



Cleveland Public Library

January 17, 2013

Investment Review for the Period Ending 12/31/2012

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Market Review

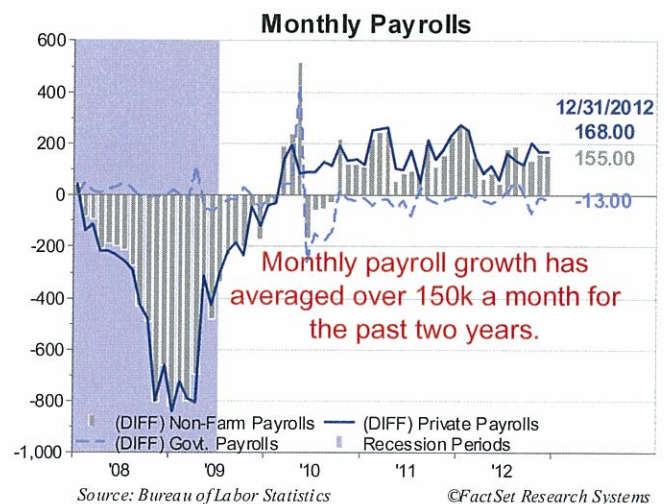
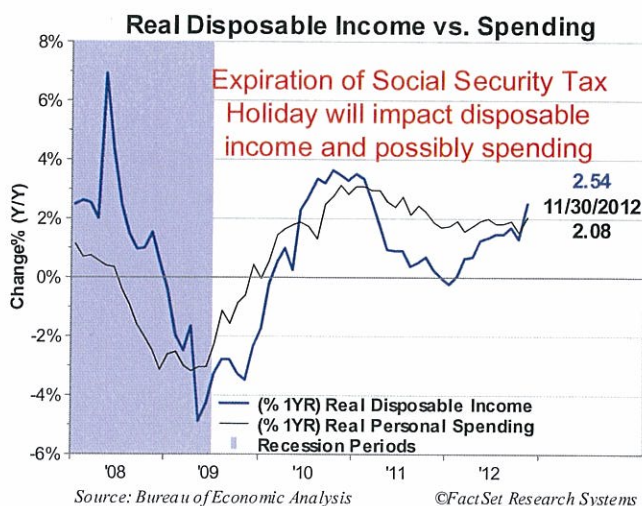
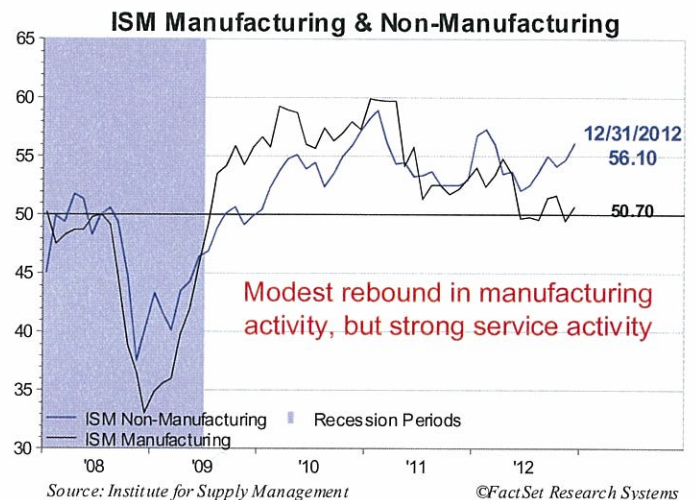
Quarterly Economic Review

Fourth Quarter 2012

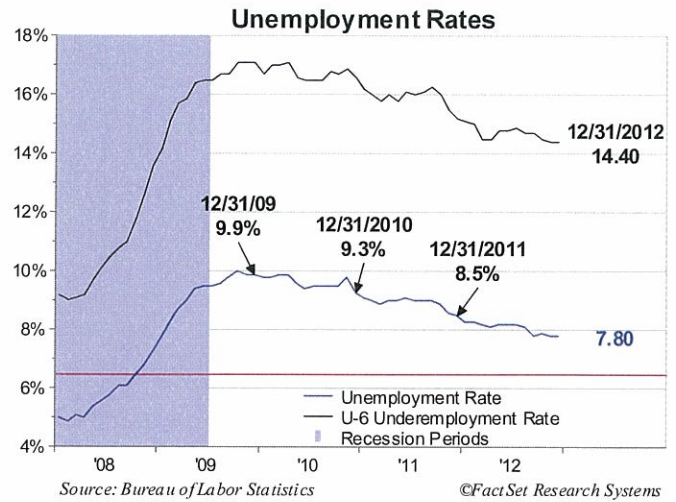
The domestic economy appears to have weathered monthly challenges in the fourth quarter of 2012 – Hurricane Sandy in October, the presidential election in November, and the fiscal cliff negotiations in December – to produce a likely 2% annualized change for the quarter. The housing market continues to show improvement as both new and existing home sales saw upward momentum, and housing starts continued to strengthen on a three-month rolling basis. Importantly, housing prices appear to be firming throughout the country, giving potential homeowners more incentive buy instead of rent. Manufacturing seems to have rebounded modestly from the effects of the hurricane, while the service sector (as measured by the nonmanufacturing purchasing manager survey) caught some wind as the quarter ended. Motor vehicle sales had an average annual rate 14.4 million in 2012, a 13% increase on the 2011 rate of 12.7 million units. Employment growth averaged about 150,000 per month for the year, which yielded a slowly improving unemployment rate.

In the last minutes of 2012 (and into the first day of 2013), the administration and Congress agreed to a deal that avoided the fiscal cliff of universal tax rate increases and fiscal spending cuts. However, instead of the grand bargain of well-reasoned spending cuts, tax reform, and revenue increases, the country watched the national leadership bicker and bluster with the end result being a tax rate increase on less than 1% of the population, a phase out of certain deductions for another 2% of tax filers, and spending cuts postponed until the debt ceiling negotiations in February. Additionally, those employed will see their two-year payroll tax holiday expire as the social security tax rate rises back to 6.2% from 4.2%.

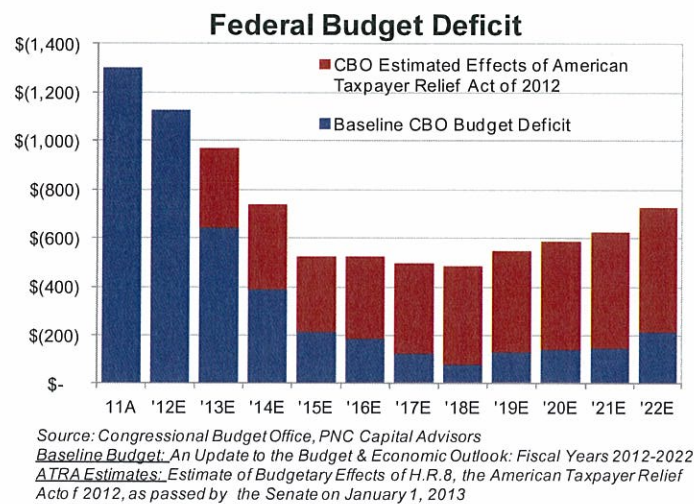
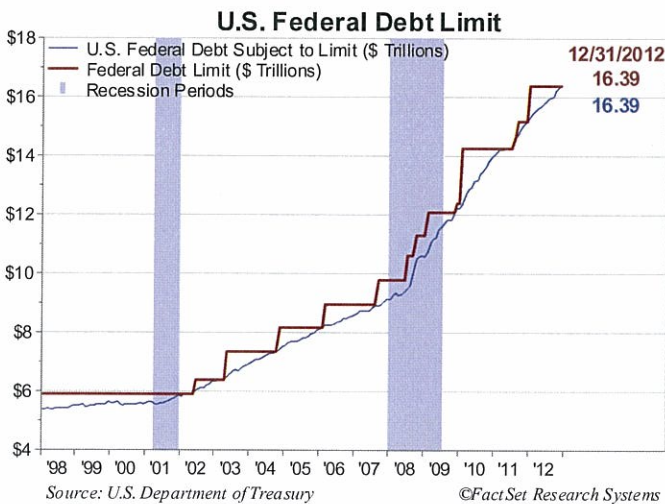
Combined with the new health care reform taxes going into effect for earned and unearned income for those making over \$250,000, the tax increases may produce a GDP headwind for the first half of 2013, and that could keep economic growth only modestly above the 1% rate.



Meanwhile, the Federal Reserve continued its highly accommodative monetary policy, keeping short-term interest rates close to nil and continuing its bond buying program (QE) for 2013. Additionally, the FOMC has altered its conditions for reassessing current monetary policy from a time-horizon-based policy reaching into 2015, to a more specific macroeconomic-conditions-based policy. The minutes of the December FOMC meeting indicated that the committee would maintain the current near-zero fed funds target rate as long as the unemployment rate is above 6.5%, or forward looking inflation projections remain below 2.5%. Interestingly, while only one member officially voted against the continued easing effort, several members indicated that they believed the asset purchase program should slow or end sometime in 2013.



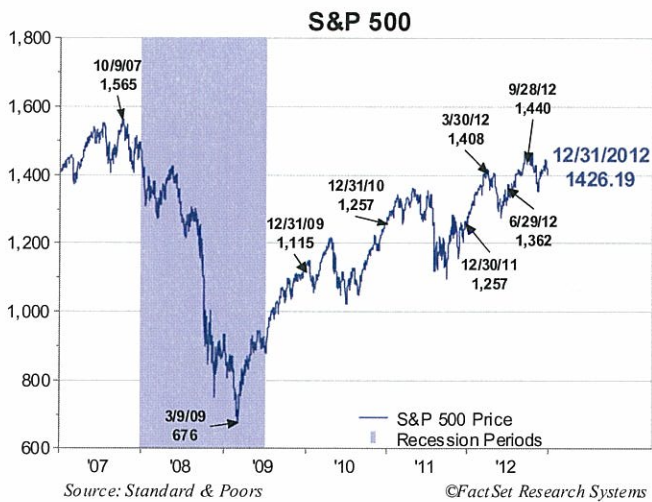
While the economy dodged the full effects of the near-term fiscal cliff at year end 2012, the federal fiscal issues have been postponed merely for a few weeks as Congress and the administration must face the debt ceiling debate (late February), the sequester-driven spending cuts (March 1), and the federal budget authority lapse (end of March). Unfortunately, the protagonists in these discussions appear to have fundamentally differing views on the appropriate amount of federal outlay and revenue. Rather than reasoned compromises that give companies, consumers, and markets certainty, the economy and the capital markets are forced to endure almost monthly brinkmanship as to whether the U.S. will default on its debt and/or endure a federal government shutdown through a self-inflicted wound. It is unfortunate that these issues can't be resolved more quickly, because it appears that the economy was beginning to truly throw off the housing bubble hangover. As such, we expect another year of muddling 2-2.5% growth, an inflation rate somewhere near 2%, absent any energy price shocks, and an unemployment rate drifting down toward 7% as the year progresses.



Total Returns Equity Indices	1Q12	2Q12	3Q12	4Q12	CY2012	Trailing 3 Year*	Trailing 5 Year*	Trailing 10 Year*	Trailing 15 Year*
S&P 500	12.59%	-2.75%	6.35%	-0.38%	16.00%	10.87%	1.66%	7.10%	4.47%
Russell 1000	12.90%	-3.12%	6.31%	0.12%	16.42%	11.12%	1.92%	7.52%	4.75%
Russell 1000 Value	11.12%	-2.20%	6.51%	1.52%	17.51%	10.86%	0.59%	7.38%	5.27%
Russell 1000 Growth	14.69%	-4.02%	6.11%	-1.32%	15.26%	11.35%	3.12%	7.52%	3.59%
Russell 2000	12.44%	-3.47%	5.25%	1.85%	16.35%	12.25%	3.56%	9.72%	5.89%
Russell 2000 Value	11.59%	-3.01%	5.67%	3.22%	18.05%	11.57%	3.55%	9.50%	7.19%
Russell 2000 Growth	13.28%	-3.94%	4.84%	0.45%	14.59%	12.82%	3.49%	9.80%	4.04%
Russell 3000	12.87%	-3.15%	6.23%	0.25%	16.42%	11.20%	2.04%	7.68%	4.81%
MSCI ACVM (USD)	12.01%	-5.36%	6.97%	3.01%	16.80%	7.19%	-0.61%	8.66%	5.01%
MSCI EAFE (USD)	10.98%	-6.85%	6.98%	6.60%	17.90%	4.04%	-3.21%	8.70%	4.79%
MSCI Emerging Market (USD)	14.13%	-8.77%	7.89%	5.61%	18.63%	4.98%	-0.61%	16.88%	9.24%

Source: Standard & Pooors, Russell Investments, MSCI Indices *Annualized

As of December 31, 2012



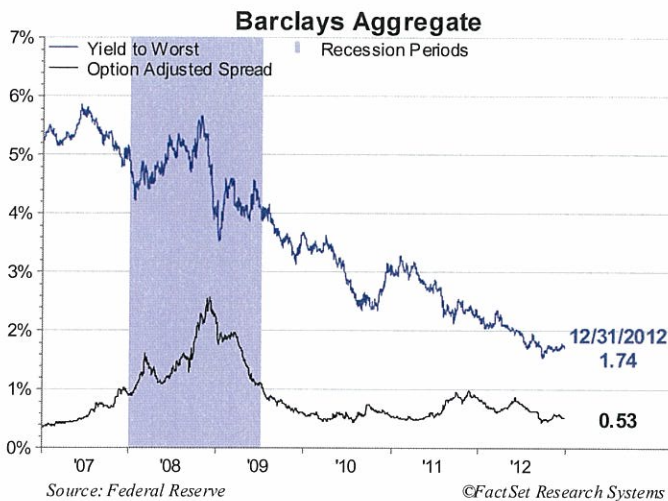
Total Returns S&P 500 Sectors	1Q12	2Q12	3Q12	4Q12	CY2012
Consumer Disc.	15.96%	-2.60%	7.45%	2.11%	23.92%
Consumer St.	5.54%	2.88%	3.84%	-1.75%	10.76%
Energy	3.88%	-5.99%	10.14%	-2.75%	4.61%
Financials	22.05%	-6.83%	6.95%	5.92%	28.82%
Health Care	9.06%	1.75%	6.16%	0.07%	17.89%
Industrials	11.31%	-3.56%	3.62%	3.70%	15.35%
Info. Tech.	21.46%	-6.68%	7.45%	-5.72%	14.82%
Materials	11.19%	-4.19%	5.10%	2.69%	14.97%
Telecom.	2.08%	14.13%	8.05%	-6.02%	18.31%
Utilities	-1.62%	6.55%	-0.53%	-2.86%	1.29%
S&P 500	12.59%	-2.75%	6.35%	-0.38%	16.00%

Source: Standard & Pooors

Total Returns						Trailing 3	Trailing 5	Trailing 10	Trailing 15
Fixed Income Indices	1Q12	2Q12	3Q12	4Q12	CY2012	Year*	Year*	Year*	Year*
Barclays Aggregate	0.30%	2.06%	1.58%	0.21%	4.21%	6.19%	5.95%	5.18%	5.96%
Barclays Intermediate Agg.	0.66%	1.32%	1.36%	0.18%	3.56%	5.22%	5.39%	4.80%	5.69%
Barclays U.S. Treasury	-1.29%	2.83%	0.57%	-0.09%	1.99%	5.84%	5.40%	4.75%	5.74%
Barclays Government	0.89%	1.76%	1.64%	0.54%	4.90%	5.53%	5.50%	4.90%	5.92%
Barclays Agencies	0.24%	1.42%	1.11%	0.22%	3.02%	4.14%	4.66%	n/a	n/a
Barclays Corporate	2.08%	2.52%	3.83%	1.06%	9.82%	8.98%	7.87%	6.33%	6.59%
Barclays U.S. MBS	0.57%	1.08%	1.13%	-0.20%	2.59%	4.72%	5.67%	5.08%	5.83%
Barclays CMBS	3.46%	0.86%	3.83%	1.22%	9.66%	11.86%	7.40%	5.77%	n/a
Barclays ABS	0.83%	1.33%	1.23%	0.22%	3.66%	4.88%	4.66%	3.93%	5.17%
Barclays High Yield	5.34%	1.83%	4.53%	3.29%	15.81%	11.86%	10.34%	10.62%	7.11%
Barclays Municipal	1.75%	1.88%	2.32%	0.67%	6.78%	6.57%	5.91%	5.10%	5.42%

Source: Barclays Capital * Annualized

As of December 31, 2012



Total Returns					
Corporate Indices	1Q12	2Q12	3Q12	4Q12	CY2012
By Ratings Quality:					
AAA Rated	-0.96%	3.59%	1.87%	-0.70%	3.78%
AA Rated	1.37%	2.32%	2.27%	0.16%	6.25%
A Rated	2.02%	2.76%	3.73%	0.74%	9.55%
BAA Rated	2.45%	2.26%	4.32%	1.66%	11.10%
BA Rated	4.39%	2.31%	4.37%	2.80%	14.59%
B Rated	4.93%	1.78%	4.42%	3.60%	15.53%
CAA Rated	8.15%	1.05%	4.82%	3.32%	18.34%
CA-D Rated	13.00%	-1.83%	9.33%	6.97%	29.72%
By Sector:					
Industrial	0.76%	2.67%	3.26%	0.68%	7.55%
Utility	-0.07%	3.66%	3.23%	0.57%	7.53%
Financial	5.07%	1.93%	5.05%	1.90%	14.65%

Source: Barclays Capital

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Investment Guidelines

Cleveland Public Library Investment Guidelines

Asset Allocation

	<u>Normal Position</u>	<u>Range</u>
Equities	60%	50%-70%
Fixed Income	40%	30%-50%
Cash		0% - 5%

The portfolio's gross allocation shall not deviate outside of the above ranges without prior approval from the Library.

Equities

	<u>Target</u>	<u>Range</u>
Large Capitalization	85%	70-100%
Small Capitalization	10%	0-20%
International Equities	5%	0-10%

Equity investments should be broadly diversified. No more than 5% of the equity portfolio, based on market value, shall be invested in any one company. Short sales, private securities, letter stock, commodities, and put and call contracts are expressly prohibited. Mutual Funds are acceptable alternatives to separately managed portfolios.

The equity benchmark is the S&P 500.

Fixed Income

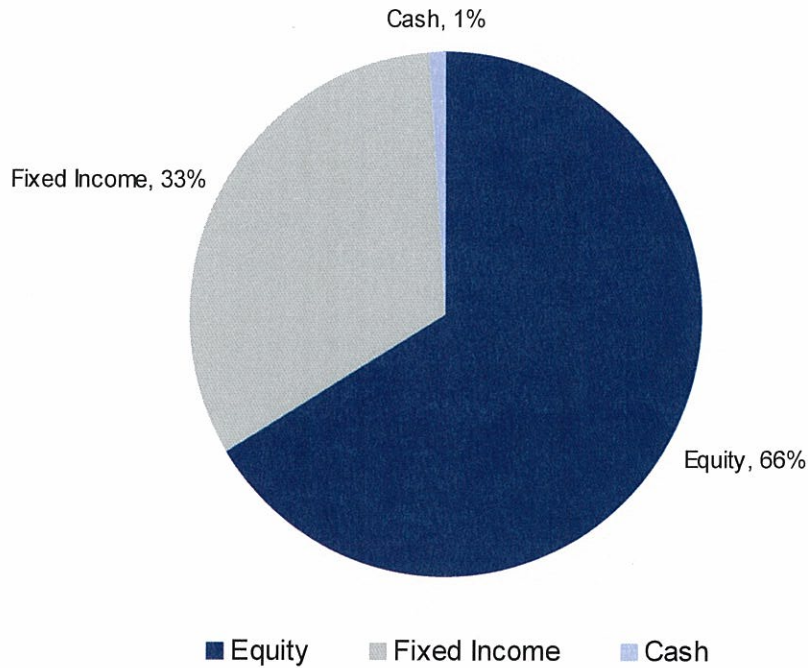
Allowable fixed income investments include readily marketable issues of the U.S. Government and its Agencies, U.S. Government guaranteed issues, and the readily marketable debt securities of U.S. corporations.

The fixed income portion of the portfolio is further limited in that holdings must carry a credit rating of at least A or equivalent at the time of purchase.

The fixed income benchmark is the Barclays Intermediate Government/Credit Bond Index.

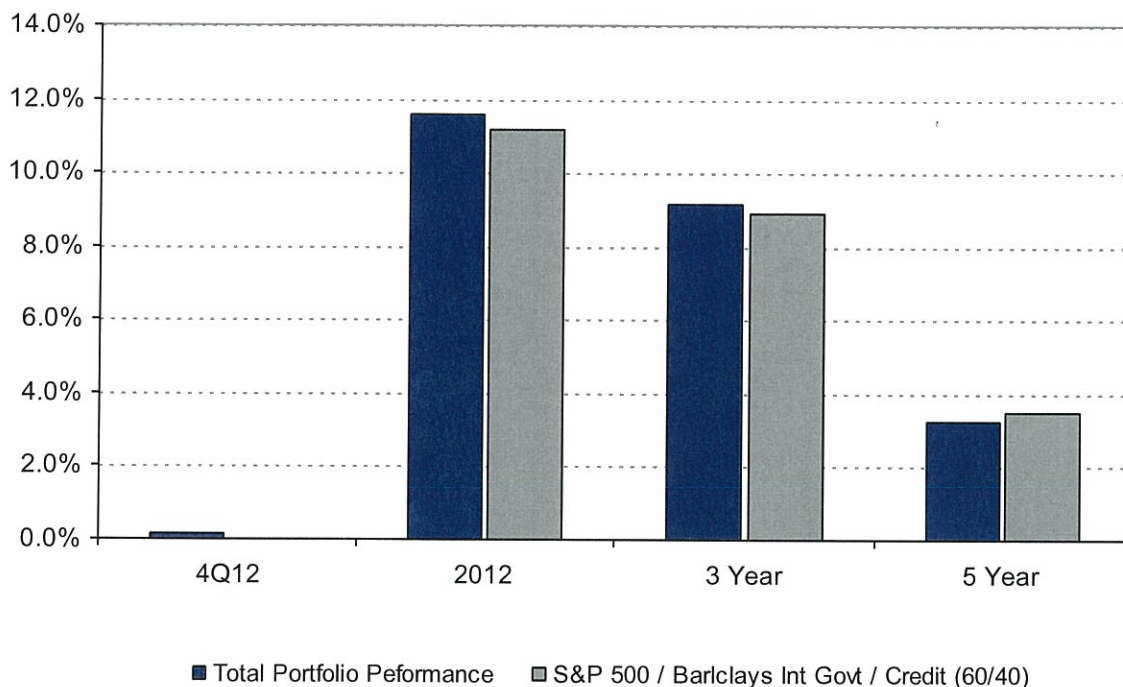
Account Review

Asset Allocation Summary (as of 12/31/2012)



	Market Value	Current Weight	Target Range	Difference
Equity	\$11,102,514	66%	50% - 70%	+6%
Fixed Income	\$5,529,808	33%	30% - 50%	-7%
Cash	\$138,233	1%	0% - 5%	+1%
Total Portfolio	\$16,770,554	100%	100%	0%

Portfolio Performance (as of 12/31/2012)



	4Q12	2012	3 Year	5 Year
Total Portfolio Performance	0.16%	11.58%	9.15%	3.24%
S&P 500 / Barclays Intermediate Govt/Credit (60/40)	-0.08%	11.16%	8.89%	3.51%

Total Equities	0.18%	15.94%	11.54%	1.06%
S&P 500 Index	-0.38%	16.00%	10.87%	1.66%
MSCI EAFE Index (Net)	6.57%	17.32%	3.56%	-3.69%

Total Fixed Income	-0.15%	4.05%	5.05%	5.45%
Barclays Intermediate Govt/Credit Index	-0.10%	3.89%	5.19%	5.18%

Mutual Fund Performance (as of 12/31/2012)

	4 th QTR	2012	3 Yr	5 Yr	Equity Allocation
PNC Large Cap Advantage - Core <i>S&P 500</i>	-1.50% -0.38%	13.75% 16.00%	11.40% 10.87%	2.43% 1.66%	66.3%
PNC Large Cap Value Fund <i>Russell 1000 Value</i>	-1.54% 1.52%	13.48% 17.51%	10.28% 10.86%	-0.94% 0.59%	8.1%
PNC Small Cap Core Fund <i>Russell 2000</i>	4.37% 1.85%	22.19% 16.35%	16.90% 12.25%	5.26% 3.56%	17.3%
PNC International Equity Fund <i>MSCI EAFE Net</i>	7.14% 6.57%	23.47% 17.31%	6.21% 3.56%	-1.70% -3.69%	8.3%

Performance data is presented on a fiscal year basis. Returns for periods greater than one year have been annualized. The mutual fund performance reflects the performance of the Fund and may not be representative of actual holding periods or portfolio returns.

Mutual Fund Annualized Performance (as of 12/31/2012)

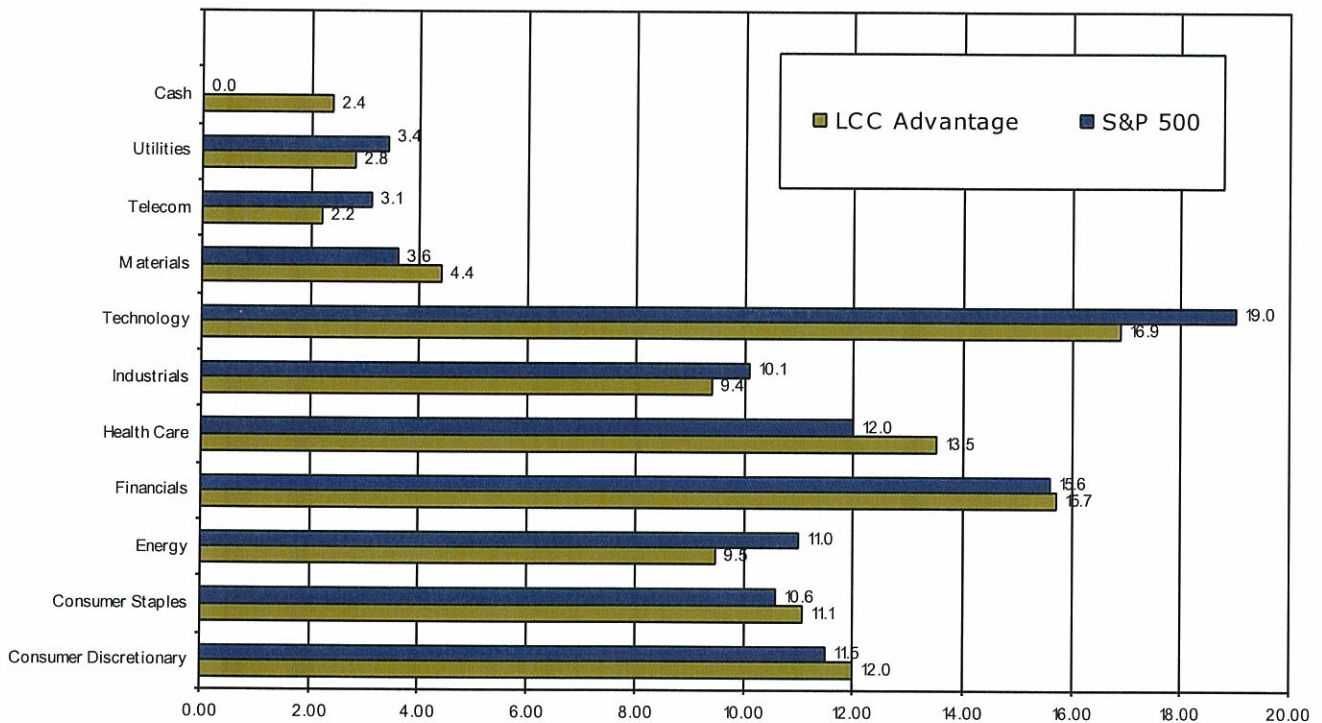
Large Cap Core Advantage Portfolio

Portfolio Statistics (as of 12/31/2012)

Portfolio Valuation

	Number of Holdings	Dividend Yield
PNC Large Cap Core Advantage	66	2.0%
S&P 500	500	2.1%

Sector Allocation

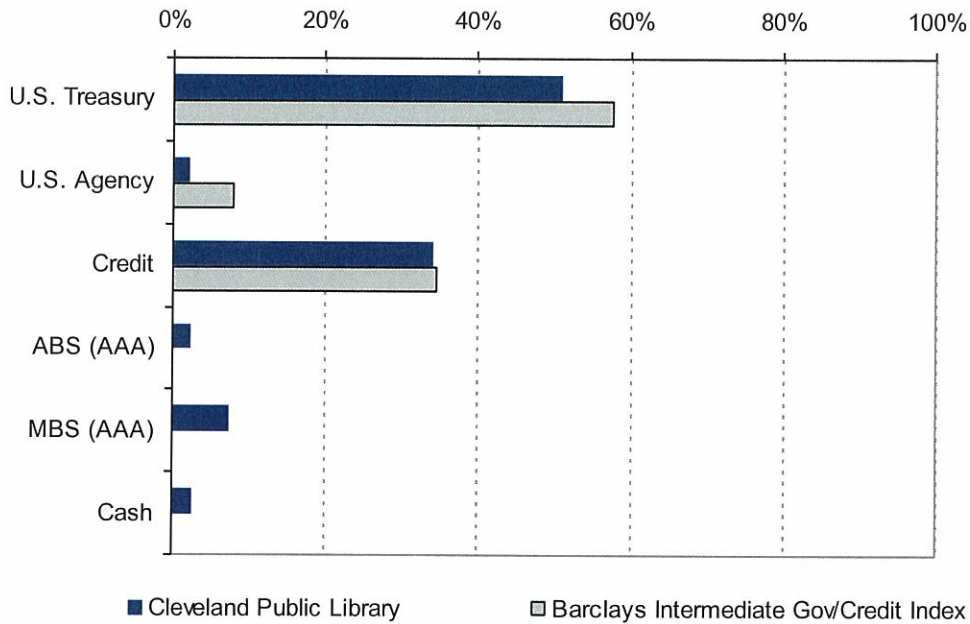


Top 10 Holdings

	Security Name	Wgt.
1	Apple Inc	3.6%
2	Exxon Mobil Corp	3.4%
3	General Electric Co	2.6%
4	JPMorgan Chase & Co	2.4%
5	Chevron Corp	2.3%

	Security Name	Wgt.
6	AT&T	2.2%
7	Wells Fargo & Co	2.2%
8	Home Depot Inc	2.2%
9	Pfizer Inc	2.0%
10	Comcast Corp	2.0%

Fixed Income Allocation (as of 12/31/2012)



	Market Value	Current Weight	Index Weight*	Difference
U.S. Treasury	\$2,823,779	51.1%	57.5%	-6.4%
U.S. Agency	\$124,201	2.2%	8.0%	-5.8%
Credit	\$1,889,300	34.2%	34.6%	-0.4%
ABS (AAA rated)	\$128,894	2.3%	0.0%	+2.3%
MBS (AAA rated)	\$415,967	7.5%	0.0%	+7.5%
Cash	\$147,667	2.7%	0.0%	+2.7%
Total Portfolio	\$5,529,808	100.0%	100.0%	-

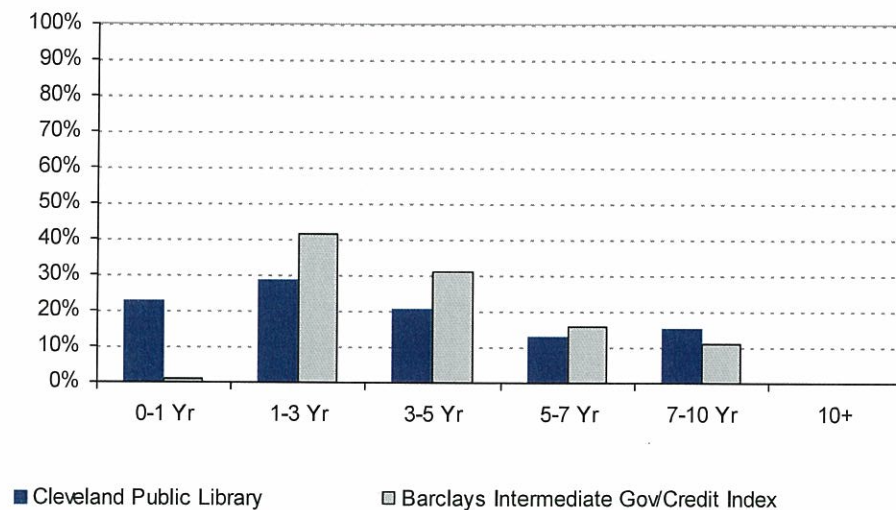
*Barclays Intermediate Gov/Credit Index

Fixed Income Structure (as of 12/31/2012)

Portfolio Statistics

	Duration	YTM	Avg. Life	Avg. Coupon
Cleveland Public Library	3.48 yrs	0.98%	3.81 yrs	3.02%
Barclays Intermediate Gov/Credit Index	3.89 yrs	1.04%	4.20 yrs	2.76%

Weighted Average Life Buckets



Quality Allocation

	AAA	AA	A	BBB
Cleveland Public Library	69%	8%	23%	0%
Barclays Intermediate Gov/Credit Index	69%	4%	14%	13%

Holdings (as of 12/31/2012)

CLEVELAND PUBLIC LIBRARY ENDOWMENT

As of December 31, 2012

SHARES (UNITS)	TICKER	SECURITY DESCRIPTION	COUPON/ MAT DATE	MARKET VALUE	TAX COST	RECENT PRICE	ANNUAL DIVIDEND	ANNUAL INCOME	YIELD	% ASSET CLASS	% OF PORTFOLIO
EQUITIES											
LARGE CAP CORE											
CONSUMER DISCRETIONARY											
3,870	cmcsa	Comcast Corp Cl A		144,583	91,662	37.36	0.65	2,516	1.7	1.3%	0.9%
4,120	gci	Gannett Co Inc		74,201	77,011	18.01	0.80	3,296	4.4	0.7%	0.4%
2,580	hd	Home Depot Inc		159,573	114,306	61.85	1.16	2,993	1.9	1.4%	1.0%
2,100	ltd	Limited Inc		98,826	58,601	47.06	1.00	2,100	2.1	0.9%	0.6%
2,870	m	Macy's Inc		111,987	80,515	39.02	0.80	2,296	2.1	1.0%	0.7%
870	pii	Polaris Industries Inc		73,211	71,769	84.15	1.48	1,288	1.8	0.7%	0.4%
820	pvh	PVH Corp		91,028	80,321	111.01	0.15	123	0.1	0.8%	0.5%
980	rost	Ross Stores Inc		53,008	60,363	54.09	0.56	549	1.0	0.5%	0.3%
1,520	dis	Walt Disney Co		75,681	68,161	49.79	0.60	912	1.2	0.7%	0.5%
TOTAL CONSUMER DISCRETIONARY				882,099	702,708			16,072	1.8	7.9%	5.3%
CONSUMER STAPLES											
1,230	bud	Anheuser-Busch InBev NV Sponsored ADR		107,514	86,883	87.41	1.29	1,590	1.5	1.0%	0.6%
3,820	ko	Coca-Cola Co		138,475	116,921	36.25	1.02	3,896	2.8	1.2%	0.8%
1,120	mkc	McCormick & Company Inc		71,154	72,395	63.53	1.24	1,389	2.0	0.6%	0.4%
1,310	pm	Philips Morris International Inc		109,568	119,975	83.64	3.40	4,454	4.1	1.0%	0.7%
1,980	pg	Procter & Gamble Co		134,422	119,116	67.89	2.25	4,451	3.3	1.2%	0.8%
1,970	hsy	The Hershey Company		142,273	95,442	72.22	1.52	2,994	2.1	1.3%	0.8%
1,240	wfm	Whole Foods Market Inc		113,038	79,151	91.16	0.56	694	0.6	1.0%	0.7%
TOTAL CONSUMER STAPLES				816,445	689,884			19,469	2.4	7.4%	4.9%
ENERGY											
1,590	cvx	Chevron Corp		171,943	117,972	108.14	3.60	5,724	3.3	1.5%	1.0%
1,270	esv	Ensc0 Plc Cl A		75,286	72,744	59.28	1.48	1,873	2.5	0.7%	0.4%
2,870	xom	Exxon Mobil Corp		248,399	210,960	86.55	2.28	6,544	2.6	2.2%	1.5%
1,170	nov	National Oilwell Varco Inc		79,970	58,238	68.35	0.48	562	0.7	0.7%	0.5%
3,750	su	Suncor Energy Inc		123,675	101,788	32.98	0.53	1,989	1.6	1.1%	0.7%
TOTAL ENERGY				699,271	561,702			16,692	2.4	6.3%	4.2%
FINANCIAL											
1,850	axp	American Express Co		106,338	82,261	57.48	0.80	1,480	1.4	1.0%	0.6%
1,210	cof	Capital One Financial Corp		70,095	74,506	57.93	0.20	242	0.3	0.6%	0.4%
1,460	cb	Chubb Corp		109,967	65,699	75.32	1.64	2,394	2.2	1.0%	0.7%
2,850	c	Citigroup Inc		112,746	117,474	39.56	0.04	114	0.1	1.0%	0.7%
1,880	dfs	Discover Financial Services		72,474	66,740	38.55	0.40	752	1.0	0.7%	0.4%
1,150	eqr	Equity Residential		65,171	52,499	56.67	1.35	1,553	2.4	0.6%	0.4%
6,090	fitb	Fifth Third Bancorp		92,568	87,787	15.20	0.40	2,436	2.6	0.8%	0.6%
4,015	jpm	JPMorgan Chase & Co		176,536	120,122	43.97	1.20	4,818	2.7	1.6%	1.1%
820	mtb	M&T Bank Corp		80,745	72,586	98.47	2.80	2,296	2.8	0.7%	0.5%
2,210	mco	Moody's Corp		111,207	88,925	50.32	0.64	1,414	1.3	1.0%	0.7%
4,710	wfc	Wells Fargo & Co		160,988	130,507	34.18	0.88	4,145	2.6	1.5%	1.0%
TOTAL FINANCIAL				1,158,835	959,107			21,644	1.9	10.4%	6.9%
HEALTH CARE											
970	agn	Allergan Inc		88,978	46,065	91.73	0.20	194	0.2	0.8%	0.5%
820	coo	Cooper Companies Inc		75,834	79,780	92.48	0.06	49	0.1	0.7%	0.5%
2,080	cov	Covidien Plc		120,099	98,074	57.74	1.04	2,163	1.8	1.1%	0.7%
2,040	jnj	Johnson & Johnson		143,004	131,661	70.10	2.44	4,978	3.5	1.3%	0.9%
1,380	mrk	Merck & Co		56,497	51,763	40.94	1.68	2,318	4.1	0.5%	0.3%
3,090	myl	Mylan Inc		84,821	73,742	27.45	0.00	0	0.0	0.8%	0.5%
5,980	pfe	Pfizer Inc		149,972	97,642	25.08	0.88	5,262	3.5	1.4%	0.9%
2,980	rmd	ResMed Inc		123,879	94,434	41.57	0.68	2,026	1.6	1.1%	0.7%
883	shpg	Shire Plc ADR		81,395	64,413	92.18	0.46	406	0.5	0.7%	0.5%
1,330	unh	United Health Group Inc		72,139	36,310	54.24	0.85	1,131	1.6	0.6%	0.4%
TOTAL HEALTH CARE				996,618	773,885			18,528	1.9	9.0%	5.9%
INDUSTRIALS											
1,000	mmm	3M Company		92,850	87,379	92.85	2.36	2,360	2.5	0.8%	0.6%
1,570	ba	Boeing Co		118,315	114,931	75.36	1.76	2,763	2.3	1.1%	0.7%
9,100	ge	General Electric Co		191,009	177,907	20.99	0.68	6,188	3.2	1.7%	1.1%
1,160	pll	Pall Corp		69,902	73,503	60.26	1.00	1,160	1.7	0.6%	0.4%
976	unp	Union Pacific Corp		122,703	72,594	125.72	2.40	2,342	1.9	1.1%	0.7%
1,190	utx	United Technologies Corp		97,592	57,724	82.01	2.14	2,547	2.6	0.9%	0.6%
TOTAL INDUSTRIALS				692,370	584,039			17,360	2.5	6.2%	4.1%
INFORMATION TECHNOLOGY											
1,110	acn	Accenture Plc Cl A		73,815	76,004	66.50	1.62	1,798	2.4	0.7%	0.4%
500	aapl	Apple Inc		266,086	47,317	532.17	10.6	5,300	2.0	2.4%	1.6%
5,920	csco	Cisco Systems Inc		116,322	113,163	19.65	0.56	3,315	2.8	1.0%	0.7%
4,580	emc	E.M.C Corp		115,874	82,500	25.30	0	0	0.0	1.0%	0.7%
2,580	ebay	eBay Inc		131,572	91,844	51.00	0	0	0.0	1.2%	0.8%
110	goog	Google Inc		77,812	48,535	707.38	0	0	0.0	0.7%	0.5%
3,360	intc	Intel Corp		69,283	60,061	20.62	0.9	3,024	4.4	0.6%	0.4%
550	ibm	International Business Machines		105,353	61,848	191.55	3.4	1,870	1.8	0.9%	0.6%
2,675	msft	Microsoft Corp		71,447	44,938	26.71	0.92	2,461	3.4	0.6%	0.4%
2,390	orcl	Oracle Corp		79,635	48,182	33.32	0.24	574	0.7	0.7%	0.5%
2,190	qcom	Qualcomm Inc		135,471	122,670	61.86	1	2,190	1.6	1.2%	0.8%
TOTAL INFORMATION TECHNOLOGY				1,242,669	797,063			20,532	1.7	11.2%	7.4%

Holdings (as of 12/31/2012)

CLEVELAND PUBLIC LIBRARY ENDOWMENT

As of December 31, 2012

SHARES (UNITS)	TICKER	SECURITY DESCRIPTION	COUPON/ MAT DATE	MARKET VALUE	TAX COST	RECENT PRICE	ANNUAL DIVIDEND	ANNUAL INCOME	YIELD	% ASSET CLASS	% OF PORTFOLIO
MATERIALS											
770	agu	Agrium Inc		76,901	74,790	99.87	1	770	1.0	0.7%	0.5%
400	cf	CF Industries Holdings Inc		81,264	65,773	203.16	1.6	640	0.8	0.7%	0.5%
1,520	emn	Eastman Chemical Co		103,436	81,835	68.05	1.04	1,581	1.5	0.9%	0.6%
1,120	fmc	FMC Corp		65,542	48,777	58.52	0.36	403	0.6	0.6%	0.4%
TOTAL MATERIALS				327,143	271,175			3,394	1.0	2.9%	2.0%
TELECOMMUNICATION SERVICES											
4,800	t	AT&T Inc		161,808	145,021	33.71	1.76	8,448	5.2	1.5%	1.0%
TOTAL TELECOMMUNICATION SERVICES				161,808	145,021			8,448	5.2	1.5%	1.0%
UTILITIES											
1,400	oge	OGE Energy Corp		78,834	65,688	56.31	1.57	2,198	2.8	0.7%	0.5%
3,530	wec	Wisconsin Energy Corp		130,081	81,531	36.85	1.2	4,236	3.3	1.2%	0.8%
TOTAL UTILITIES				208,915	147,219			6,434	3.1	1.9%	1.2%
MONEY MARKET											
98,641		PNC Treasury Money Market Dividend Accrual		165,533	165,533	1.00	0.00	17	0.0	1.5%	1.0%
TOTAL MONEY MARKET				174,940	174,940			17	0.0	1.6%	1.0%
TOTAL LARGE CAP CORE				7,361,113	5,806,740			148,589	2.0	66.3%	43.9%
EQUITY FUNDS											
58,809	piuix	PNC International Equity Fund		921,534	548,138	15.67	0.13	7,822	0.0	8.3%	5.5%
62,379	plvix	PNC Large Cap Value Fund		900,857	831,457	14.52	0.22	13,835	0.0	8.1%	5.4%
138,363	ppcix	PNC Small Cap Fund		1,919,010	1,082,086	14.81	0.00	0	0.0	17.3%	11.4%
TOTAL EQUITY FUNDS				3,741,401	2,461,682			21,657	0.0	33.7%	22.3%
TOTAL EQUITIES				11,102,514	8,268,422			170,246	0.0	100.0%	66.2%
FIXED INCOME											
ASSET BACKED SECURITIES											
8,401	43812kac7	Honda Auto Rec Owner Trust Ser 2010-2 CI A3	1.340% Due 03-18-14	8,421	8,400	100.24		113	0.3	0.2%	0.1%
19,332	43813tac7	Honda Auto Rec Owner Trust Ser 2011-1 CI A3	1.130% Due 10-15-14	19,392	19,331	100.31		218	0.3	0.4%	0.1%
100,000	36159jdh1	GE Capital CC Master Note Trust Ser 2012-6 CIA	1.360% Due 08-17-20	101,006	99,961	101.01		1,360	1.2	1.8%	0.6%
				75						0.0%	0.0%
TOTAL ASSET BACKED SECURITIES				128,894	127,692			1,691	1.0	2.3%	0.8%
CORPORATE BONDS											
10,000	637432lm5	National Rural Utilities Cooperative Finance	5.500% Due 07-01-13	10,251	10,000	102.51		550	0.5	0.2%	0.1%
15,000	263534bu2	Du Pont (E.I.) de Nemours & Co	5.000% Due 07-15-13	15,372	14,851	102.48		750	0.4	0.3%	0.1%
25,000	913017bw8	United Technologies Corp	0.581% Due 12-02-13	25,069	25,000	100.27		145	-1.1	0.5%	0.1%
20,000	191216aw0	Coca-Cola Co	0.260% Due 03-14-14	19,995	20,009	99.97		52	0.4	0.4%	0.1%
20,000	976656ca4	Wisconsin Electric Power	6.000% Due 04-01-14	21,349	19,961	106.75		1,200	0.6	0.4%	0.1%
10,000	478160bc7	Johnson & Johnson	0.400% Due 05-15-14	10,021	10,053	100.21		40	-1.3	0.2%	0.1%
15,000	89114qaa6	Toronto-Dominion Bank	1.375% Due 07-14-14	15,197	15,035	101.32		206	0.5	0.3%	0.1%
20,000	87612eaa4	Target Corp	0.495% Due 07-18-14	20,060	19,984	100.30		99	-5.5	0.4%	0.1%
35,000	61747wak5	Morgan Stanley	2.875% Due 07-28-14	35,770	33,843	102.20		1,006	1.5	0.6%	0.2%
20,000	172967fa4	Citigroup Inc	6.010% Due 01-15-15	21,854	21,946	109.27		1,202	1.4	0.4%	0.1%
25,000	7800812c7	Royal Bank of Canada	1.150% Due 03-13-15	25,271	24,992	101.09		288	0.7	0.5%	0.2%
15,000	68323abj2	Province of Ontario Canada	0.950% Due 05-26-15	15,193	14,997	101.29		143	0.4	0.3%	0.1%
30,000	06366rhh4	Bank of Montreal	0.780% Due 09-11-15	30,125	30,000	100.42		234	-1.4	0.5%	0.2%
15,000	369604be2	General Electric Company	0.850% Due 10-09-15	15,053	14,996	100.35		128	0.7	0.3%	0.1%
15,000	00440ean7	Ace INA Holdings Inc	2.600% Due 11-23-15	15,747	14,986	104.97		390	0.9	0.3%	0.1%
50,000	742718bz1	Procter & Gamble Co	4.850% Due 12-15-15	56,046	57,065	112.09		2,425	0.7	1.0%	0.3%
20,000	05565qbq0	BP Capital Markets Plc	3.200% Due 03-11-16	21,334	21,429	106.67		640	1.1	0.4%	0.1%
20,000	611662bm8	Monsanto Co	2.750% Due 04-15-16	21,150	19,957	105.75		550	1.0	0.4%	0.1%
20,000	929903ch3	Wachovia Corp	5.625% Due 10-15-16	22,924	21,051	114.62		1,125	1.6	0.4%	0.1%
20,000	21686cad2	Rabobank Nederland UTREC	3.375% Due 01-19-17	21,486	20,641	107.43		675	1.5	0.4%	0.1%
10,000	073902pn2	Bear Stearns Cos Inc	5.550% Due 01-22-17	11,277	11,389	112.77		555	2.2	0.2%	0.1%
15,000	035229db6	Anheuser-Busch Cos Inc	5.600% Due 03-01-17	17,660	17,809	117.73		840	1.2	0.3%	0.1%
5,000	46625hgn4	JPMorgan Chase & Co	6.125% Due 06-27-17	5,841	5,628	116.83		306	2.2	0.1%	0.0%
25,000	828807cj4	Simon Property Group LP	2.150% Due 09-15-17	25,931	24,954	103.73		538	1.3	0.5%	0.2%
55,000	78011dac8	Royal Bank of Canada	1.200% Due 09-19-17	55,132	54,995	100.24		660	1.2	1.0%	0.3%
25,000	89233p6s0	Toyota Motor Credit Corp	1.250% Due 10-05-17	25,178	25,028	100.71		313	1.1	0.5%	0.2%
15,000	14916rab0	Catholic Health Initiatives	1.600% Due 11-01-17	15,161	14,996	101.07		240	1.4	0.3%	0.1%
15,000	637071al5	National Oilwell Varco Inc	1.350% Due 12-01-17	15,095	14,985	100.64		203	1.2	0.3%	0.1%
20,000	166764aa8	Chevron Corp	1.104% Due 12-05-17	20,140	20,000	100.70		221	1.0	0.4%	0.1%
20,000	25468pcb0	Walt Disney Co	5.875% Due 12-15-17	24,409	24,573	122.05		1,175	1.3	0.4%	0.1%
25,000	064159be5	Bank of Nova Scotia	1.375% Due 12-18-17	25,035	24,972	100.14		344	1.4	0.5%	0.1%
10,000	26442cac8	Duke Energy Carolinas	5.250% Due 01-15-18	11,937	9,966	119.37		525	1.3	0.2%	0.1%
25,000	911312ah9	United Parcel Service Inc	5.500% Due 01-15-18	30,038	28,283	120.15		1,375	1.3	0.5%	0.2%
20,000	92343val8	Verizon Communications Inc	5.500% Due 02-15-18	24,017	23,314	120.09		1,100	1.4	0.4%	0.1%
10,000	693304ai1	Peco Energy Co	5.350% Due 03-01-18	12,034	9,983	120.34		535	1.3	0.2%	0.1%
25,000	595620ah8	Midamerican Energy Co	5.300% Due 03-15-18	29,879	28,106	119.51		1,325	1.4	0.5%	0.2%
25,000	24422eegr3	John Deere Capital Corp	5.350% Due 04-03-18	29,833	24,924	119.33		1,338	1.5	0.5%	0.2%
15,000	59018yn64	Merrill Lynch & Co Inc	6.875% Due 04-25-18	18,082	16,275	120.55		1,031	2.7	0.3%	0.1%
15,000	927804ff6	Virginia Electric and Power Co	5.400% Due 04-30-18	18,123	16,704	120.82		810	1.3	0.3%	0.1%
15,000	20825can4	ConocoPhillips	5.200% Due 05-15-18	17,753	17,447	118.35		780	1.6	0.3%	0.1%
20,000	373334jk8	Georgia Power Co	5.400% Due 06-01-18	24,101	22,066	120.51		1,080	1.4	0.4%	0.1%

Holdings (as of 12/31/2012)

CLEVELAND PUBLIC LIBRARY ENDOWMENT

As of December 31, 2012

SHARES (UNITS)	TICKER	SECURITY DESCRIPTION	COUPON/ MAT DATE	MARKET VALUE	TAX COST	RECENT PRICE	ANNUAL DIVIDEND	ANNUAL INCOME	YIELD	% ASSET CLASS	% OF PORTFOLIO
CORPORATE BONDS											
45,000	478160au8	Johnson & Johnson	5.150% Due 07-15-18	54,607	51,646	121.35		2,318	1.2	1.0%	0.3%
20,000	68323aa8	Province of Ontario Canada	3.000% Due 07-16-18	21,812	21,110	109.06		600	1.2	0.4%	0.1%
20,000	097014am6	Boeing Capital Corp	2.900% Due 08-15-18	21,563	19,901	107.82		580	1.4	0.4%	0.1%
20,000	149121d0	Caterpillar Financial Services Corp	7.050% Due 10-01-18	25,735	24,384	128.68		1,410	1.8	0.5%	0.2%
20,000	494368bd4	Kimberly-Clark Corp	7.500% Due 11-01-18	26,677	25,077	133.39		1,500	1.5	0.5%	0.2%
30,000	585515ae9	Mellon Funding Corp	5.500% Due 11-15-18	35,229	33,233	117.43		1,650	2.3	0.6%	0.2%
25,000	10138mak1	Bottling Group LLC	5.125% Due 11-01-19	29,519	27,951	118.08		1,281	1.9	0.5%	0.2%
20,000	144141cz9	Progress Energy Carolinas	5.300% Due 01-15-19	24,053	19,982	120.27		1,060	1.7	0.4%	0.1%
30,000	58013meg5	McDonald's Corp	5.000% Due 02-01-19	34,947	33,583	116.49		1,500	2.1	0.6%	0.2%
30,000	00206ar3	AT&T Inc	5.800% Due 02-15-19	36,811	32,307	122.70		1,740	1.9	0.7%	0.2%
20,000	17275rae2	Cisco Systems Inc	4.950% Due 02-15-19	23,676	21,773	118.38		990	1.8	0.4%	0.1%
20,000	59156rat5	MetLife Global Funding I	7.717% Due 02-15-19	26,220	24,700	131.10		1,543	2.3	0.5%	0.2%
30,000	46625hh17	JPMorgan Chase & Co	6.300% Due 04-23-19	37,013	35,259	123.38		1,890	2.3	0.7%	0.2%
20,000	05531fab9	BB&T Corp	6.850% Due 04-30-19	25,468	24,791	127.34		1,370	2.2	0.5%	0.2%
15,000	03076cad8	Ameriprise Financial Inc	7.300% Due 06-28-19	19,395	17,787	129.30		1,095	2.4	0.4%	0.1%
20,000	68389xag0	Oracle Corp	5.000% Due 07-08-19	24,018	19,925	120.09		1,000	1.7	0.4%	0.1%
15,000	822582aj1	Shell International Finance BV	4.300% Due 09-22-19	17,378	17,594	115.85		645	1.8	0.3%	0.1%
15,000	291011ay0	Emerson Electric Co	4.875% Due 10-15-19	17,958	18,048	119.72		731	1.8	0.3%	0.1%
30,000	36962g4j0	General Electric Capital Corp	5.500% Due 01-08-20	35,511	32,531	118.37		1,650	2.6	0.6%	0.2%
35,000	931142cu5	Wal-Mart Stores Inc	3.625% Due 07-08-20	38,908	38,042	111.17		1,269	2.0	0.7%	0.2%
10,000	263901ac4	Duke Energy Indiana Inc	3.750% Due 07-15-20	11,074	10,901	110.74		375	2.2	0.2%	0.1%
35,000	594918ah7	Microsoft Corp	3.000% Due 10-01-20	37,770	34,698	109.92		1,050	1.9	0.7%	0.2%
15,000	744448cd1	Public Service Co of Colorado	3.200% Due 11-15-20	16,366	14,939	109.10		480	1.9	0.3%	0.1%
30,000	428236bf9	Hewlett-Packard Co	3.750% Due 12-01-20	29,067	30,036	96.89		1,125	4.2	0.5%	0.2%
20,000	438516ba3	Honeywell International Inc	4.250% Due 03-01-21	23,379	19,949	116.90		850	2.0	0.4%	0.1%
15,000	80105nag0	Sanofi-Aventis	4.000% Due 03-29-21	17,098	15,102	113.98		600	2.2	0.3%	0.1%
15,000	437076aw2	Home Depot Inc	4.400% Due 04-01-21	17,691	17,137	117.94		660	2.0	0.3%	0.1%
20,000	404280ak5	HSBC Holdings Plc	5.100% Due 04-05-21	23,618	20,117	118.09		1,020	2.7	0.4%	0.1%
25,000	38259pab8	Google Inc	3.625% Due 05-19-21	27,821	27,883	111.28		906	2.2	0.5%	0.2%
20,000	369550ar9	General Dynamics Corp	3.875% Due 07-15-21	22,435	19,967	112.17		775	2.3	0.4%	0.1%
30,000	084670bc1	Berkshire Hathaway Inc	3.750% Due 08-15-21	33,047	31,115	110.16		1,125	2.4	0.6%	0.2%
25,000	458140aj9	Intel Corp	3.300% Due 10-01-21	26,509	25,507	106.04		825	2.5	0.5%	0.2%
20,000	136375bv3	Canadian National Railways	2.850% Due 12-15-21	20,974	19,840	104.87		570	2.2	0.4%	0.1%
20,000	037411az8	Apache Corp	3.250% Due 04-15-22	21,196	20,152	105.98		650	2.5	0.4%	0.1%
20,000	377373ad7	GlaxoSmithKline Capital Inc	2.850% Due 05-08-22	20,773	19,864	103.87		570	2.4	0.4%	0.1%
15,000	91159jaa4	US Bancorp	2.950% Due 07-15-22	15,153	15,149	101.02		443	2.8	0.3%	0.1%
25,000	665859an4	Northern Trust Corp	2.375% Due 08-02-22	24,701	24,929	98.81		594	2.5	0.4%	0.1%
10,000	071813bf5	Baxter International Inc	2.400% Due 08-15-22	9,893	9,957	98.93		240	2.5	0.2%	0.1%
		Accrued Income		18,315						0.3%	0.1%
TOTAL CORPORATE BONDS				1,889,300	1,784,059			65,819	1.5	34.2%	11.3%
U.S. AGENCIES											
25,000	3137eadg1	Federal Home Loan Mortgage Corp	1.750% Due 05-30-19	25,862	24,995	103.45		438	1.2	0.5%	0.2%
25,000	3133xvrk9	Federal Home Loan Bank	4.125% Due 12-13-19	29,626	27,620	118.51		1,031	1.3	0.5%	0.2%
65,000	3137eadb2	Federal Home Loan Mortgage Corp	2.375% Due 01-13-22	67,904	64,771	104.47		1,544	1.8	1.2%	0.4%
		Accrued Income		810						0.0%	
TOTAL U.S. AGENCIES				124,201	117,386			3,013	1.6	2.2%	0.7%
MORTGAGE BACKED SECURITIES											
27,064	31410gb44	FNMA 15yr Pool #888459	4.500% Due 08-01-20	29,187	26,434	107.85		1,218	0.7	0.5%	0.2%
46,338	3138eguc6	FNMA 15yr Pool #AL0578	3.500% Due 08-01-26	49,184	49,357	106.14		1,622	1.2	0.9%	0.3%
78,396	31417dck7	FNMA 15 yr Pool #AB6373	3.000% Due 10-01-27	82,858	83,103	105.69		2,352	2.5	1.5%	0.5%
61,396	3138a5ff4	FNMA 30yr Pool #AH3765	4.000% Due 01-01-41	67,051	65,760	109.21		2,456	0.8	1.2%	0.4%
131,234	31416jxj9	FNMA 30yr Pool #AB2077	4.000% Due 01-01-41	144,759	129,563	110.31		5,249	0.6	2.6%	0.9%
37,820	31416xq52	FNMA 30yr Pool #AB2275	4.500% Due 02-01-41	41,670	38,724	110.18		1,702	0.9	0.8%	0.2%
		Accrued Income		1,257						0.0%	0.0%
TOTAL MORTGAGE BACKED SECURITIES				415,967	392,941			14,599	1.1	7.5%	2.5%
U.S. TREASURIES											
165,000	912828nc0	United States Treasury Note	1.375% Due 05-15-13	165,767	166,378	100.46		2,269	0.10	3.0%	1.0%
125,000	912828nh9	United States Treasury Note	1.125% Due 06-15-13	125,566	125,629	100.45		1,406	0.10	2.3%	0.7%
655,000	912828bh2	United States Treasury Note	4.250% Due 08-15-13	671,552	699,532	102.53		27,838	0.20	12.1%	4.0%
95,000	912828pb0	United States Treasury Note	0.500% Due 10-15-13	95,245	95,263	100.26		475	0.20	1.7%	0.6%
660,000	912828lk4	United States Treasury Note	2.375% Due 08-31-14	683,357	688,977	103.54		15,675	0.20	12.4%	4.1%
115,000	912828nv8	United States Treasury Note	1.250% Due 08-31-15	117,794	117,895	102.43		1,438	0.30	2.1%	0.7%
140,000	912828pe4	United States Treasury Note	1.250% Due 10-31-15	143,555	141,574	102.54		1,750	0.40	2.6%	0.9%
120,000	912828lp3	United States Treasury Note	3.000% Due 09-30-16	131,147	129,300	109.29		3,600	0.50	2.4%	0.8%
10,000	912828pf1	United States Treasury Note	1.875% Due 10-31-17	10,563	10,544	105.63		188	0.70	0.2%	0.1%
40,000	912828rh5	United States Treasury Note	2.625% Due 01-31-18	109,438	108,866	109.44		2,625	0.70	2.0%	0.7%
45,000	912828sd3	United States Treasury Note	1.375% Due 09-30-18	41,119	40,255	102.80		550	0.90	0.7%	0.2%
45,000	912828sd3	United States Treasury Note	1.250% Due 01-31-19	45,816	44,789	101.81		563	1.00	0.8%	0.3%
185,000	912828nt3	United States Treasury Note	2.625% Due 08-15-20	203,154	199,699	109.81		4,856	1.30	3.7%	1.2%
50,000	912828rc6	United States Treasury Note	2.125% Due 08-15-21	52,563	50,995	105.13		1,063	1.50	1.0%	0.3%
130,000	912828sf8	United States Treasury Note	2.000% Due 02-15-22	134,438	133,374	103.41		2,600	1.60	2.4%	0.8%
70,000	912828tj9	United States Treasury Note	1.625% Due 08-15-22	69,541	68,816	99.34		1,138	1.70	1.3%	0.4%
		Accrued Income		23,165						0.4%	0.1%
TOTAL U.S. TREASURIES				2,823,779	2,821,887			68,031	0.5	51.1%	16.8%
MONEY MARKET FUNDS											
147,667		PNC Treasury Money Market		147,667	147,667	1.00	0.00	15	0.0%	2.7%	0.9%
TOTAL MONEY MARKET FUNDS				147,667	147,667			15	0.0%	2.7%	0.9%
TOTAL FIXED INCOME				5,529,808	5,391,631			153,167	2.8%	100.0%	33.0%
CASH											
138,233		PNC Treasury Money Market		138,233	138,233	1.00	0.00	14	0.0%	100.0%	0.8%
TOTAL CASH				138,233	138,233			14	0.0%	100.0%	0.8%
GRAND TOTAL				16,770,554	13,798,286			323,427	1.9%		100.0%

Summary Disclosure

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Opinions, estimates, forecasts and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. The views and strategies described may not be suitable for all investors. Indices do not include fees or operating expenses and are not available for actual investment. The information contained herein employs proprietary projections of expected returns, as well as estimates of their future volatility.

The relative relationships and forecasts contained herein are based upon proprietary research, developed through analysis of historical data and capital markets theory. These estimates have certain inherent limitations and, unlike an actual performance record, they do not reflect actual trading, liquidity constraints, fees or other costs. References to future net returns are not promises or even estimates of actual returns that a client portfolio may achieve. The forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation.

Performance results are gross of investment management fees and do not reflect the deduction of custody fees, where applicable. All returns are net of execution costs and exclude the effect of any income taxes. The deduction of an advisory fee reduces an investor's return. Actual account performance will vary depending on individual portfolio security selection and the applicable fee schedule. Performance results are shown based on time weighted rates of return calculated on a monthly basis. The monthly rate of return for an eligible account is the percentage change in the market value of the account during the month, taking into account the effect of any cash additions or withdrawals that occur during the month.

The value of investments and the income from them may fluctuate and your investment is not guaranteed. Past performance is no guarantee of future results. Please note current performance may be higher or lower than the performance data shown. Please note that investments in foreign markets are subject to special currency, political and economic risks. Exchange rates may cause the value of underlying overseas investments to go down or up. Investments in emerging markets may be more volatile than other markets and the risk to your capital is therefore greater. Also, the economic and political situations may be more volatile than in established economies and these may adversely influence the value of investments made.

Performance results reflect the reinvestment of interest, dividends and realized capitals gains, and include cash, cash equivalents, convertible securities, and preferred securities, if applicable. Trade-date accounting methods are used. The U.S. dollar is the currency used to calculate performance. Dividends and interest are recorded on an accrual basis, and are net of all applicable foreign withholding taxes, if any. Investments are priced using an independent pricing service.

When mutual fund performance is presented in this review, it is annualized performance data presented on a fiscal year basis. It is represented by the largest portfolio managed under the fund style, as of the stated date, and is for illustration purposes only. Returns for periods greater than one year have been annualized. The mutual fund performance reflects the performance of the Fund and may not be representative of actual holding periods or portfolio returns. Portfolio holdings are subject to change at any time.

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Market Outlook and Strategy

Economy

- It is our view that the economy and corporate earnings will provide stability as a backdrop for the markets in the wake of continued risks threatening to derail the sustainability of recovery.
- The global economic backdrop includes: a U.S. economy that has markedly improved and stands to benefit from housing in 2013, policy improvements in the Eurozone, and the emerging markets, led by China, which at present seem to be escaping the grasp of slowdown and look to be pointed toward growth.
- We believe investors should continue to expect volatility because the markets are likely to continue to struggle with both the economic outlook and the systemic risks from the Eurozone crisis.
- While there has been some improvement in the Eurozone debt situation, we expect news out of Europe to unsettle the markets from time to time in 2013.
- It is our view that the U.S. economy will continue on a path of recovery. Recent economic reports have confirmed that the U.S. improvement, though restrained, has managed to remain in place despite outside macroeconomic pressures.
- Uncertainty remains high for 2013 via equity market volatility, federal fiscal policy, escalating tension in the Middle East, China's economic landing, European weakness and credit market conditions.
- The outlook for housing appears promising, and while it is likely to be a small contributor in the overall picture in 2013, it can help provide an offset to slowdowns in other areas.
- Our view is that business investment spending will pick up in 2013, supporting the labor market recovery and broader economic growth. A key reason for this is that we believe some of the impediments to businesses investing will diminish in 2013. Specifically, we expect there to be more clarity surrounding the U.S. fiscal policy, which should help companies plan expenses and growth. We also believe that Europe will make progress toward a longer-term solution for addressing its sovereign debt crisis. These expectations, combined with firming emerging market growth and still-low borrowing costs, should provide the impetus for business investment and potentially stronger job growth over the near term.
- Uneven economic data in the United States and slower growth in China are also likely to be on most investors' radar screens.

Equity Strategy

- High-quality dividend paying stocks are preferred as a method of risk control against unexpected shocks to the economic system.
- Dividend-focused stocks are one of the better risk/reward opportunities due to large and growing corporate cash holdings, a rising dividend environment, and decreased volatility.
- The historically steep slopes on the yield-curve are also supportive of value style outperformance relative to growth.
- The dividend yield on the S&P 500 now competes favorably with the 10-Year Treasury.
- With cash on the sidelines waiting for less uncertainty, we believe the return of confidence would likely send investors back to stocks, which would buoy momentum.
- Although we are expecting volatility to remain high over the near term, the longer-term prospects for growth leave us positive regarding stocks relative to bonds and cash.
- Domestic large cap equities more attractive than small cap equities due to more conservative earnings expectations in a slower economic backdrop, a higher dividend yield, strong cash positions on balance sheets, and a greater discount on valuation metrics.
- Given low expected economic growth forecasts, it may be difficult for companies to exceed lofty analyst expectations. As a result, earnings expectations for the S&P 500 may continue to trend lower.

Fixed Income Strategy

- Monetary policy remains stimulative, with Fed favoring full employment mandate over inflation vigilance. Fed funds rate increase extended to mid-2015.
- Investors need to be aware of the interest rate risk in their portfolios as duration extends to obtain more yield.
- Shorter-term rates to exhibit lower volatility than longer-term rates.
- Global Bonds should be utilized in order to benefit from currency exposure, higher economic growth outside the United States, and higher interest rates abroad.
- The inclusion of global bonds can also be seen as a defensive against U.S. interest rates. This is an expression of our view that yields will rise over time as the current economic soft patch and flight to safety fade.