

**AGENDA ITEM: C.1.b.**

**AGENDA TOPIC:** Investment Update from PNC

**CONTACT(S):** Barry Hollis and William Mitchner from PNC

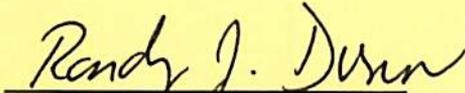
**BACKGROUND:** Investment review of the YSU Non-Endowment bond investments.

**SUMMARY AND ANALYSIS:**

- Update on the bond investments as of 6/30/2013.
- Manage an intermediate-term bond strategy and short-term bond strategy for YSU.
- As of 6/30/2013, the investments represented \$20.697 million (43% of the Long-Term Pool or 32% of the Total Non-Endowment Assets).

**RESOLUTION: N/A – DISCUSSION ITEM ONLY**

**REVIEWED AS TO FORM AND CONTENT:**



Randy J. Dann, President



# Youngstown State University

September 12, 2013

Review for the Period Ending 7/31/2013

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## Economic Review

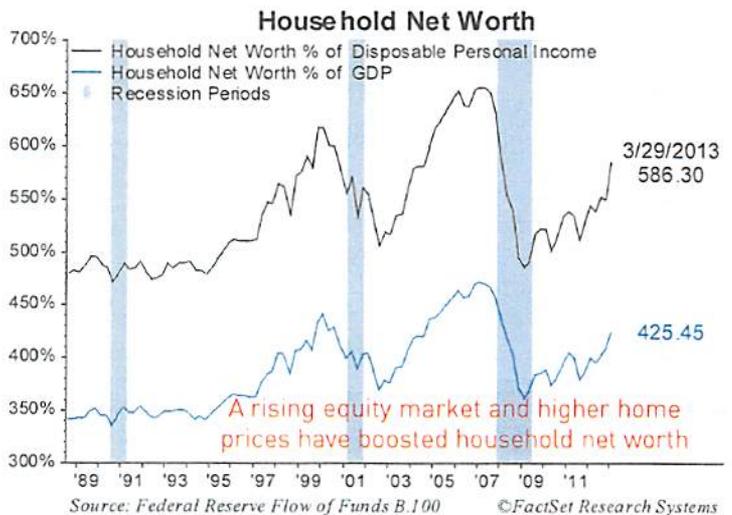
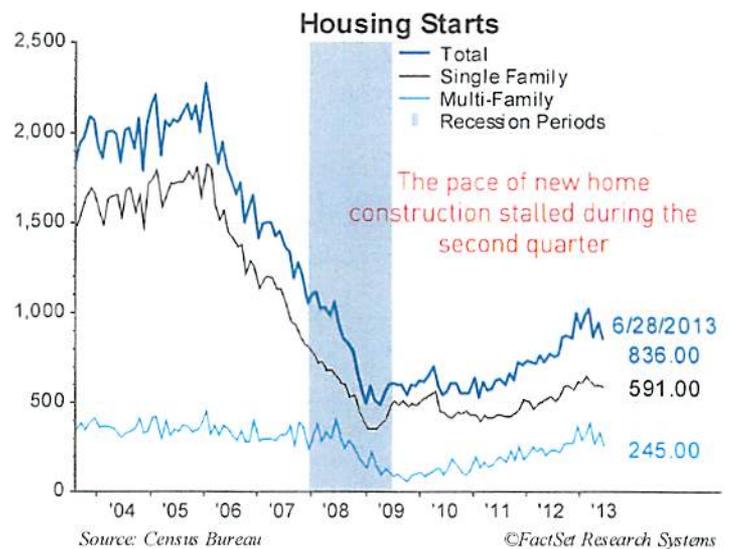
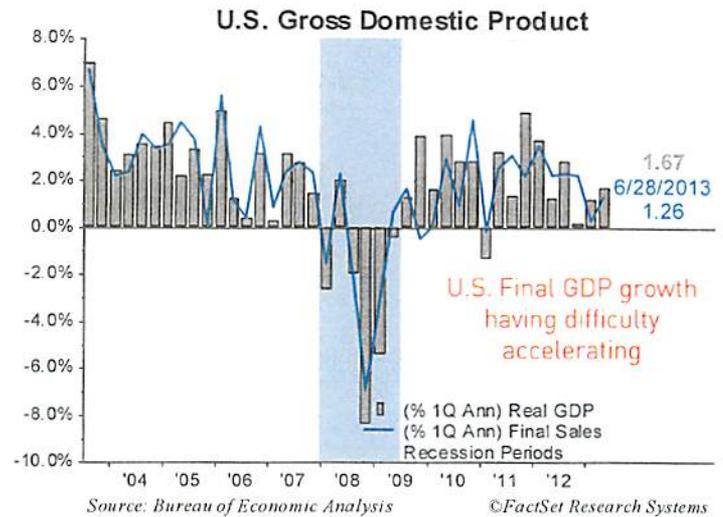
# Quarterly Economic Review

## Second Quarter 2013

During the second quarter, intermediate and longer-term interest rates on U.S. Treasury securities rose from their extremely low levels, as the market focused on the possibility that the Federal Reserve would begin to taper their asset purchases. Indeed, the combination of the deliberations in the May FOMC minutes, Chairman Bernanke's June press conference, and subsequent statements by other Federal Reserve officials gave the impression that the central bank may be winding down its asset purchases much sooner than previously thought. The resulting spike in interest rates left most fixed-income investors with negative total returns for the quarter, as rising yields result in falling bond prices. Worldwide, equity and bond markets stumbled on the Fed's communications.

However, the Federal Reserve's extraordinarily accommodative monetary policies that, on balance, have driven interest rates lower and asset prices higher, are likely to remain in place, despite these recent deliberations. The reality is that the pace of economic activity remains sluggish, and Fed policy changes are data-dependent on a falling unemployment rate and a mild inflation rate. Unfortunately, real GDP has been unable to accelerate consistently past the 2% level over the past two years, as different components of the economy either drag on or add little growth. Domestic inflation indicators have fallen below the Fed's expectations.

While the recovery in the U.S. housing market has continued into the second quarter, some measures have indicated that the pace of recovery may have slowed somewhat. Housing starts peaked at just over one million units in March and have since decreased to an annual rate just below 900,000 units. Home mortgage interest rates have jumped almost a percentage point since early May, and such a rise naturally reduces affordability. Home prices have grown more than 10% year-over-year on a nationwide basis. The combination of increases in home values and gains in the equity markets over the past several years has led to a strong recovery in household net worth, which has likely contributed to the highest levels of consumer sentiment in many years.



# Quarterly Economic Review

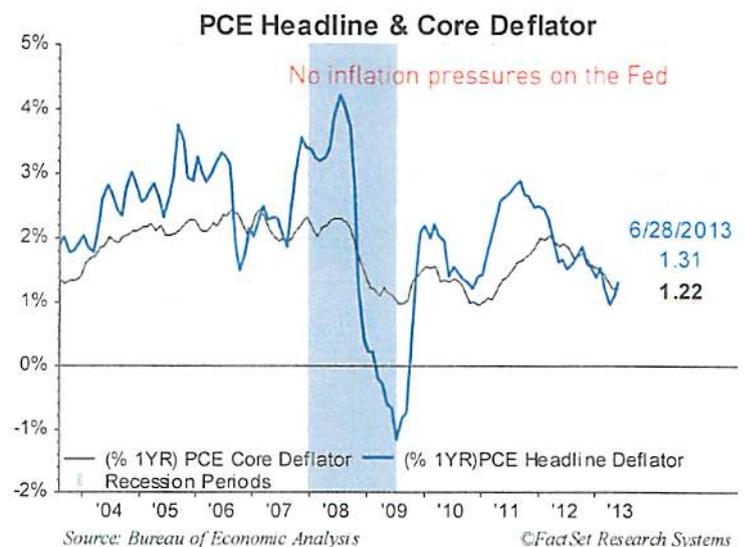
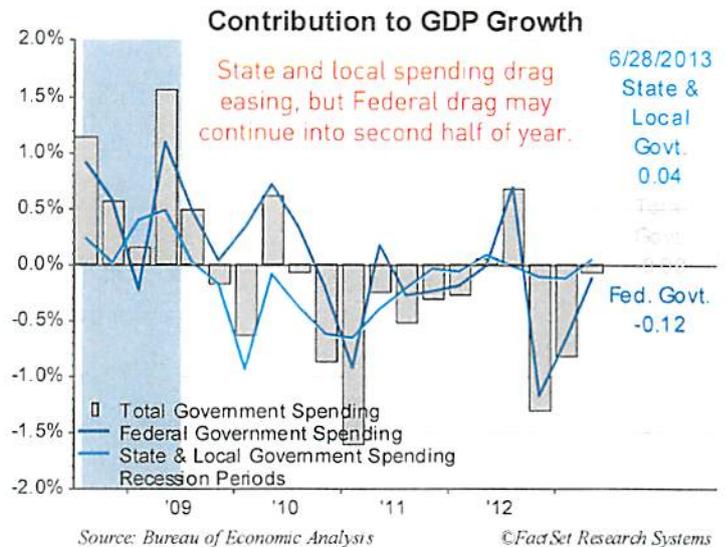
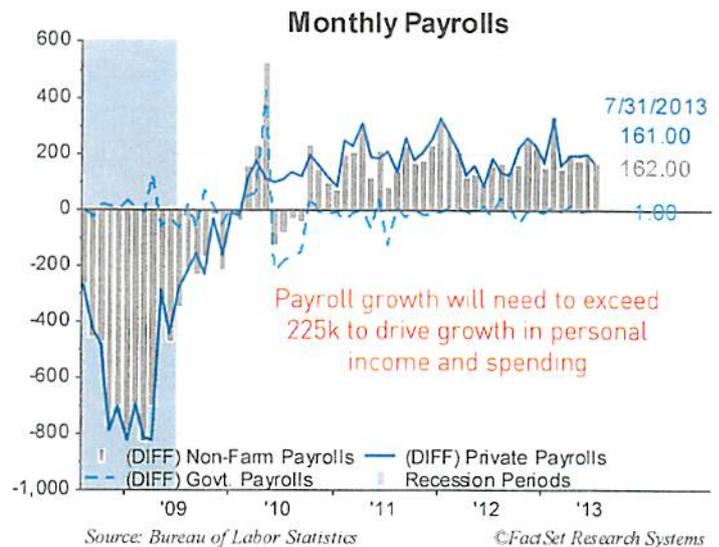
The single largest contributor to GDP growth remains consumer spending. On balance, at over 70% of GDP consumer spending generally has the greatest impact on growth compared to other components. Real consumer spending grew at an annual rate of 2.3% during the first quarter of the year and contributed 1.5 percentage points to overall GDP growth.

Although rising consumer sentiment is important, real consumer spending is ultimately a function of job and income growth. Non-farm payroll growth has averaged approximately 190,000 monthly in the second quarter vs. 207,000 in the first quarter. Non-farm payrolls have increased approximately 1.7% year-over-year, while real disposable income has grown slightly over 1%. To meaningfully accelerate income and GDP growth, the pace of hiring will need to increase to more than 225,000 each month.

While the private sector has been adding new jobs for the past few years, the government sector has largely shed jobs. The cutbacks at each level of the government, due in part to tight fiscal conditions, concerns around the debt ceiling and the federal sequester, have caused nearly a one percentage point drag on real GDP. Cuts at state and local governments started well before the cuts in federal government spending began, and look to be moderating. While government spending may not contribute to GDP growth during the second half of the year, the magnitude of the drag may fade.

Any tapering of asset purchases may take place late in the second half of 2013, but near-term changes are unlikely, with the unemployment rate still elevated near 7.5% and the threat of inflation subdued. Furthermore, economic growth is likely to remain sluggish, absent a major boost from job growth.

We continue to expect growth of 2.0 to 2.5% for 2013, an inflation rate near 2% (absent an energy price shock), and an unemployment rate drifting down toward 7% as the year progresses.



# Quarterly Economic Review

Total Returns					Trailing 1	Trailing 3	Trailing 5	Trailing
Equity Indices	1Q13	2Q13	Jul-13	YTD '13	Year	Year*	Year*	10 Year*
S&P 500	10.61%	2.91%	5.09%	19.62%	25.00%	17.74%	8.26%	7.64%
Russell 1000	10.96%	2.65%	5.35%	20.00%	26.23%	18.04%	8.49%	8.02%
Russell 1000 Value	12.31%	3.20%	5.40%	22.16%	30.73%	18.00%	7.88%	8.20%
Russell 1000 Growth	9.54%	2.06%	5.30%	17.73%	21.64%	18.00%	9.01%	7.69%
Russell Mid-Cap	12.96%	2.21%	5.80%	22.14%	32.37%	19.01%	10.07%	10.91%
Russell 2000	12.39%	3.08%	7.00%	23.97%	34.76%	18.72%	9.45%	9.60%
Russell 2000 Value	11.63%	2.47%	6.43%	21.74%	34.15%	17.07%	8.86%	9.45%
Russell 2000 Growth	13.21%	3.74%	7.56%	26.32%	35.39%	20.32%	9.98%	9.62%
Russell 3000	11.07%	2.69%	5.48%	20.31%	26.86%	18.09%	8.57%	8.14%
MSCI ACWI (USD)	6.61%	-0.21%	4.82%	11.51%	21.16%	11.79%	4.38%	8.41%
MSCI EAFE (USD)	5.25%	-0.75%	5.28%	9.99%	24.02%	9.12%	1.54%	8.45%
MSCI Emerging Market (USD)	-1.79%	-7.75%	1.10%	-8.40%	2.29%	1.33%	0.86%	13.45%

Source: S&P, Russell Investments, MSCI Indices \*Annualized

As of: July 31, 2013



Total Returns					Trailing 1
S&P 500 Sectors	1Q13	2Q13	Jul-13	YTD '13	Year
Consumer Disc.	12.15%	6.81%	5.22%	26.04%	38.70%
Consumer St.	14.58%	0.50%	4.08%	19.85%	18.92%
Energy	10.17%	-0.37%	5.08%	15.35%	18.62%
Financials	11.42%	7.25%	5.40%	25.95%	42.42%
Health Care	15.81%	3.83%	7.29%	29.02%	35.63%
Industrials	10.67%	2.81%	5.69%	20.26%	28.67%
Info. Tech.	4.59%	1.68%	4.18%	10.79%	11.14%
Materials	4.79%	-1.81%	5.65%	8.71%	18.74%
Telecom.	9.45%	1.00%	0.20%	10.78%	5.58%
Utilities	13.02%	-2.73%	4.26%	14.61%	8.01%
S&P 500	10.61%	2.91%	5.09%	19.62%	25.00%

Source: Standard & Pooors

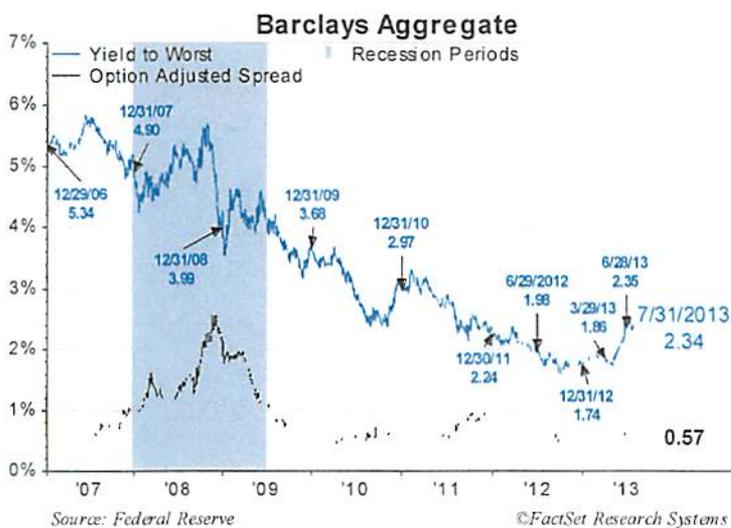
As of: July 31, 2013

# Quarterly Economic Review

Total Returns					Trailing 1	Trailing 3	Trailing 5	Trailing
Fixed Income Indices	1Q13	2Q13	Jul-13	YTD '13	Year	Year*	Year*	10 Year*
Barclays Aggregate	-0.12%	-2.32%	0.14%	-2.31%	-1.91%	3.19%	5.23%	4.89%
Barclays Intermediate Agg.	0.15%	-1.78%	0.18%	-1.46%	-0.86%	2.73%	4.80%	4.58%
Barclays Government/Credit	-0.16%	-2.51%	0.23%	-2.45%	-2.00%	3.57%	5.33%	4.90%
Barclays Int. Govt/Credit	0.26%	-1.70%	0.31%	-1.15%	-0.37%	2.87%	4.60%	4.35%
Barclays U.S. Treasury	-0.19%	-1.92%	-0.11%	-2.21%	-2.72%	2.85%	4.38%	4.60%
Barclays U.S. TIPS	-0.36%	-7.05%	0.73%	-6.72%	-5.87%	4.84%	4.67%	5.76%
Barclays Government	-0.20%	-2.88%	0.15%	-2.93%	-2.14%	2.73%	4.45%	4.59%
Barclays Agencies	-0.03%	-1.91%	0.13%	-1.82%	-1.33%	1.97%	3.84%	n/a
Barclays Corporate	-0.11%	-3.31%	0.83%	-2.60%	-0.66%	5.34%	7.64%	5.73%
Barclays U.S. MBS	-0.05%	-1.96%	-0.09%	-2.10%	-1.98%	2.19%	4.85%	4.89%
Barclays CMBS	0.13%	-1.44%	0.51%	-0.80%	2.54%	6.64%	7.87%	5.62%
Barclays ABS	0.05%	-0.80%	-0.19%	-0.94%	-0.26%	2.50%	5.03%	3.67%
Barclays High Yield	2.89%	-1.44%	1.90%	3.34%	9.49%	10.15%	11.65%	9.24%
Barclays Municipal	0.29%	-2.97%	-0.88%	-3.54%	-2.19%	3.73%	5.07%	4.71%

Source: Barclays Capital \* Annualized

As of: July 31, 2013



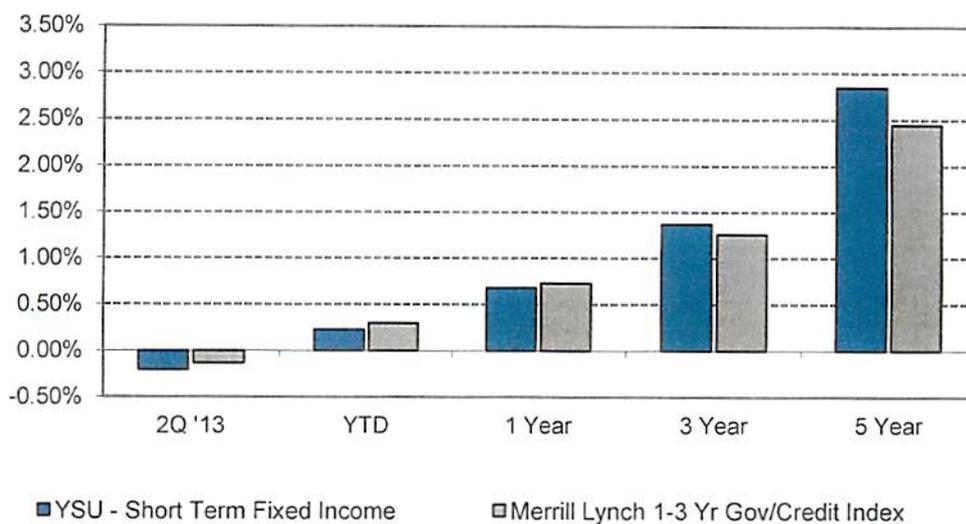
Total Returns					
Corporate Indices	1Q13	2Q13	Jul-13	YTD '13	Trailing 1 Year
<b>By Ratings Quality:</b>					
AAA Rated	-0.76%	-3.82%	0.39%	-4.18%	-5.26%
AA Rated	-0.20%	-2.95%	0.56%	-2.61%	-2.63%
A Rated	-0.34%	-3.22%	0.84%	-2.74%	-1.26%
BAA Rated	0.19%	-3.47%	0.90%	-2.42%	0.55%
BA Rated	1.96%	-1.87%	1.61%	1.67%	6.88%
B Rated	2.73%	-1.49%	1.94%	3.16%	9.49%
CAA Rated	5.79%	-0.47%	2.69%	8.13%	15.42%
CA-D Rated	-1.21%	1.71%	-3.12%	-2.66%	12.07%
<b>By Sector:</b>					
Industrial	-0.69%	-3.48%	0.71%	-3.46%	-2.51%
Utility	-0.04%	-3.99%	0.93%	-3.15%	-2.49%
Financial	0.88%	-2.78%	1.01%	-0.94%	3.28%

Source: Barclays Capital As of: July 31, 2013

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## Short Term Fixed Income Account Review

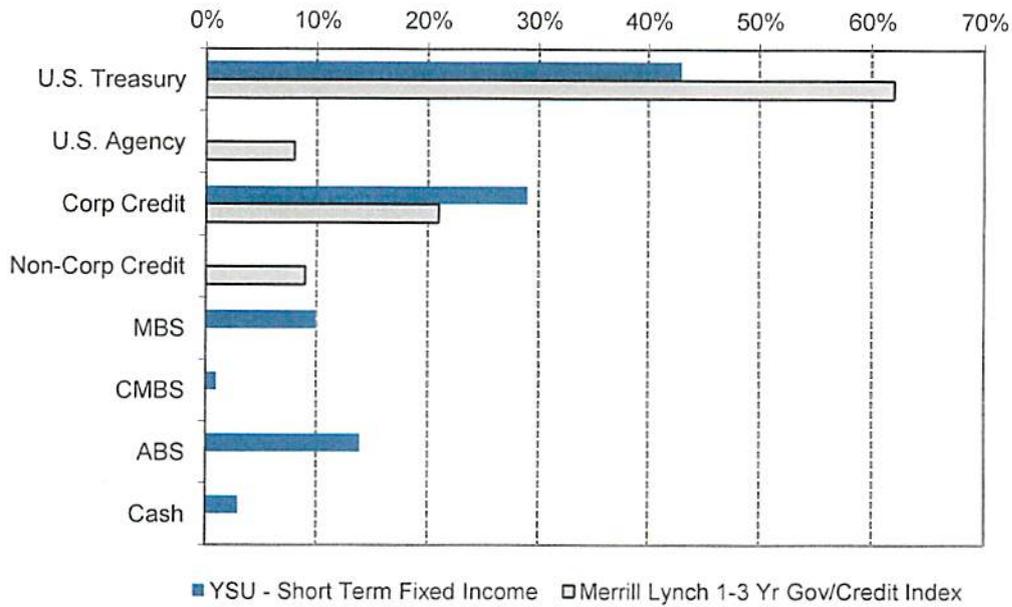
# Portfolio Performance (as of 7/31/2013)



	2Q '13	YTD	1 Year	3 Year	5 Year
YSU - Short Term Fixed Income	-0.21%	0.23%	0.68%	1.37%	2.85%
Merrill Lynch 1-3 Yr Gov/Credit Index	-0.14%	0.30%	0.73%	1.26%	2.45%

Performance data is shown gross of management fees.  
Returns for periods greater than one year have been annualized.

# Fixed Income Allocation (as of 7/31/2013)



	Market Value	Current Weight	Index Weight*	Difference
U.S. Treasury	\$6,368,416	43%	62%	-19%
U.S. Agency	\$0	0%	8%	-8%
Corporate Credit	\$4,252,534	29%	21%	+8%
Non-Corporate Credit	\$0	0%	9%	-9%
Mortgage-Backed Sec	\$1,505,191	10%	0%	+10%
CMBS	\$145,418	1%	0%	+1%
Asset Backed Sec	\$2,105,098	14%	0%	+14%
Cash	\$527,787	3%	0%	+3%
<b>Total Portfolio</b>	<b>\$14,904,444</b>	<b>100%</b>	<b>100%</b>	<b>-</b>

\* Merrill Lynch 1-3 Yr Gov/Credit Index

# Fixed Income Structure (as of 7/31/2013)

## Portfolio Statistics

	Duration	YTM	Avg. Life	Avg. Coupon
YSU – Short Term Fixed Income	1.62 yrs	0.67%	1.79 yrs	1.72%
Merrill Lynch 1-3 Yr Gov/Credit Index	1.90 yrs	0.59%	1.96 yrs	2.11%

## Maturity Brackets



## Quality Allocation

	AAA	AA	A	BBB	Avg. Quality
YSU – Short Term Fixed Income	73%	4%	15%	8%	Aa1
Merrill Lynch 1-3 Yr Gov/Credit Index	76%	5%	11%	8%	Aa1

# Holdings (as of 7/31/2013)

Quantity	Cusip	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Moody
<b>Government Obligation</b>								
145,000	912828jt8	United States Treasury Note 2.000% Due 11-30-13	103.75	150,437	100.64	145,929	1.0	GOVT
1,485,000	912828lz1	United States Treasury Note 2.125% Due 11-30-14	103.83	1,541,933	102.57	1,523,105	10.2	GOVT
880,000	912828mh0	United States Treasury Note 2.250% Due 01-31-15	105.02	924,142	103.03	906,673	6.1	GOVT
635,000	912828qm5	United States Treasury Note 1.000% Due 05-15-14	101.43	644,083	100.69	639,369	4.3	GOVT
1,265,000	912828rb8	United States Treasury Note 0.500% Due 08-15-14	100.36	1,269,526	100.36	1,269,541	8.5	GOVT
565,000	912828sp6	United States Treasury Note 0.375% Due 04-15-15	100.05	565,310	100.19	566,079	3.8	GOVT
520,000	912828tk6	United States Treasury Note 0.250% Due 08-15-15	99.92	519,604	99.84	519,147	3.5	GOVT
30,000	912828uc2	United States Treasury Note 0.250% Due 12-15-15	99.66	29,897	99.60	29,881	0.2	GOVT
445,000	912828um0	United States Treasury Note 0.375% Due 02-15-16	99.82	444,184	99.76	443,923	3.0	GOVT
315,000	912828vc1	United States Treasury Note 0.250% Due 05-15-16	98.95	311,698	99.19	312,442	2.1	GOVT
		Accrued Interest				12,326	0.1	
				<b>6,400,814</b>		<b>6,368,416</b>	<b>42.7</b>	
<b>Corporate Bond</b>								
105,000	00206gray8	AT&T Inc 2.400% Due 08-15-16	104.45	109,675	103.36	108,527	0.7	A3
35,000	0258m0dg1	American Express Credit Corp 1.300% Due 07-29-16	99.98	34,992	100.25	35,086	0.2	A2
35,000	03523tbm9	Anheuser-Busch InBev Worldwide Inc 0.800% Due 07-15-15	99.82	34,936	100.29	35,102	0.2	A3
55,000	05565qbh0	BP Capital Markets Plc 3.875% Due 03-10-15	106.93	58,811	105.15	57,833	0.4	A2
35,000	05565qca4	BP Capital Markets Plc 0.700% Due 11-06-15	99.89	34,963	99.74	34,907	0.2	A2
145,000	06051ger6	Bank of America Corp 1.500% Due 10-09-15	100.64	145,926	100.22	145,312	1.0	Baa2
110,000	064159bv7	Bank of Nova Scotia 0.950% Due 03-15-16	99.99	109,993	99.75	109,729	0.7	Aa2
35,000	067901ae8	Barrick Gold Corp 1.750% Due 05-30-14	101.58	35,554	100.15	35,053	0.2	Baa1
40,000	071813bh1	Baxter International Inc 0.950% Due 06-01-16	99.90	39,962	100.15	40,060	0.3	A3
120,000	084670bd9	Berkshire Hathaway Inc 1.900% Due 01-31-17	103.44	124,132	101.76	122,112	0.8	Aa2
110,000	14040hba2	Capital One Financial Corp 1.000% Due 11-06-15	99.74	109,715	99.32	109,248	0.7	Baa1
70,000	143658az5	Carnival Corp 1.200% Due 02-05-16	100.09	70,060	99.42	69,596	0.5	Baa1
105,000	172967fa4	Citigroup Inc 6.010% Due 01-15-15	107.77	113,154	106.94	112,290	0.8	Baa2
35,000	172967gg0	Citigroup Inc 1.250% Due 01-15-16	100.25	35,088	99.32	34,761	0.2	Baa2
110,000	21685wbl0	Rabobank Nederland NV 2.125% Due 10-13-15	100.54	110,592	102.61	112,868	0.8	Aa2
45,000	22303qam2	Covidien International Finance SA 1.350% Due 05-29-15	100.28	45,127	101.03	45,463	0.3	Baa1
130,000	22541lbk8	Credit Suisse First Boston USA Inc 5.125% Due 08-15-15	109.75	142,679	108.16	140,604	0.9	A1
35,000	25459han5	DirecTV Holdings LLC 3.550% Due 03-15-15	105.33	36,866	103.76	36,315	0.2	Baa2
15,000	25459hav7	DirecTV Holdings LLC 3.125% Due 02-15-16	105.68	15,852	103.90	15,585	0.1	Baa2
45,000	25746ubk4	Dominion Resources Inc/VA 1.800% Due 03-15-14	99.94	44,975	100.70	45,315	0.3	Baa2

# Holdings (as of 7/31/2013)

<u>Quantity</u>	<u>Cusip</u>	<u>Security</u>	<u>Unit Cost</u>	<u>Total Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>Pct. Assets</u>	<u>Moody</u>
<b>Corporate Bond (cont.)</b>								
60,000	278058dg4	Eaton Corp 5.950% Due 03-20-14	106.93	64,159	103.41	62,046	0.4	Baa1
40,000	285661ad6	Electronic Data Systems Corp 6.000% Due 08-01-13	111.27	44,507	100.00	40,000	0.3	Baa1
45,000	29379vax1	Enterprise Products Operating LLC 1.250% Due 08-13-15	99.94	44,973	100.62	45,280	0.3	Baa1
70,000	30161mad5	Exelon Generation Co LLC 5.350% Due 01-15-14	108.68	76,077	102.07	71,449	0.5	Baa2
95,000	36962g5f7	General Electric Capital Corp 2.375% Due 06-30-15	103.54	98,367	102.72	97,585	0.7	A1
80,000	36962g6z2	General Electric Capital Corp 1.500% Due 07-12-16	99.97	79,974	100.50	80,400	0.5	A1
110,000	38141gg5	Goldman Sachs Inc 3.300% Due 05-03-15	102.26	112,487	103.40	113,744	0.8	A3
100,000	40428hpg1	HSBC USA Inc 2.375% Due 02-13-15	99.79	99,787	102.41	102,411	0.7	A2
105,000	428236bn2	Hewlett-Packard Co 2.350% Due 03-15-15	99.98	104,976	101.57	106,652	0.7	Baa1
70,000	46623eju4	JPMorgan Chase & Co 1.125% Due 02-26-16	99.88	69,915	99.42	69,595	0.5	A2
115,000	46625hja9	JPMorgan Chase & Co 3.150% Due 07-05-16	106.01	121,906	104.88	120,611	0.8	A2
60,000	478366ar8	Johnson Controls Inc 5.500% Due 01-15-16	113.08	67,846	110.13	66,080	0.4	Baa1
50,000	487836bg2	Kellogg Co 1.125% Due 05-15-15	99.88	49,942	100.65	50,323	0.3	Baa1
45,000	494550ba3	Kinder Morgan Energy Partners LP 5.625% Due 02-15-15	110.70	49,816	107.09	48,191	0.3	Baa2
35,000	501044cl3	Kroger Co 7.500% Due 01-15-14	114.86	40,201	103.09	36,082	0.2	Baa2
75,000	565849aj5	Marathon Oil Corp 0.900% Due 11-01-15	99.95	74,962	99.96	74,969	0.5	Baa1
35,000	581557ay1	McKesson Corp 0.950% Due 12-04-15	99.90	34,964	100.23	35,082	0.2	Baa2
105,000	61746bdg8	Morgan Stanley 1.750% Due 02-25-16	99.81	104,802	99.89	104,880	0.7	Baa1
65,000	629527au6	Nabisco Inc 7.550% Due 06-15-15	115.31	74,951	111.71	72,613	0.5	Baa2
75,000	63946bab6	NBCUniversal Media LLC 3.650% Due 04-30-15	105.24	78,928	104.99	78,746	0.5	A3
50,000	65339kac4	Nextera Energy Capital 1.611% Due 06-01-14	100.71	50,356	100.76	50,382	0.3	Baa1
25,000	65339kaf7	Nextera Energy Capital 1.200% Due 06-01-15	100.93	25,233	100.54	25,136	0.2	Baa1
110,000	69371rl46	PACCAR Financial Corp 0.750% Due 05-16-16	99.94	109,932	99.30	109,231	0.7	A1
80,000	74432qbl8	Prudential Financial Inc 3.875% Due 01-14-15	104.97	83,974	104.31	83,450	0.6	Baa1
35,000	76720aal0	Rio Tinto Finance USA PLC 1.375% Due 06-17-16	99.76	34,916	99.94	34,980	0.2	A3
150,000	78011dae4	Royal Bank of Canada 1.125% Due 07-22-16	100.02	150,023	99.71	149,567	1.0	Aaa
75,000	88166caa6	Teva Pharmaceutical Finance II BV 3.000% Due 06-15-15	105.15	78,864	103.98	77,987	0.5	A3
65,000	884903bl8	Thomson Reuters Corp 0.875% Due 05-23-16	99.78	64,854	99.39	64,605	0.4	Baa1
115,000	89233p5s1	Toyota Motor Credit Corp 2.050% Due 01-12-17	103.37	118,879	101.63	116,873	0.8	Aa3
25,000	91324pbx9	UnitedHealth Group Inc 0.850% Due 10-15-15	99.98	24,994	100.20	25,050	0.2	A3
35,000	92343vbh6	Verizon Communications Inc 0.700% Due 11-02-15	99.88	34,957	99.83	34,939	0.2	A3
75,000	92344rab8	Verizon/New England 4.750% Due 10-01-13	107.09	80,318	100.65	75,489	0.5	
75,000	92857wba7	Vodafone Group Plc 0.900% Due 02-19-16	99.87	74,901	98.94	74,206	0.5	A3

# Holdings (as of 7/31/2013)

<u>Quantity</u>	<u>Cusip</u>	<u>Security</u>	<u>Unit Cost</u>	<u>Total Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>Pct. Assets</u>	<u>Moody</u>
<b>Corporate Bond (cont.)</b>								
65,000	929903ch3	Wachovia Corp 5.625% Due 10-15-16	113.26	73,620	112.37	73,037	0.5	A3
55,000	931422ag4	Walgreen Co 1.000% Due 03-13-15	99.96	54,978	100.43	55,238	0.4	Baa1
70,000	949746qu8	Wells Fargo & Co 3.676% Due 06-15-16	107.23	75,058	106.96	74,870	0.5	A2
155,000	961214by8	Westpac Banking Corp 0.950% Due 01-12-16	99.89	154,822	99.89	154,830	1.0	Aa2
25,000	98389bap5	Xcel Energy Inc 0.750% Due 05-09-16 Accrued Interest	99.98	24,994	99.17	24,793	0.2	Baa1
						25,373	0.2	
				<u>4,262,261</u>		<u>4,252,534</u>	<u>28.5</u>	
<b>FHLMC Pass Through</b>								
37,638	312964tk5	<i>Mortgage Backed Security (MBS)</i> FHLMC 15yr (Gold) Pool #B12354 4.500% Due 02-01-19 Accrued Interest	105.09	39,555	107.53	40,473	0.3	AGCY
						141	0.0	
				<u>39,555</u>		<u>40,614</u>	<u>0.3</u>	
<b>FNMA Pass Through</b>								
4	31371lb81	<i>Mortgage Backed Security (MBS)</i> FNMA 10yr Pool #254863 (MBS Other) 4.000% Due 08-01-13	99.66	4	105.89	4	0.0	AGCY
1,850	31371lnv7	FNMA 10yr Pool #255204 (MBS Other) 4.500% Due 04-01-14	99.55	1,841	106.31	1,966	0.0	AGCY
9,137	31371myh4	FNMA 10yr Pool #256412 (MBS Other) 6.000% Due 09-01-16	101.61	9,285	105.17	9,610	0.1	AGCY
15,038	31385jnu8	FNMA 15yr Pool #545903 5.500% Due 09-01-17	102.08	15,351	105.91	15,926	0.1	AGCY
30,381	31385xt98	FNMA 15yr Pool #555976 5.500% Due 11-01-18	104.50	31,748	106.17	32,254	0.2	AGCY
145,121	3138ejcj5	FNMA 10yr Pool #AL1872 3.000% Due 06-01-22	105.78	153,511	103.97	150,888	1.0	AGCY
27,860	31401git2	FNMA 15yr Pool #707774 4.500% Due 06-01-18	103.86	28,935	106.44	29,655	0.2	AGCY
47,664	31410k2q6	FNMA 15yr Pool #890083 5.000% Due 12-01-21	103.83	49,488	106.59	50,804	0.3	AGCY
81,219	31416xa59	FNMA 10yr Pool #AB1827 3.500% Due 11-01-20	104.13	84,569	104.81	85,127	0.6	AGCY
107,803	31417awr6	FNMA 10yr Pool #AB4255 3.000% Due 01-01-22	105.50	113,732	103.96	112,071	0.8	AGCY
87,268	31417yqs9	FNMA 15yr Pool #MA0464 3.500% Due 06-01-20 Accrued Interest	103.22	90,077	105.16	91,772	0.6	AGCY
						1,688	0.0	
				<u>578,541</u>		<u>581,766</u>	<u>3.9</u>	
<b>Variable Rate Agency Pass-Through</b>								
43,460	3128jnmq5	<i>Mortgage Backed Security (MBS)</i> FHLMC 30yr (Non Gold) Pool #1B3166 (ARM) 2.815% Due 11-01-36	101.42	44,078	106.56	46,312	0.3	AGCY
17,087	31402m4e7	FNMA 30yr Pool #733521 (ARM) 2.621% Due 08-01-33	99.16	16,943	106.27	18,159	0.1	AGCY
28,393	31402qx71	FNMA 30yr Pool #735202 (ARM) 2.756% Due 12-01-34	101.21	28,737	106.28	30,176	0.2	AGCY
25,532	31402rbc2	FNMA 30yr Pool #735435 (ARM) 2.342% Due 02-10-35	100.59	25,683	105.85	27,024	0.2	AGCY
30,181	31402rpe3	FNMA 30yr Pool #735821 (ARM) 2.817% Due 04-01-35	100.09	30,209	106.51	32,146	0.2	AGCY

# Holdings (as of 7/31/2013)

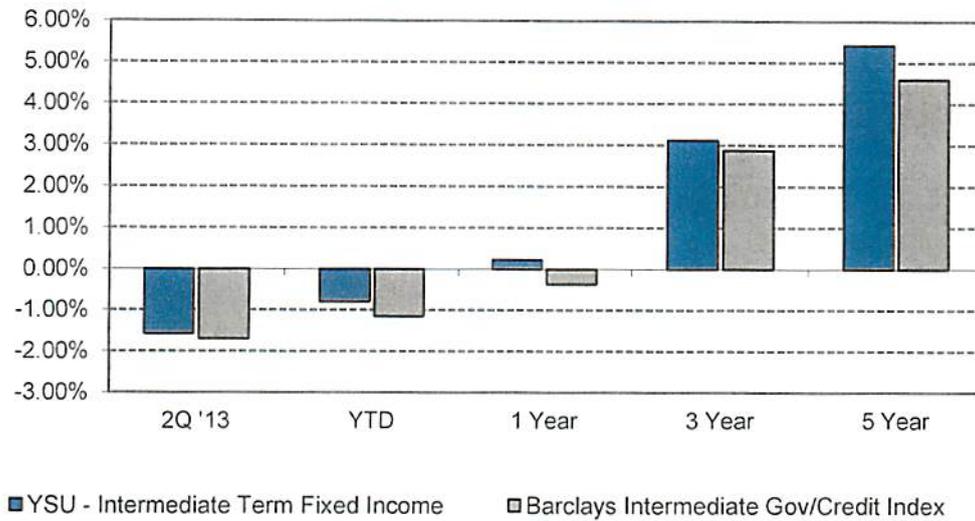
Quantity	Cusip	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Moody
<b>Variable Rate Agency Pass-Through (cont.)</b>								
<i>Mortgage Backed Security (MBS) (cont.)</i>								
41,029	31403dvv0	FNMA 30yr Pool #745927 (ARM) 2.297% Due 09-01-36	99.97	41,017	106.24	43,588	0.3	AGCY
24,436	31403ks95	FNMA 30yr Pool #751244 (ARM) 2.996% Due 12-01-33	100.09	24,458	106.50	26,024	0.2	AGCY
13,363	31405edf9	FNMA 30yr Pool #786802 (ARM) 2.341% Due 07-01-34	101.96	13,624	107.88	14,416	0.1	AGCY
52,904	31410fw92	FNMA 30yr Pool #888172 (ARM) 2.648% Due 01-01-36	99.00	52,375	105.92	56,034	0.4	AGCY
		Accrued Interest				608	0.0	
				<b>277,124</b>		<b>294,485</b>	<b>2.0</b>	
<b>Collateralized Mortgage Obligation</b>								
<i>Mortgage Backed Security (MBS)</i>								
79,835	31393tmy9	Fannie Mae Ser 2003-97 CI DG 5.000% Due 10-25-18	109.41	87,345	106.15	84,742	0.6	AGCY
60,169	31394kk60	Freddie Mac Ser 2682 CI LC 4.500% Due 07-15-32	108.05	65,013	103.96	62,548	0.4	AGCY
111,540	31395ctg6	Freddie Mac Ser 2828 CI JE 4.500% Due 07-15-19	108.55	121,073	106.28	118,543	0.8	AGCY
2,479	31395n5l7	Fannie Mae Ser 2006-62 CI TM 5.500% Due 02-25-33	103.94	2,576	100.08	2,481	0.0	AGCY
31,993	31397fj45	Freddie Mac Ser 3277 CI A 4.000% Due 01-15-21	103.63	33,152	101.35	32,424	0.2	AGCY
115,184	31397uv63	Fannie Mae Ser 2011-66 CI QA 3.500% Due 07-25-21	105.17	121,142	106.11	122,216	0.8	AGCY
73,371	31398csu3	Freddie Mac Ser 3535 CI CA 4.000% Due 05-15-24	103.22	75,733	105.19	77,176	0.5	AGCY
44,911	31398jft5	Freddie Mac Ser 3564 CI JA 4.000% Due 01-15-18	104.40	46,886	104.94	47,128	0.3	AGCY
38,239	38376xxv0	Ginnie Mae Ser 2010-30 CI NG 3.000% Due 04-16-33	103.16	39,446	102.38	39,147	0.3	AGCY
		Accrued Interest				1,920	0.0	
				<b>592,366</b>		<b>588,325</b>	<b>3.9</b>	
<i>Commercial Mortgage Backed Security (CMBS)</i>								
144,176	3137anl3	Freddie Mac Multifamily Structured Pass Thru Certificates Ser K501 CI 1.337% Due 06-25-16	100.00	144,172	100.75	145,258	1.0	AGCY
		Accrued Interest				161	0.0	
				<b>144,172</b>		<b>145,418</b>	<b>1.0</b>	
				<b>736,538</b>		<b>733,743</b>	<b>4.9</b>	
<b>Asset Backed Security</b>								
82,382	05573wac9	BMW Vehicle Owner Trust Ser 2011-1 CI A3 0.760% Due 08-25-15	99.99	82,370	100.12	82,480	0.6	Aaa
65,000	06052yac3	Bank of America Auto Trust Ser 2012-1 CI A3 0.780% Due 06-15-16	100.00	64,998	100.09	65,060	0.4	Aaa
160,152	15200waa3	Centerpoint Energy Transition Bond Co Ser 2012-1 CI A1 0.901% Due 04-15-18	100.00	160,151	99.95	160,078	1.1	Aaa
250,000	161571fj8	Chase Issuance Trust Ser 2012-A3 CI A3 0.790% Due 06-15-17	99.98	249,958	100.12	250,288	1.7	Aaa
13,887	34529vac6	Ford Credit Auto Owner Trust Ser 2012-A CI A2 0.630% Due 04-15-14	99.99	13,886	100.00	13,887	0.1	Aaa
60,000	34530cac5	Ford Credit Auto Lease Trust Ser 2013-A CI A3 0.600% Due 03-15-16	99.99	59,994	99.26	59,554	0.4	Aaa
150,000	36159jcs8	GE Capital Credit Card Master Note Trust Ser 2012-1 CI A 1.030% Due 01-16-18	99.99	149,988	100.47	150,704	1.0	Aaa
60,000	43812xac9	Honda Auto Receivables Owner Trust Ser 2013-3 CI A3 0.770% Due 05-15-17	99.98	59,990	100.00	60,000	0.4	Aaa

# Holdings (as of 7/31/2013)

<u>Quantity</u>	<u>Cusip</u>	<u>Security</u>	<u>Unit Cost</u>	<u>Total Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>Pct. Assets</u>	<u>Moody</u>
<b>Asset Backed Security (cont.)</b>								
20,212	43813tac7	Honda Auto Receivables Owner Trust Ser 2011-1 CI A3 1.130% Due 10-15-14	100.00	20,211	100.07	20,227	0.1	Aaa
70,000	43814eac9	Honda Auto Receivables Owner Trust Ser 2013-2 CI A3 0.530% Due 03-16-16	99.99	69,993	99.70	69,792	0.5	Aaa
45,285	44890bac0	Hyundai Auto Receivables Trust Ser 2011-A CI A3 1.160% Due 04-15-15	100.30	45,423	100.15	45,353	0.3	Aaa
220,000	44923yad9	Hyundai Auto Receivables Trust Ser 2010-B CI A4 1.630% Due 03-15-17	101.55	223,417	101.23	222,695	1.5	Aaa
22,961	477867ac9	John Deere Owner Trust Ser 2011-A CI A3 1.290% Due 01-15-16	99.99	22,960	100.24	23,016	0.2	Aaa
180,000	47787tac0	John Deere Owner Trust Ser 2013-A CI A3 0.600% Due 03-15-17	100.00	179,995	99.59	179,269	1.2	Aaa
1,713	587682ac9	Mercedes-Benz Auto Receivables Trust Ser 2010-1 CI A3 1.420% Due 08-15-14	100.54	1,722	100.02	1,713	0.0	Aaa
36,809	587728ac0	Mercedes-Benz Auto Receivables Trust Ser 2011-1 CI A3 0.850% Due 03-16-15	100.00	36,808	100.14	36,859	0.2	Aaa
65,000	65476vac3	Nissan Auto Lease Trust Ser 2013-A CI A3 0.610% Due 04-15-16	100.00	65,000	99.58	64,727	0.4	Aaa
70,000	65477lac4	Nissan Auto Receivables Owner Trust Ser 2013-B CI A3 0.840% Due 11-15-17	99.98	69,985	99.98	69,985	0.5	Aaa
224,968	89236qac5	Toyota Auto Receivables Owner Trust Ser 2011-B CI A3 0.680% Due 06-15-15	100.00	224,969	100.10	225,188	1.5	Aaa
260,000	92867dad2	Volkswagen Auto Loan Enhanced Trust Ser 2011-1 CI A4 1.980% Due 09-20-17	102.59	266,744	101.52	263,952	1.8	Aaa
39,022	98158kac3	World Omni Auto Receivables Trust Ser 2011-A CI A3 1.110% Due 05-15-15	100.00	39,021	100.15	39,081	0.3	Aaa
		Accrued Interest				1,192	0.0	
				<u>2,107,582</u>		<u>2,105,098</u>	<u>14.1</u>	
<b>Cash &amp; Equivalents</b>		PNC Money Market #417		<u>527,787</u>		<u>527,787</u>	<u>3.5</u>	
<b><u>TOTAL PORTFOLIO</u></b>				<u>14,930,203</u>		<u>14,904,444</u>	<u>100.0</u>	

Intermediate Term Fixed Income Account Review

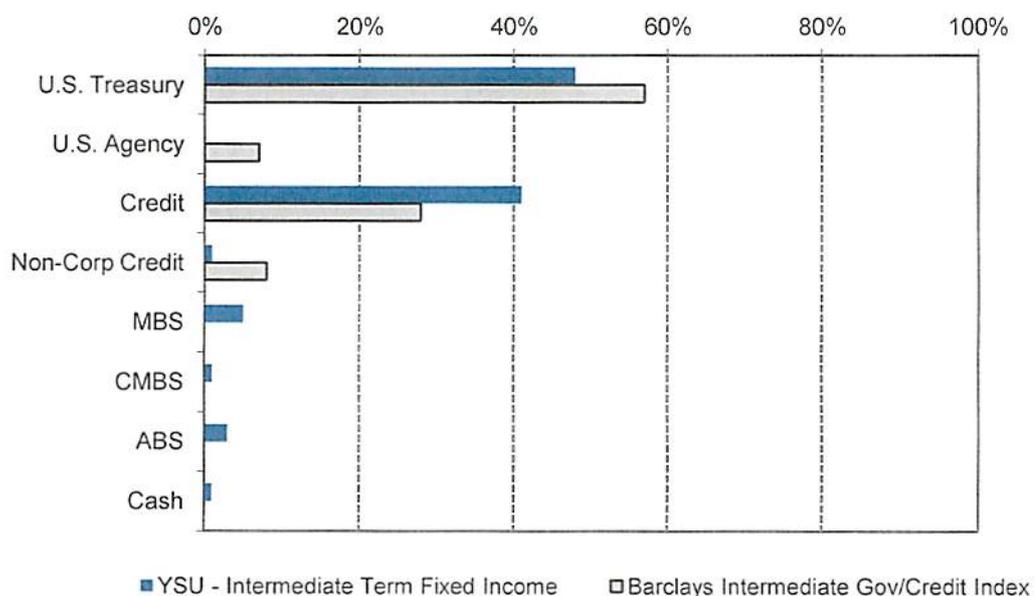
# Portfolio Performance (as of 7/31/2013)



	2Q '13	YTD	1 Year	3 Year	5 Year
YSU - Intermediate Term Fixed Income	-1.58%	-0.81%	0.22%	3.12%	5.42%
Barclays Intermediate Gov/Credit Index	-1.70%	-1.15%	-0.37%	2.87%	4.60%

Performance data is shown gross of management fees.  
Returns for periods greater than one year have been annualized.

# Fixed Income Allocation (as of 7/31/2013)



	Market Value	Current Weight	Index Weight *	Difference
U.S. Treasury	\$2,810,388	48%	57%	-9%
U.S. Agency	\$0	0%	7%	-7%
Corporate Credit	\$2,415,900	41%	28%	+13%
Non-Corporate Credit	\$30,965	1%	8%	-7%
Mortgage-Backed Sec	\$313,408	5%	0%	+5%
CMBS	\$35,842	1%	0%	+1%
Asset Backed Sec	\$149,600	3%	0%	+3%
Cash	\$86,448	1%	0%	+1%
<b>Total Portfolio</b>	<b>\$5,842,551</b>	<b>100%</b>	<b>100%</b>	<b>-</b>

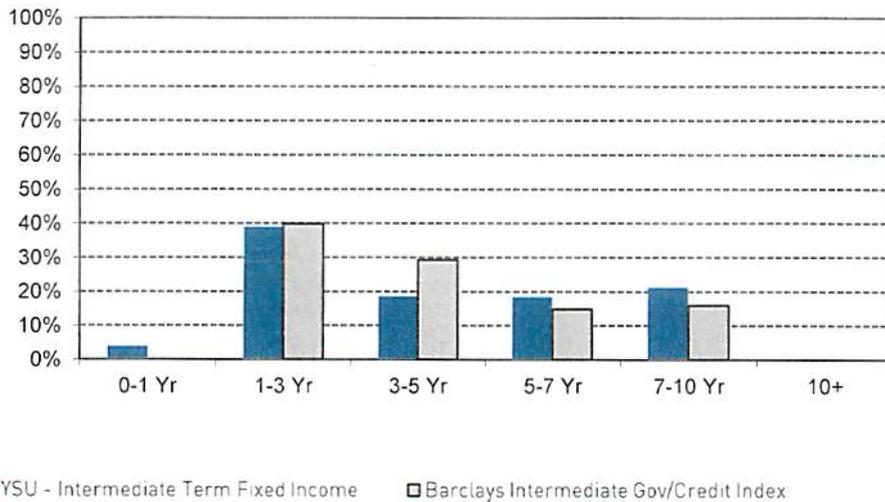
\*Barclays Intermediate Gov/Credit Index

# Fixed Income Structure (as of 7/31/2013)

## Portfolio Statistics

	Duration	YTM	Avg. Life	Avg. Coupon
YSU – Intermediate Term Fixed Income	3.73 yrs	1.71%	4.16 yrs	2.82%
Barclays Intermediate Gov/Credit Index	3.88 yrs	1.46%	4.20 yrs	2.62%

## Maturity Brackets



## Quality Allocation

	AAA	AA	A	BBB	Avg. Quality
YSU – Intermediate Term Fixed Income	59%	5%	13%	23%	AA2
Barclays Intermediate Gov/Credit Index	69%	4%	14%	13%	AA1

# Holdings (as of 7/31/2013)

Quantity	Cusip	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Moody
<b>Government Obligation</b>								
		<i>US Government Obligation</i>						
575,000	912828lk4	United States Treasury Note 2.375% Due 08-31-14	103.83	597,023	102.39	588,725	10.1	GOVT
490,000	912828lp3	United States Treasury Note 3.000% Due 09-30-16	108.95	533,863	107.22	525,373	9.0	GOVT
255,000	912828mh0	United States Treasury Note 2.250% Due 01-31-15	103.92	265,003	103.03	262,729	4.5	GOVT
470,000	912828nv8	United States Treasury Note 1.250% Due 08-31-15	102.04	479,583	101.90	478,921	8.2	GOVT
60,000	912828pc8	United States Treasury Note 2.625% Due 11-15-20	108.42	65,054	103.86	62,315	1.1	GOVT
95,000	912828pe4	United States Treasury Note 1.250% Due 10-31-15	101.74	96,649	101.95	96,855	1.7	GOVT
25,000	912828rc6	United States Treasury Note 2.125% Due 08-15-21	105.16	26,289	98.99	24,748	0.4	GOVT
420,000	912828re2	United States Treasury Note 1.500% Due 08-31-18	101.41	425,939	100.40	421,672	7.2	GOVT
35,000	912828tj9	United States Treasury Note 1.625% Due 08-15-22	98.60	34,509	93.09	32,583	0.6	GOVT
300,000	912828ug3	United States Treasury Note 0.375% Due 01-15-16	99.98	299,941	99.84	299,508	5.1	GOVT
		Accrued Interest				16,959	0.3	
				<b>2,823,853</b>		<b>2,810,388</b>	<b>48.1</b>	
<b>Corporate Bond</b>								
		<i>Corporate Bond</i>						
20,000	001055al6	AFLAC Inc 3.625% Due 06-15-23	99.99	19,998	98.38	19,676	0.3	A3
15,000	00163mak0	AMB Property LP 6.625% Due 12-01-19	99.47	14,921	117.33	17,599	0.3	Baa2
30,000	00206rax0	AT&T Inc 4.450% Due 05-15-21	114.04	34,211	107.88	32,363	0.6	A3
15,000	00440ean7	Ace INA Holdings Inc 2.600% Due 11-23-15	99.91	14,986	104.19	15,628	0.3	A3
25,000	00817yal2	Aetna Inc 1.500% Due 11-15-17	99.52	24,880	97.63	24,408	0.4	Baa2
20,000	024836aa6	American Campus Communities Inc 3.750% Due 04-15-23	100.09	20,017	95.88	19,175	0.3	Baa3
10,000	025816bg3	American Express Co 1.550% Due 05-22-18	99.83	9,983	97.45	9,745	0.2	A3
10,000	031162bd1	Amgen Inc 3.450% Due 10-01-20	98.87	9,887	101.05	10,105	0.2	Baa1
10,000	031162bm1	Amgen Inc 3.875% Due 11-15-21	102.87	10,287	101.95	10,195	0.2	Baa1
20,000	032095ab7	Amphenol Corp 4.000% Due 02-01-22	100.66	20,132	99.62	19,924	0.3	Baa2
25,000	032511bc0	Anadarko Petroleum Corp 8.700% Due 03-15-19	102.81	25,702	129.58	32,396	0.6	Baa3
20,000	037389av5	AON Corp 3.500% Due 09-30-15	105.87	21,173	104.96	20,992	0.4	Baa2
25,000	037833ak6	Apple Inc 2.400% Due 05-03-23	99.87	24,967	91.74	22,934	0.4	Aa1
15,000	04621xae8	Assurant Inc 2.500% Due 03-15-18	99.82	14,973	98.11	14,716	0.3	Baa2
20,000	052769aa4	Autodesk Inc 1.950% Due 12-15-17	99.72	19,944	97.49	19,498	0.3	Baa2
20,000	05348eaq2	Avalonbay Communities Inc 2.950% Due 09-15-22	99.98	19,996	93.55	18,710	0.3	Baa1
15,000	05565qzb0	BP Capital Markets Plc 3.245% Due 05-06-22	100.00	15,000	97.84	14,676	0.3	A2
5,000	05565qce6	BP Capital Markets Plc 1.375% Due 05-10-18	99.72	4,986	97.17	4,858	0.1	A2
15,000	06051geu9	Bank of America Corp 3.300% Due 01-11-23	99.38	14,907	94.14	14,121	0.2	Baa2

# Holdings (as of 7/31/2013)

<u>Quantity</u>	<u>Cusip</u>	<u>Security</u>	<u>Unit Cost</u>	<u>Total Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>Pct. Assets</u>	<u>Moody</u>
<b>Corporate Bond (cont.)</b>								
		<i>Corporate Bond</i>						
20,000	06406hby4	Bank of New York Mellon 3.550% Due 09-23-21	104.55	20,909	102.16	20,431	0.3	Aa3
15,000	064159be5	Bank of Nova Scotia 1.375% Due 12-18-17	99.89	14,983	97.72	14,658	0.3	Aa2
20,000	084670bc1	Berkshire Hathaway Inc 3.750% Due 08-15-21	99.99	19,998	103.84	20,768	0.4	Aa2
20,000	099724ag1	Borg Warner Inc 4.625% Due 09-15-20	109.03	21,806	104.25	20,850	0.4	Baa2
20,000	10112ras3	Boston Properties LP 4.125% Due 05-15-21	105.03	21,006	103.23	20,647	0.4	Baa2
10,000	12189lal5	Burlington Northern Santa Fe Corp 3.050% Due 09-01-22	99.58	9,958	96.20	9,620	0.2	A3
20,000	12626pak9	CRH America Inc 4.125% Due 01-15-16	99.72	19,943	105.25	21,050	0.4	Baa2
25,000	14040han5	Capital One Financial Corp 6.150% Due 09-01-16	114.37	28,591	111.84	27,961	0.5	Baa2
25,000	17252maj9	Cintas Corp No. 2 2.850% Due 06-01-16	99.92	24,980	104.41	26,102	0.4	A2
30,000	172967bw0	Citigroup Inc 4.875% Due 05-07-15	105.80	31,741	105.72	31,715	0.5	Baa3
20,000	205887bf8	ConAgra Foods Inc 7.000% Due 04-15-19	125.48	25,097	120.14	24,029	0.4	Baa2
15,000	21686cad2	Rabobank Nederland UTREC 3.375% Due 01-19-17	102.22	15,333	105.63	15,844	0.3	Aa2
20,000	219350au9	Corning Inc 4.250% Due 08-15-20	109.83	21,965	106.80	21,360	0.4	A3
20,000	22546qad9	Credit Suisse 5.400% Due 01-14-20	99.76	19,951	109.34	21,869	0.4	Baa2
20,000	237194ak1	Darden Restaurants Inc 3.350% Due 11-01-22	100.37	20,073	92.14	18,429	0.3	Baa2
20,000	25243yau3	Diageo Capital Plc 2.625% Due 04-29-23	100.32	20,064	93.20	18,640	0.3	A3
25,000	25389jah9	Digital Realty Trust LP 5.875% Due 02-01-20	117.05	29,262	108.93	27,234	0.5	Baa2
30,000	25459haw5	DirecTV Holdings LLC 4.600% Due 02-15-21	99.93	29,980	103.25	30,976	0.5	Baa2
5,000	25459hay1	DirecTV Holdings LLC 3.500% Due 03-01-16	99.81	4,991	104.91	5,245	0.1	Baa2
15,000	25470dae9	Discovery Communications 4.375% Due 06-15-21	99.38	14,907	105.31	15,796	0.3	Baa2
25,000	25746ubl2	Dominion Resources Inc/VA 4.450% Due 03-15-21	115.71	28,927	107.73	26,932	0.5	Baa2
15,000	268648aq5	EMC Corp 2.650% Due 06-01-20	99.79	14,969	99.18	14,876	0.3	A1
20,000	26884laa7	EQT Corp 8.125% Due 06-01-19	111.87	22,373	121.57	24,314	0.4	Baa3
50,000	30161mah6	Exelon Generation Co LLC 4.000% Due 10-01-20	92.90	46,448	102.04	51,018	0.9	Baa2
15,000	35671dau9	Freeport-McMoRan Copper & Gold Inc 3.550% Due 03-01-22	99.88	14,981	90.36	13,554	0.2	Baa3
15,000	362320az6	GTE Corp 6.840% Due 04-15-18	107.17	16,076	119.74	17,961	0.3	Baa1
15,000	369622sm8	General Electric Capital Corp 5.300% Due 02-11-21	115.98	17,397	109.57	16,435	0.3	A2
30,000	36962g4j0	General Electric Capital Corp 5.500% Due 01-08-20	118.62	35,586	113.36	34,009	0.6	A1
15,000	377373ad7	GlaxoSmithKline Capital Inc 2.850% Due 05-08-22	99.73	14,960	97.09	14,564	0.2	A1
20,000	380956ac6	Goldcorp Inc 2.125% Due 03-15-18	99.64	19,928	95.30	19,059	0.3	Baa2
30,000	418056ap2	Hasbro Inc 6.300% Due 09-15-17	109.24	32,773	113.79	34,136	0.6	Baa2
20,000	42217kau0	Health Care REIT Inc 4.950% Due 01-15-21	104.04	20,809	106.97	21,394	0.4	Baa2
25,000	42809hab3	Hess Corp 8.125% Due 02-15-19	101.28	25,320	127.26	31,816	0.5	Baa2

# Holdings (as of 7/31/2013)

Quantity	Cusip	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Moody
<b>Corporate Bond (cont.)</b>								
		<i>Corporate Bond</i>						
30,000	428236bq5	Hewlett-Packard Co 4.375% Due 09-15-21	101.45	30,434	99.54	29,861	0.5	Baa1
25,000	458140aj9	Intel Corp 3.300% Due 10-01-21	105.42	26,356	100.69	25,172	0.4	A1
20,000	460146ce1	International Paper Co 7.500% Due 08-15-21	120.22	24,044	124.27	24,854	0.4	Baa3
15,000	46625hgn4	JPMorgan Chase & Co 6.125% Due 06-27-17	111.32	16,698	113.25	16,987	0.3	A3
25,000	46625hhz6	JPMorgan Chase & Co 4.625% Due 05-10-21	112.62	28,155	107.28	26,820	0.5	A2
10,000	46625hjj0	JPMorgan Chase & Co 3.375% Due 05-01-23	99.46	9,946	92.83	9,283	0.2	A2
35,000	482480aa8	KLA Instruments Corp 6.900% Due 05-01-18	115.22	40,328	117.48	41,119	0.7	Baa1
10,000	494550bc9	Kinder Morgan Energy Partners LP 5.800% Due 03-01-21	120.06	12,006	112.75	11,275	0.2	Baa2
10,000	494550bj4	Kinder Morgan Energy Partners LP 4.150% Due 03-01-22	107.21	10,721	100.91	10,091	0.2	Baa2
15,000	500472af2	Philips Electronics NV 3.750% Due 03-15-22	100.72	15,108	100.56	15,084	0.3	A3
20,000	50075nba1	Kraft Foods Inc 5.375% Due 02-10-20	120.26	24,052	112.74	22,548	0.4	Baa1
20,000	501044cq2	Kroger Co 3.400% Due 04-15-22	99.51	19,903	98.05	19,610	0.3	Baa2
20,000	539830at6	Lockheed Martin Corp 4.250% Due 11-15-19	112.90	22,580	109.37	21,874	0.4	Baa1
20,000	571903aj2	Marriott International 3.000% Due 03-01-19	100.27	20,053	101.27	20,255	0.3	Baa2
10,000	585055ba3	Medtronic Inc 1.375% Due 04-01-18	99.85	9,985	97.80	9,780	0.2	A2
20,000	585515ae9	Mellon Funding Corp 5.500% Due 11-15-18	110.78	22,156	114.84	22,969	0.4	A1
35,000	59018yn64	Merrill Lynch & Co Inc 6.875% Due 04-25-18	108.50	37,975	117.36	41,077	0.7	Baa2
30,000	591894bx7	Metropolitan Edison Co 7.700% Due 01-15-19	100.00	30,000	122.42	36,727	0.6	Baa2
25,000	61747ydt9	Morgan Stanley 4.750% Due 03-22-17	99.79	24,948	107.47	26,867	0.5	Baa1
20,000	6174824m3	Morgan Stanley 4.875% Due 11-01-22	102.85	20,570	100.23	20,045	0.3	Baa2
20,000	637071al5	National Oilwell Varco Inc 1.350% Due 12-01-17	99.90	19,981	97.56	19,512	0.3	A2
10,000	637432mm4	National Rural Utilities Cooperative Finance 1.125% Due 11-01-13	99.89	9,989	100.19	10,019	0.2	A1
15,000	651639an6	Newmont Mining Corp 3.500% Due 03-15-22	99.16	14,874	86.15	12,923	0.2	Baa1
25,000	65334hak8	Nexen Inc 6.200% Due 07-30-19	100.72	25,180	117.47	29,367	0.5	Aa3
20,000	65339kaa8	Nextera Energy Capital 4.500% Due 06-01-21	112.64	22,527	106.83	21,367	0.4	Baa1
20,000	664397aj5	Northeast Utilities 1.450% Due 05-01-18	99.93	19,987	97.12	19,424	0.3	Baa2
20,000	68389xap0	Oracle Corp 2.500% Due 10-15-22	99.88	19,976	92.99	18,598	0.3	A1
20,000	69352pae3	PPL Capital Funding Inc 3.500% Due 12-01-22	102.12	20,425	96.57	19,313	0.3	Baa3
10,000	74251vad4	Principal Financial Group 8.875% Due 05-15-19	99.92	9,992	130.69	13,069	0.2	A3
10,000	74340xau5	Prologis LP 6.875% Due 03-15-20	122.74	12,274	118.52	11,852	0.2	Baa2
25,000	74432qbp9	Prudential Financial Inc 4.500% Due 11-15-20	111.71	27,928	107.95	26,988	0.5	Baa1
30,000	756109an4	Realty Income Corp 3.250% Due 10-15-22	99.16	29,748	92.14	27,642	0.5	Baa1
30,000	759351ag4	Reinsurance Group of America 6.450% Due 11-15-19	105.38	31,614	115.93	34,780	0.6	Baa1

# Holdings (as of 7/31/2013)

Quantity	Cusip	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Moody
<b>Corporate Bond (cont.)</b>								
<i>Corporate Bond</i>								
10,000	760759a14	Republic Services Inc 3.800% Due 05-15-18	99.97	9,997	106.18	10,618	0.2	Baa3
15,000	76720aam8	Rio Tinto Finance USA PLC 2.250% Due 12-14-18	99.32	14,898	97.62	14,642	0.3	A3
10,000	776696af3	Roper Industries Inc 2.050% Due 10-01-18	99.79	9,979	98.83	9,883	0.2	Baa2
20,000	78008t2c7	Royal Bank of Canada 1.150% Due 03-13-15	99.97	19,994	100.83	20,166	0.3	Aa3
25,000	78011dac8	Royal Bank of Canada 1.200% Due 09-19-17	99.99	24,998	98.21	24,552	0.4	Aaa
20,000	78355hj3	Ryder System Inc 3.150% Due 03-02-15	100.44	20,087	103.04	20,607	0.4	Baa1
20,000	786514bs7	Safeway Inc 3.950% Due 08-15-20	94.54	18,907	99.55	19,911	0.3	Baa3
20,000	80105nag0	Sanofi-Aventis 4.000% Due 03-29-21	113.38	22,676	106.62	21,325	0.4	A1
15,000	828807cf2	Simon Property Group LP 4.375% Due 03-01-21	111.91	16,787	106.92	16,038	0.3	A2
10,000	87938wan3	Telefonica Emisiones SAU 3.992% Due 02-16-16	99.69	9,969	103.70	10,370	0.2	Baa2
10,000	88166jaa1	Teva Pharmaceutical Finance IV BV 3.650% Due 11-10-21	105.81	10,581	100.54	10,054	0.2	A3
20,000	91159jaa4	US Bancorp 2.950% Due 07-15-22	100.34	20,068	94.82	18,964	0.3	A2
15,000	91324pby7	UnitedHealth Group Inc 1.400% Due 10-15-17	100.31	15,046	98.23	14,734	0.3	A3
25,000	92343vax2	Verizon Communications Inc 4.600% Due 04-01-21	114.12	28,531	108.35	27,088	0.5	A3
20,000	92553par3	Viacom Inc 3.250% Due 03-15-23	99.56	19,912	94.88	18,976	0.3	Baa1
45,000	929903ch3	Wachovia Corp 5.625% Due 10-15-16	105.26	47,365	112.37	50,564	0.9	A3
30,000	94707vaa8	Weatherford International Ltd 5.125% Due 09-15-20	100.34	30,102	105.23	31,570	0.5	Baa2
20,000	961214cc5	Westpac Banking Corp 2.250% Due 07-30-18	99.70	19,941	99.81	19,961	0.3	Aa2
30,000	96950fad6	Williams Partners LP 5.250% Due 03-15-20	111.28	33,383	107.84	32,351	0.6	Baa2
10,000	984121cd3	Xerox Corp 4.500% Due 05-15-21	99.25	9,925	103.69	10,369	0.2	Baa2
20,000	988498ah4	Yum! Brands Inc 3.750% Due 11-01-21	104.77	20,955	100.04	20,009	0.3	Baa3
		Accrued Interest				25,623	0.4	
				<b>2,201,645</b>		<b>2,240,536</b>	<b>38.3</b>	
<i>Non Corporate Credit</i>								
30,000	71645wat8	Petrobras International Finance Co 3.875% Due 01-27-16	101.96	30,589	103.17	30,952	0.5	A3
		Accrued Interest				13	0.0	
				<b>30,589</b>		<b>30,965</b>	<b>0.5</b>	
<b>Variable Rate Corporate Bond</b>								
<i>Corporate Bond</i>								
15,000	0258m0dh9	American Express Credit Corp 0.774% Due 07-29-16	100.00	15,000	100.06	15,009	0.3	A2
35,000	06366rhh4	Bank of Montreal 0.745% Due 09-11-15	100.00	35,000	100.39	35,136	0.6	Aa3
10,000	136069fv8	Canadian Imperial Bank of Commerce 0.786% Due 07-18-16	100.00	10,000	100.06	10,006	0.2	Aa3
25,000	191216aw0	Coca-Cola Co 0.223% Due 03-14-14	100.05	25,012	100.02	25,004	0.4	Aa3
30,000	478160bc7	Johnson & Johnson 0.365% Due 05-15-14	100.42	30,127	100.07	30,021	0.5	Aaa
20,000	742718dx4	Procter & Gamble Co 0.193% Due 02-06-14	100.00	20,000	99.94	19,987	0.3	Aa3

# Holdings (as of 7/31/2013)

<u>Quantity</u>	<u>Cusip</u>	<u>Security</u>	<u>Unit Cost</u>	<u>Total Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>Pct. Assets</u>	<u>Moody</u>
<b>Variable Rate Corporate Bond (cont.)</b>								
		<i>Corporate Bond</i>						
20,000	74834lat7	Quest Diagnostics Inc 1.123% Due 03-24-14	100.79	20,157	100.29	20,058	0.3	Baa2
20,000	87612eax4	Target Corp 0.436% Due 07-18-14 Accrued Interest	100.17	20,035	100.17	20,035	0.3	A2
						108	0.0	
				<u>175,331</u>		<u>175,364</u>	<u>3.0</u>	
<b>FNMA Pass Through</b>								
		<i>Mortgage Backed Security (MBS)</i>						
43,096	3138eg5g5	FNMA 15yr Pool #AL0846 3.500% Due 10-01-26	106.42	45,863	104.88	45,199	0.8	AGCY
54,363	31417dck7	FNMA 15 yr Pool #AB6373 3.000% Due 10-01-27	106.00	57,627	103.03	56,013	1.0	AGCY
58,179	31418aks6	FNMA 30yr Pool #MA1204 3.500% Due 10-01-42	106.39	61,897	100.91	58,711	1.0	AGCY
74,904	31419ffw1	FNMA 30yr Pool #AE4680 4.000% Due 11-01-40 Accrued Interest	104.03	77,923	103.95	77,863	1.3	AGCY
						681	0.0	
				<u>243,311</u>		<u>238,467</u>	<u>4.1</u>	
<b>Collateralized Mortgage Obligation</b>								
		<i>Mortgage Backed Security (MBS)</i>						
70,046	31395fhj6	Freddie Mac Ser 2854 CI DL 4.000% Due 09-15-19 Accrued Interest	93.14	65,241	106.66	74,708	1.3	AGCY
						233	0.0	
				<u>65,241</u>		<u>74,941</u>	<u>1.3</u>	
		<i>Commercial Mortgage Backed Security (CMBS)</i>						
35,000	92978mad8	Wachovia Bank Commercial Mortgage Trust Ser 2006-C28 CI A3 5.679% Due 10-15-48 Accrued Interest	108.16	37,856	101.93	35,676	0.6	Aaa
						166	0.0	
				<u>37,856</u>		<u>35,842</u>	<u>0.6</u>	
				<u>103,097</u>		<u>110,783</u>	<u>1.9</u>	
<b>Asset Backed Security</b>								
		<i>Asset Backed Security (ABS)</i>						
10,000	43812xac9	Honda Auto Receivables Owner Trust Ser 2013-3 CI A3 0.770% Due 05-15-17	99.98	9,998	100.00	10,000	0.2	Aaa
35,000	44890iac8	Hyundai Auto Receivables Trust Ser 2013-B CI A3 0.710% Due 09-15-17	99.98	34,993	99.78	34,923	0.6	Aaa
65,000	65476vac3	Nissan Auto Lease Trust Ser 2013-A CI A3 0.610% Due 04-15-16	100.00	65,000	99.58	64,727	1.1	Aaa
25,000	89236rac3	Toyota Auto Receivables Owner Trust Ser 2013-A CI A3 0.550% Due 01-17-17	100.00	25,000	99.60	24,899	0.4	Aaa
15,000	92867nad0	Volkswagen Auto Lease Trust Ser 2013-A A3 0.840% Due 07-20-16 Accrued Interest	99.99	14,998	100.00	15,000	0.3	Aaa
						51	0.0	
				<u>149,989</u>		<u>149,600</u>	<u>2.6</u>	
<b>Cash &amp; Equivalents</b>								
		PNC Money Market #417		<u>86,448</u>		<u>86,448</u>	<u>1.5</u>	
<b><u>TOTAL PORTFOLIO</u></b>				<u><u>5,814,262</u></u>		<u><u>5,842,551</u></u>	<u><u>100.0</u></u>	

## Market Outlook

# Market Outlook

## Economic Outlook

- Real GDP growth to average 2.0-2.5% for CY2013.
- Expect inflation rate to near 2%.
- Unemployment rate drifting lower toward 7% as the year progresses.
- Economic growth will remain sluggish.
- Cuts in state and local spending may be easing; however, federal cuts will continue to remain a drag on GDP.
- Employment and consumption growth to remain moderate.

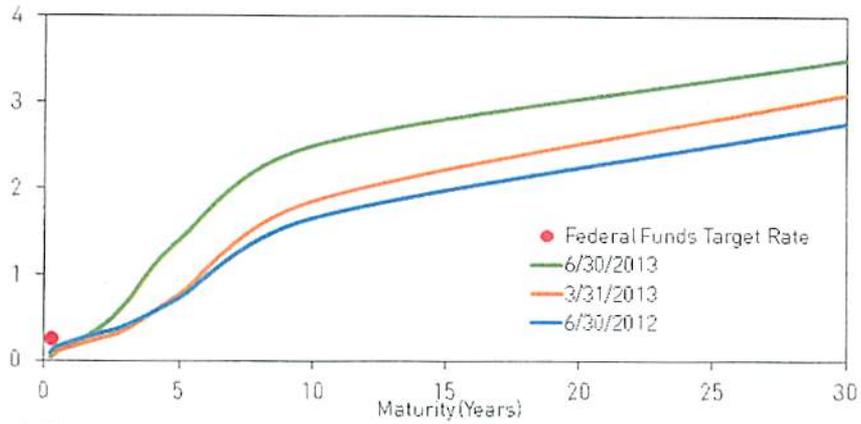
## Equity Market Outlook

- The valuation discounts for domestic equities have shrunk, but multiples may continue to expand.
- Concerns around European growth, the Chinese slowdown, turmoil in the Middle East, and the success of the new Japanese economic policies will likely continue to impact global markets.
- A boost to earnings growth will require support from the global economy.
- Remain cautious of a short-term correction that may be driven by headline risks in the absence of company specific data points.
- View weakness as an opportunity to rebalance to equity positions.

## Fixed Income Outlook

- Short duration fixed income yields are likely to remain anchored until the FOMC communicates changes to the market.
- Longer term interest rates may be range-bound, volatile, and dependent on the pace of economic growth and the sentiment around the Fed tapering asset purchases.

### Treasury Yield Curve, %



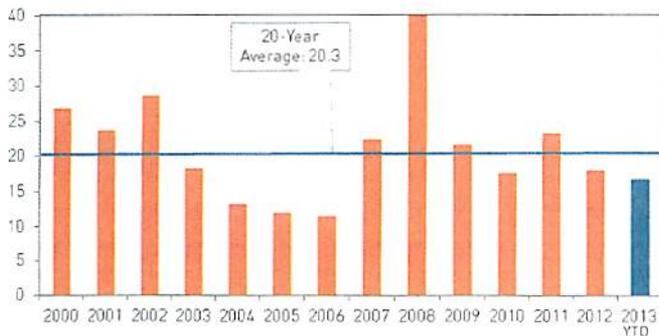
Source: Bloomberg L.P., PNC

### 10 Year Treasury Yield less S&P 500 Dividend Yield, %



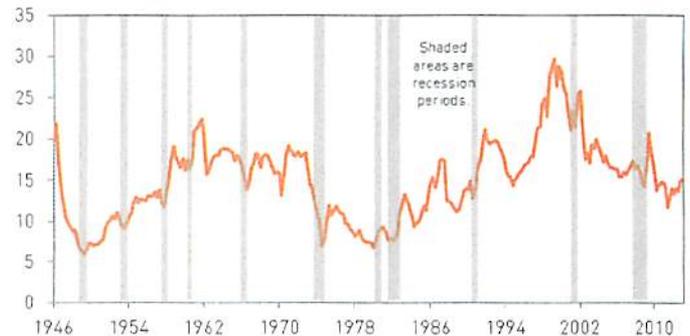
Source: Bloomberg L.P., PNC

### CBOE Volatility Index (VIX)



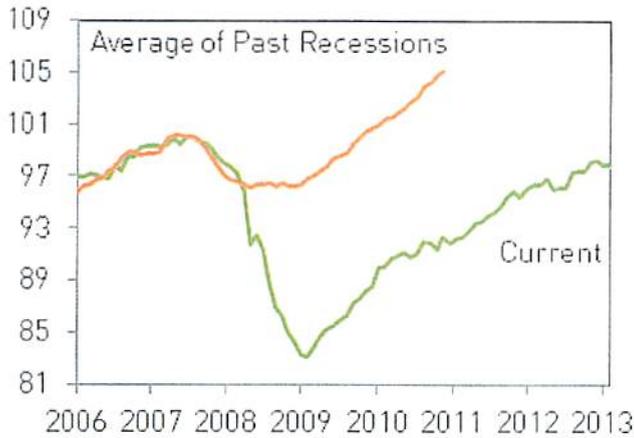
Source: Chicago Board Options Exchange, Bloomberg L.P., PNC

### S&P 500 P/E Ratio (Trailing 4 Qtr), \$



Source: Bloomberg L.P., PNC

**Industrial Production**  
(index, business cycle peak = 100)



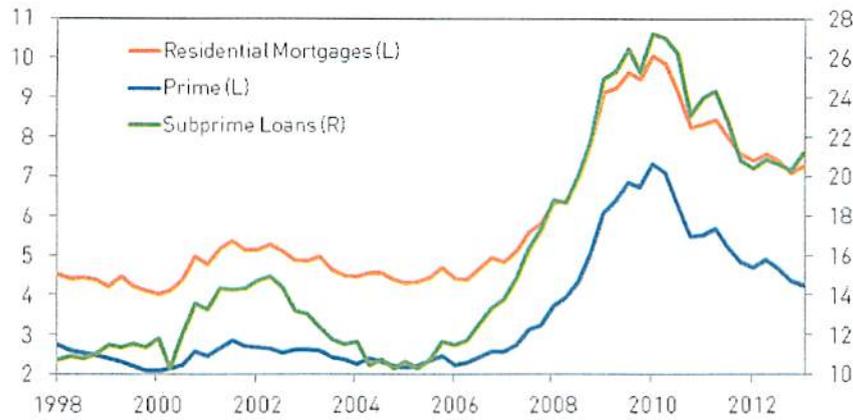
Source: Strategas, PNC

**Housing Affordability Index**  
(100 = median income family qualifies for mortgage on a median-income home)



Source: Bloomberg L.P., National Association of Realtors, PNC

**Mortgage Delinquency Rates, %**



Source: Bloomberg L.P., Mortgage Bankers Association, PNC

**Unemployment Rate, %**



Source: Bloomberg L.P., Bureau of Labor Statistics, PNC

# Summary Disclosure

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## **Investments: Not FDIC Insured. No Bank Guarantee. May Lose Value.**

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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