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## Second Quarter 2015 Weather(ly) Report July 2015\*

Putting money to work around the globe became more of a challenge during the second quarter of 2015. While the S&P 500 Index has tripled since its low in 2009, the benchmark returned only 0.2% for the quarter and 2.5% for the year. International stocks outperformed U.S. stocks, up 4.8% for the quarter, and 9.5% for the year, and large, mid and small cap growth stocks outperformed their value counterparts year to date. Biotech, science and technology sectors outperformed year to date while real estate and utility sell offs were dramatic during the second quarter in contrast. Bond investors remained poised for an increase in rates by the Fed, however there remained net inflows into the fixed income space for the quarter, as investors were undeterred by the concern. Intermediate maturity indices were down 0.02% for the quarter and down 1.6% for 2015, despite the inflows. Commodity prices and concerns about China's economic growth caused sharp declines in metals including gold and copper. Oil continues to be range-bound with mixed inventory signals and the global slow-down playing a role.

At the time of this writing, the European Union is preparing for a potential Greek Exit (Grexit) from the Eurozone. While deadlines and bank holidays were extended, Greeks voted against austerity measures on July 5, 2015 while considering plan B, "back to the Drachma". The European Union set a new deadline for July 12, 2015 to reach a deal on Greece's rescue in exchange for austerity measures and economic reform. Simultaneously, Greece requested a 3- year bailout. While many countries observed strict rules to tighten their budgets after the 2010 debt crisis (Germany, Netherlands, Finland, Ireland, Portugal) Greece appears to be hesitant to take any concrete action. While the potential Grexit is a critical factor, the precedent it sets for other Euro members and possible contagion are the primary concerns.

The Federal Reserve continued to walk on their tight rope of balancing growth, unemployment, and inflation. We've seen some indications of improvement via consumer spending and lower unemployment; temporary factors keeping inflation at bay, such as oil prices and the dollar appear to be fading. Global growth and geographical risks are also considerations for the Fed, with the International Monetary Fund (IMF) urging Janet Yellen not to raise rates this year. We expect the Fed to be cognizant of global issues, but primarily focused on the domestic economy. Weatherly continued to add opportunistically to accounts, with Treasury Inflation Protected Securities (TIPS), select callable high quality municipals, and global real estate adding to portfolio performance. Positive contributions to Weatherly's portfolio performance were driven by a handful of individual stocks (AAPL, NFLX), exchange traded funds (XBI, CGW), and a global real estate mutual fund (GRSIX).

### "Top Ten" Holdings \*

- |                      |                                  |
|----------------------|----------------------------------|
| 1. Apple Inc.        | 6. SPDR Series Trust S&P Biotech |
| 2. Netflix Inc.      | 7. Adobe Systems Inc.            |
| 3. Home Depot Inc.   | 8. Wells Fargo & Co.             |
| 4. Starbucks Corp    | 9. Johnson & Johnson             |
| 5. Roche Holdings AG | 10. AT &T Inc.                   |

Clients of Weatherly Asset Management (WAM) received their second quarter portfolio appraisals. The composite returns for all accounts under management for the periods 2003 through second quarter 2015 and since inception are shown on the reverse side of this letter.

With federal tax and capital gain rates on the rise for most high-net-worth clients for 2015, Weatherly's team continues to plan with clients how to best optimize their deductions, withdrawals, asset location, retirement and charitable contributions, debt and refinance opportunities and other estate planning strategies. We continue to be vigilant in monitoring client assets for cyber-attacks and securing client information. We're focused on educating ourselves and clients and upgrading internal procedures and systems to remain on the forefront within our industry. Growth in the "shared economy," with virtual apps/currencies, handheld usage and Wi-Fi access remain prevalent. The ease of usage and rights associated with this growth are areas of both opportunity and concern. As Weatherly continues to invest in technology, innovation, and the expertise of our wealth management team, we are evaluating a new client portal that utilizes higher levels of security and user friendly reporting. \*On a national scope, Carolyn Taylor was included in Barron's list of Top 100 Women Advisors in America, published on June 8, 2015. For a complete description of the criteria and details of this award, please visit Weatherly's disclosure page <http://www.weatherlyassetmgt.com/adv/>. We appreciate our clients and professional colleagues who have contributed to the Firm's foundation over the years that allowed this award to be possible.

We value your continued confidence in our Firm and look forward to working with you and your family on your particular financial needs. Please do not hesitate to call, or e-mail us at [carolyn@weatherlyassetmgt.com](mailto:carolyn@weatherlyassetmgt.com).

**\*Please see reverse side**

**-The Weatherly Crew**

**\* TOP TEN DISCLOSURE**

Top Ten" holdings consist of Weatherly's largest stock positions as of quarter end. A full list of holdings is available upon request.

It should not be assumed that any of the securities, transactions, or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings.

	<u>WAM</u> <u>Equity**</u> <u>(gross fee)</u>	<u>WAM</u> <u>Equity</u> <u>(net fee)</u>	<u>S&amp;P 500</u>	<u>MSCI ACWI</u> <u>(gross USD)</u>	<u>WAM</u> <u>Fixed**</u> <u>(gross fee)</u>	<u>WAM</u> <u>Fixed (net</u> <u>fee)</u>	<u>Merrill</u> <u>Lynch 1-3</u> <u>year</u>	<u>WAM</u> <u>Balanced**</u> <u>(gross fee)</u>	<u>WAM</u> <u>Balanced</u> <u>(net fee)</u>	<u>Blended</u> <u>Benchmark</u>
2003	28.70%	27.70%	28.69%	34.63%	2.89%	2.38%	1.90%			
2004	14.70%	13.70%	10.87%	15.75%	4.05%	3.55%	0.91%			
2005	12.65%	11.65%	4.92%	11.37%	2.43%	1.93%	1.66%			
2006	16.21%	15.21%	15.78%	21.53%	4.94%	4.44%	3.95%			
2007	11.18%	10.18%	5.49%	12.18%	5.47%	4.97%	7.32%			
2008	-34.04%	-35.04%	-36.99%	-41.84%	-0.95%	-1.45%	6.61%			
2009	32.36%	31.36%	26.47%	35.41%	10.63%	10.13%	0.78%			
2010	11.93%	10.93%	15.06%	13.21%	6.77%	6.27%	2.35%			
2011	-5.58%	-6.85%	2.12%	-6.86%	4.37%	3.87%	1.55%			
2012	16.36%	15.36%	16.00%	16.80%	5.99%	5.49%	0.43%	11.84%	11.09%	8.22%
2013	28.20%	27.20%	32.41%	23.44%	-1.62%	-2.12%	0.36%	15.41%	14.66%	15.61%
2014	8.53%	7.53%	13.69%	4.71%	5.55%	5.05%	0.62%	7.43%	6.68%	7.01%
1 <sup>st</sup> Quarter 2015	3.61%	3.36%	0.95%	2.44%	0.93%	0.80%	0.52%	2.62%	2.43%	0.74%
2 <sup>nd</sup> Quarter 2015	1.75%	1.50%	0.28%	0.52%	-0.61%	-0.74%	0.15%	0.89%	0.70%	0.22%
YTD	5.42%	4.92%	1.23%	2.97%	0.31%	0.06%	0.67%	3.53%	3.16%	0.96%
10 Year Trailing (Ann.)	8.44%	7.44%	7.87%	7.07%	4.10%	3.60%	2.51%			
Since Inception (Ann.)	9.58%	8.58%	9.63%	7.50%	5.11%	4.61%	4.04%	10.88%	10.13%	8.99%
<i>Please see footnotes</i>										

**\*\* PERFORMANCE DISCLOSURE**

Please note, the Weatherly Asset Management (WAM) Equity performance is a mid- to large-cap value equity approach and the WAM Fixed Income performance is a high-quality intermediate-maturity investment approach. Performance numbers up to 12/31/05 are prepared in compliance with Association of Investment Management Research Performance Presentation Standards (AIMR PPS). Periods from 12/31/05 to 12/31/10 meet the requirements of the revised version of Global Investment Performance Standards (GIPS).

The gross of fee returns shown above are presented after deduction of all transaction costs, but prior to the deduction of advisory fees and such other possible expenses as custodial fees. The net of fee return is calculated by subtracting the advisory fees. Investment advisory fees are described in Part II of Weatherly's Form ADV. For the 2nd Quarter 2015, the maximum quarterly management fee is 0.25% for Weatherly's Equity Composite and 0.125% for the Fixed Income Composite.

Composite rates of return, since inception on an annualized basis after deduction of the maximum quarterly management fee is as follows for equity accounts for 1995, 32.41%, for 1995 and 1996 combined, 28.50%, for 1995-1997 combined, 30.24%, for 1995-1998 combined, 26.15%, for 1995-1999 combined, 25.06%, for 1995-2000 combined, 18.31%, for 1995-2001 combined, 12.70%, for 1995-2002 combined, 7.44%, for 1995-2003 combined, 9.53%, for 1995-2004 combined, 9.94%, for 1995-2005 combined, 10.05%, for 1995-2006 combined, 10.48%, for 1995-2007 combined, 10.46%, and for 1995-2008 combined, 6.36% for 1995-2009 combined 7.87%, for 1995-2010 combined, 8.06%, for 1995-2011 combined, 7.14%. for 1995-2012 combined, 7.58%, for 1995-2013 combined 8.54%, 1995-2014 combined 8.54%. For fixed income accounts 1995, 11.49%, for 1995-1996 combined, 8.35%, for 1995-1997 combined, 7.63%, for 1995-1998 combined, 7.58%, for 1995-1999 combined, 6.18%, for 1995-2000 combined, 6.50%, for 1995-2001 combined, 6.37%, for 1995-2002 combined 6.37%, for 1995-2003 combined, 5.92%, for 1995-2004 combined 5.68%, for 1995-2005 combined, 5.33%, for 1995-2006 combined, 5.25%, for 1995-2007 combined, 5.23%, for 1995-2008 combined, 4.74%, for 1995-2009 combined, 5.09%, for 1995-2010 combined, 5.17%, for 1995-2011 combined, 5.09%, for 1995-2012 combined, 5.11%, for 1995-2013 combined 4.73%, 1995-2014 combined 4.73%.

Composite returns consist of all 100% discretionary accounts under management utilizing individual stock and bond holdings selected by WAM. Balanced portfolio segments have been included in single asset composites. Cash and cash returns have been allocated to the segment returns according to the procedures outlined by Association of Investment Management Research (AIMR) effective 1/1/06 to 12/31/10. Weatherly 2010-present Equity Composite performance excludes two related family groups which hold a concentrated position that due to tax considerations cannot be managed in the same manner as the overall equity composite.

These performance numbers are provided under the flash reports provision of these said standards. "As prospective and current clients have received past results that were in compliance with the required disclosures within a 12-month period, firms may present interim data and returns (i.e. "Flash numbers") without quarterly disclosures." A full presentation, including all required disclosures, is available upon request.

The WAM Balanced Composite represents portfolios utilizing strategic asset allocation with both equity and fixed income components. The Blended Benchmark is comprised of 50% S&P 500 and 50% Merrill Lynch 1-3 Year representing the average 50% Equity and 50% Fixed Income allocation in the Composite.

\*Quarterly letter was modified- disclosures were added after the July 2015 date