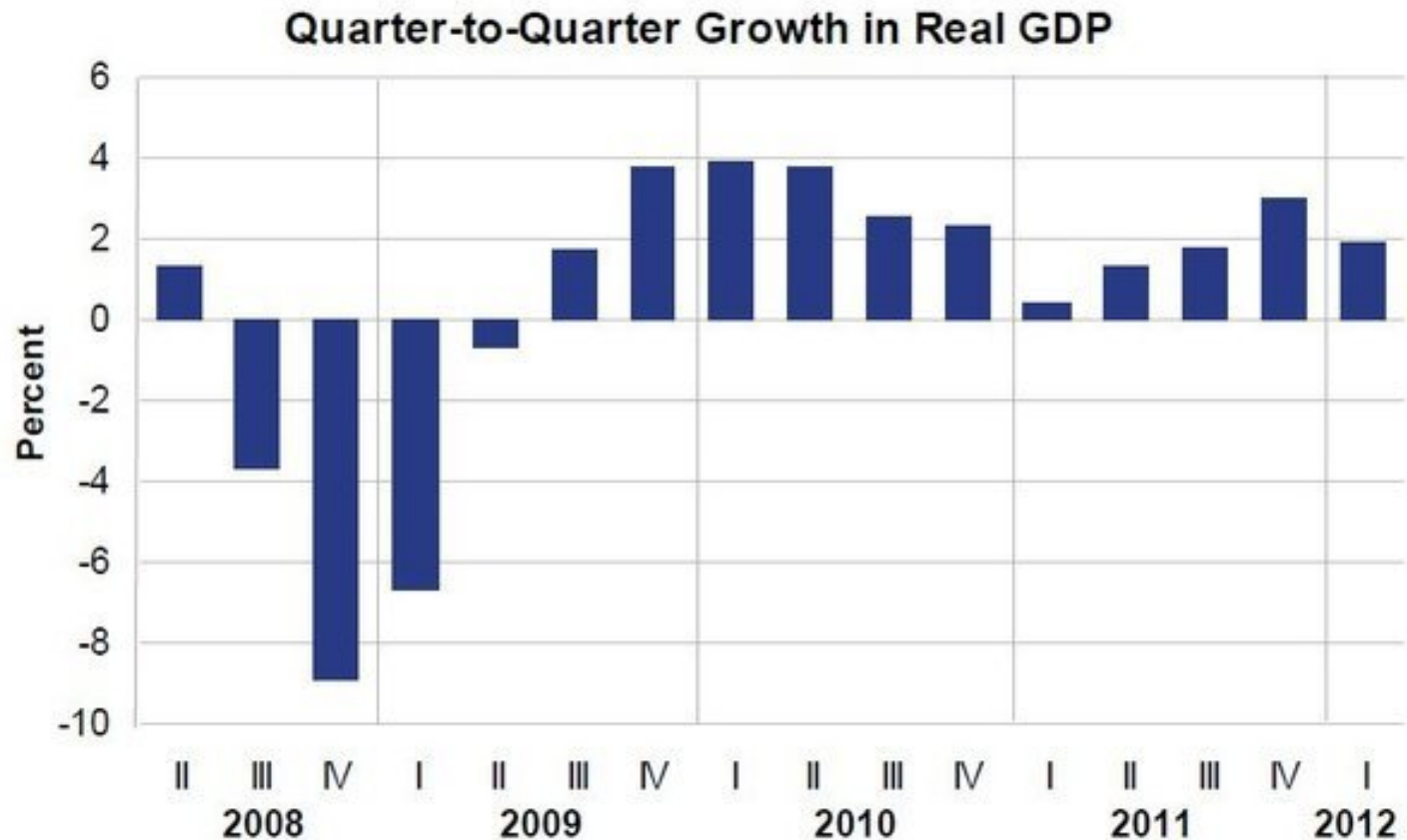
## Caution:

- 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

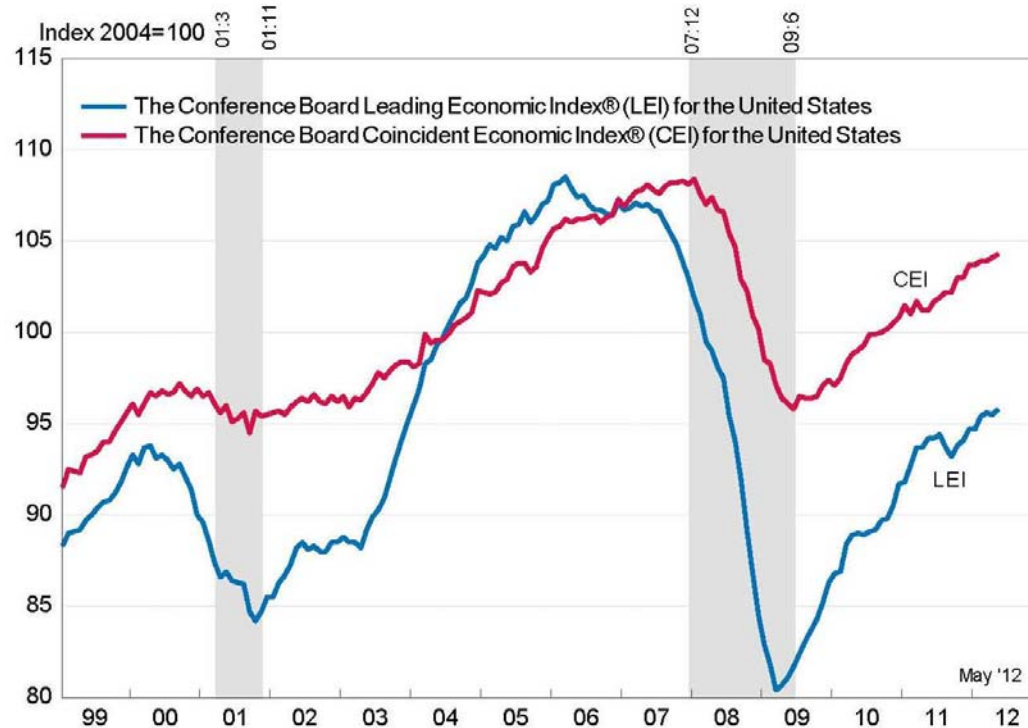
# U.S. Economy Still Expanding



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 Indictors 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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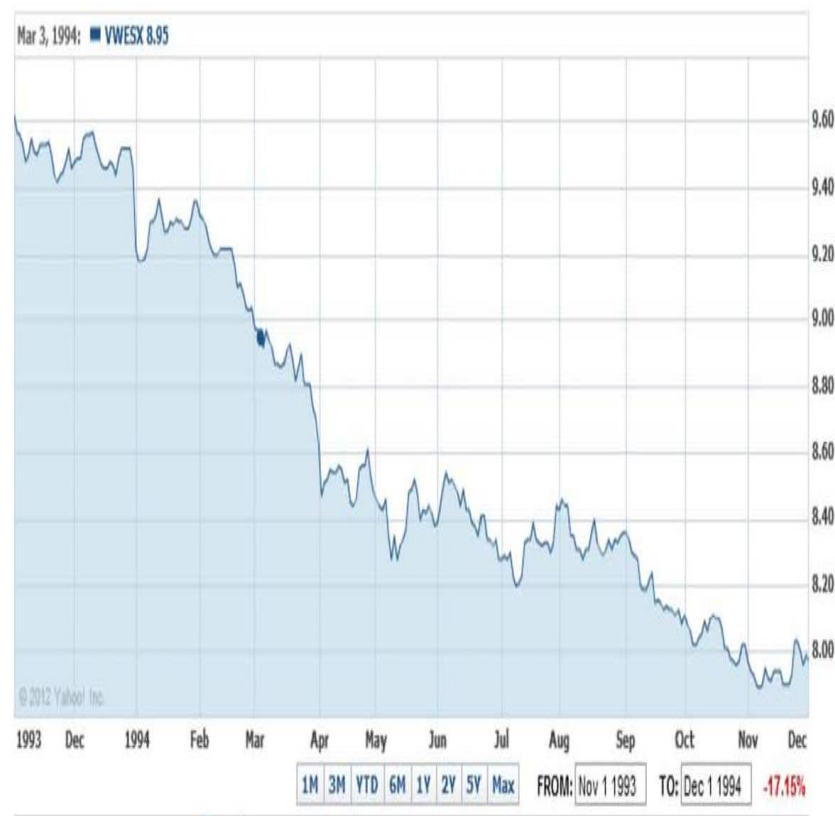


# Overheated Bond Market

- 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

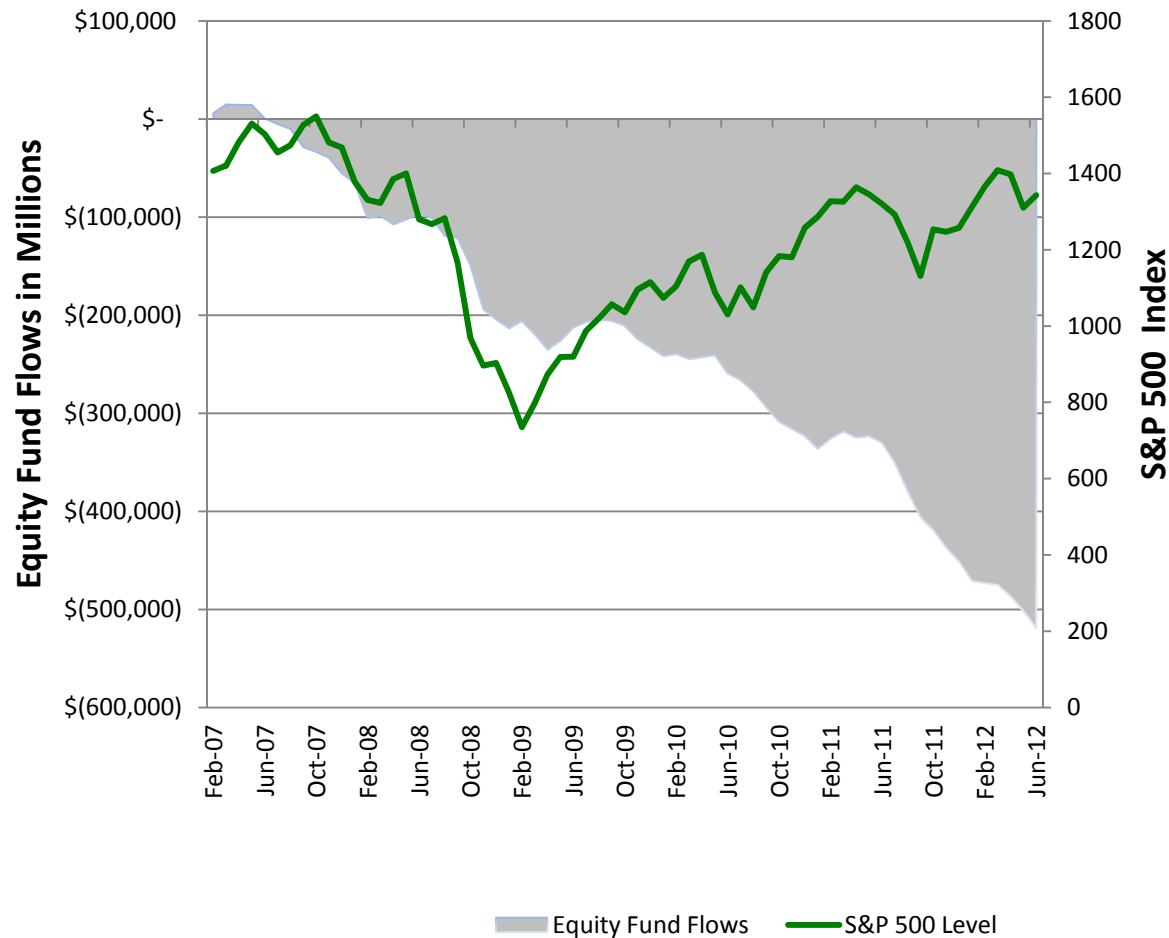
# Good mutual funds crushed by rising rates

- 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%

As of 7.12.2012. 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.

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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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