



Third Quarter, 2013 Insights

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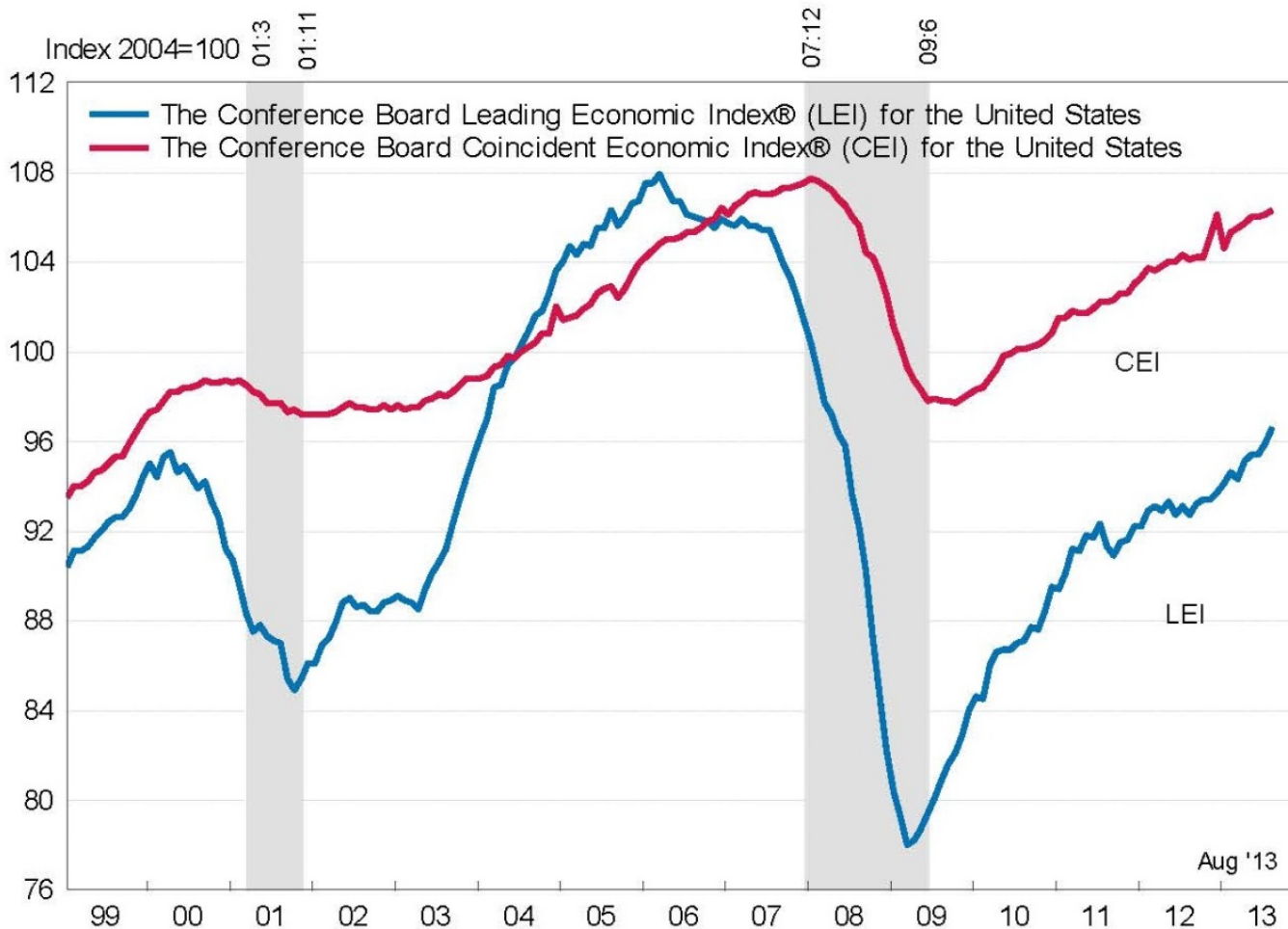
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October 5, 2013

Third Quarter, 2013 Insights

- The Economic Landscape – LEI's
- A Resilient Stock Market
- Weak Bond Market as Interest Rates Rise
- 2013 Shaping up to be a Critical Portfolio Rebalancing Year
- Performance Update – Pawleys Funds
- *invest right, live right™*

Leading Economic Indicators

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



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

LEI Components

- Average weekly hours, manufacturing
- Average weekly initial claims for unemployment insurance
- Manufacturers' new orders, consumer goods and materials
- ISM® new orders index
- Manufacturers' new orders, nondefense capital goods excl. aircraft
- Building permits, new private housing units
- Stock prices, 500 common stocks
- *Leading Credit Index™*
- Interest rate spread, 10-year Treasury bonds less federal funds
- Avg. consumer expectations for business conditions

Resilient Stock Market



The quality of our research relies on the accuracy of data and information provided by companies and third parties. Pawleys does not guarantee completeness or accuracy. Future results cannot be guaranteed. Source: Yahoo! Finance.

Resilient Stock Market

- S&P 500 +149% since March, 2009
- Staggering \$2.658 trillion remains in money markets
- Market seems to shrug off political shenanigans
- Solid corporate earnings growth
- Steady, albeit slow employment growth

Weak Bond Market as Rates Rise

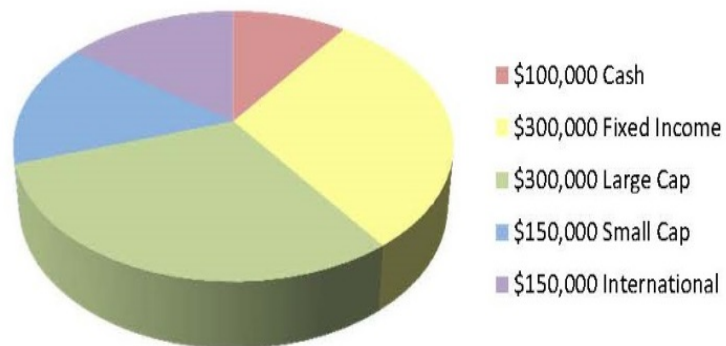
- Barclays US Government -2.28%
- Morningstar Long Term Bond -8.22%
- Barclays Municipal -3.15%
- Morningstar Long Term Corporate Bond -6.14%

Fixed income returns are negative for 2013, but Pawleys' short-term, high quality bond mutual funds and tax-free bond ladders have cushioned losses.

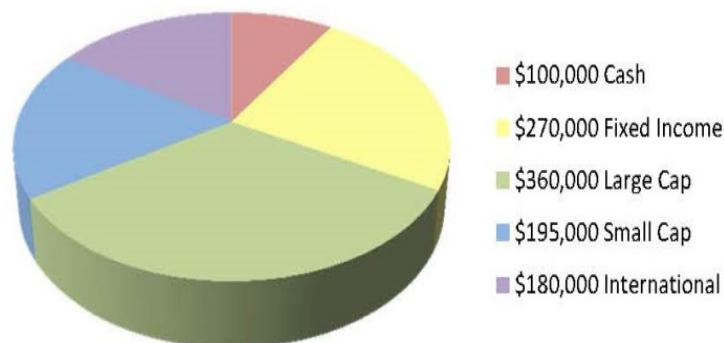
Starting Portfolio January, 2013		target allocation:	
	%		
\$100,000 Cash	0.1	\$100,000	
\$300,000 Fixed Income	0.3	\$300,000	
\$300,000 Large Cap	0.3	\$300,000	
\$150,000 Small Cap	0.15	\$150,000	
\$150,000 International	0.15	\$150,000	
total:		\$1,000,000	

Current Portfolio September, 2013:		target allocation		amount off
	%			
\$100,000 Cash	0.09	\$	110,500	(\$10,500)
\$270,000 Fixed Income	0.24	\$	331,500	(\$61,500)
\$360,000 Large Cap	0.33	\$	331,500	28,500
\$195,000 Small Cap	0.18	\$	165,750	29,250
\$180,000 International	0.16	\$	165,750	14,250
total		\$	1,105,000	

60% Equity/40% Fixed Jan, 2013



67% Equity/33% Fixed Sep, 2013



Since the stock market has done well in all areas and cash and bonds continue to lag, the portfolio has become unbalanced by almost 10%, and is now TOO AGGRESSIVE. We need to sell gains from stocks and add back into bonds and cash. We will sell \$28,500 large cap, \$29,250 small cap, and \$14,250 international and add \$10,500 and \$61,500 into cash and fixed income respectively.

Performance Update – Pawleys Funds

	2011 Total Return	2012 Total Return	YTD 2013 Total Return thru Sept 20th
Pawleys Dividend Portfolio	+6.74%	+10.78%	+19.35%
Pawleys Growth Portfolio	+8.72%	+23.24%	+34.99%
S&P 500 Benchmark	+2.11%	+14.94%	+21.76%

A math-driven, objective stock selection process is designed to identify best-in-class stocks and produce consistent returns in a variety of economic and market environments.

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*There is
never
enough
time to
support
your
favorite
causes.*



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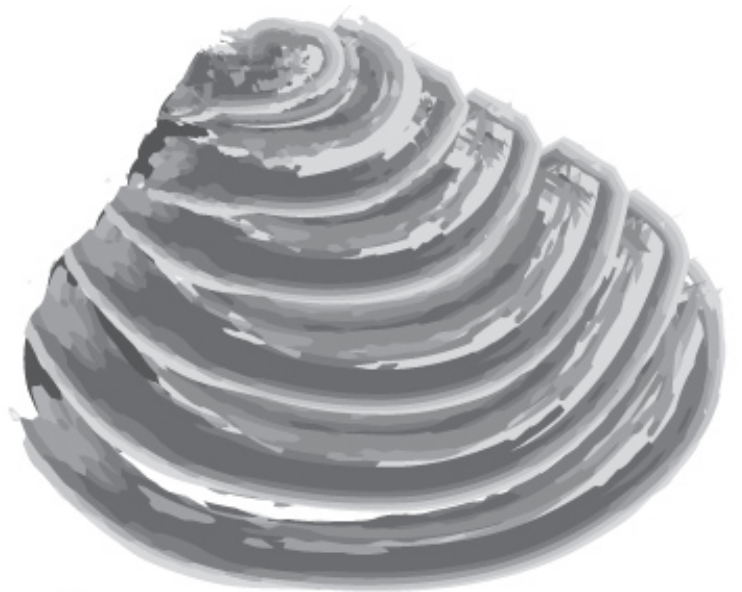
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