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First Quarter 2016 Weather(ly) Report April 2016

World Events and Global Markets:

The *Sound of Music* classic Do-Re-Mi suggests, "Let's start at the very beginning. A very good place to start, when you read you begin with A, B, C, when you sing you begin with Do-Re-Mi." Financial security also begins with fundamentals that seem to fly out the window in both bull and bear markets. Our disciplined, comprehensive approach to investing especially rewarded clients in the recent months by combining appropriate asset allocation with opportunistic but diversified sector allocations to provide an efficient after-tax and fee approach for clients to achieve their long-term financial goals. Disruptions throughout the first quarter included historical levels of volatility through mid-February in both global equities and commodity prices. Concerns about ISIS, slower growth in China and around the globe, continued Yuan devaluation, U.S. Federal Reserve policies, and the U.S. election "circus" contributed to the uncertainty. Notable trends throughout the first quarter had gold rising 16.5%, its biggest leap since 1986, while IPO growth slowed to its lowest point since 2009. Oil returned a positive 3.6% for the quarter, up 46% from 2016 lows, and the DJIA eked out at 1.5%, up 13% from the February 11th low. The S&P 500 returned 1.35% and mid cap companies returned 3.3%. The European Stoxx 600 was down -7.7% for the quarter and Asian Pacific markets down -2.3%. Brazil, Mexico, and Canada were standouts with positive returns for the quarter, 15.5%, 6.8%, 3.7% respectively.

Global Rates and Fixed Income Opportunities:

Interest rates remained low and slightly negative in some globally developed economies. The U.S. Federal Reserve remains poised to raise rates in 2016 despite the global economy's slow growth drag on the U.S. economy. U.S. unemployment has been at or below 5% since October 2015, down from 10% in October 2009, however, wage gains are elusive. In searching for attractive returns, Weatherly purchased callable municipals, Treasury Inflation Adjusted Securities (TIPS), and Preferred Stock. We anticipate at most two Fed rate hikes this year and the labor market to tighten in select sectors domestically, with a potential for inflation to start ticking up.

Recent Investment Opportunities:

We continue to focus new investments principally on large cap dividend paying domestic and multinational equities coupled with emerging or disruptive technology sectors in cyber security (PANW), data storage (IBM, MSFT, ORCL) and new money/credit movement (PYPL). FANG (FB, AAPL, AMZN, NFLX, and GOOGL) stocks and Biotech contributed to positive performance in 2015 while causing drag during first quarter of 2016. Our outlook moving forward includes focus on the price of oil, which has risen since mid- February lows, and the U.S. dollar which is down 4% year to date.

"Top Ten" Holdings *

- | | |
|--------------------|--------------------------|
| 1. Apple Inc. | 6. Adobe Systems Inc. |
| 2. Netflix Inc. | 7. Amazon Inc. |
| 3. Home Depot Inc. | 8. Johnson & Johnson |
| 4. Starbucks Corp | 9. Roche Holdings AG |
| 5. AT&T Inc. | 10. General Electric Co. |

Weatherly in the News:

As Weatherly continues to employ innovative technology to enhance our client services and modes of secure client communication, we have recently launched our new website! With improved features, a more robust client service center, access to market updates and research, and the Weatherly Blog, clients can now add our site to their repertoire of tools for financial success. See our recent [blog post](#) on strategies for Social Security, including "File and Suspend" phase out deadlines.

Our team of advisors continue to implement safe and secure policies and procedures to safeguard our clients from the threat of cybercrime. Weatherly closely monitors sensitive information, client assets, and Firm communication with cybersecurity, issues being of the utmost importance. Visit our website to read our [blog post](#) regarding Cybersecurity.

In late March, WAM filed our annual amendment to ADV parts I, IIA and IIB with the SEC. These updates, as well as annual disclosure statements are available now via our website, www.weatherlyassetmgt.com, and will be delivered to clients via portal, email, or mailing addresses over the next few weeks.

*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&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% |
| 2015 | 4.86% | 3.86% | 1.38% | -1.84% | 1.31% | 0.81% | 0.54% | 3.55% | 2.80% | 1.09% |
| 1 st Quarter 2016 | 0.39% | 0.14% | 1.35% | 0.38% | 2.13% | 2.00% | 0.90% | 0.91% | 0.72% | 1.13% |
| YTD | 0.39% | 0.14% | 1.35% | 0.38% | 2.13% | 2.00% | 0.90% | 0.91% | 0.72% | 1.13% |
| Since Inception (Ann.) | 9.22% | 8.22% | 9.35% | 6.89% | 5.08% | 4.58% | 3.93% | 9.12% | 8.37% | 7.67% |
| <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). Periods from 12/31/10 are calculated in a similar manner but GIPS requirements have changed with carve outs no longer permitted.

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 1st Quarter 2016, 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%, 1995-2015 combined 8.31%. 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%, for 1995-2015 combined 4.54%.

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. Effective 1/1/06 to 12/31/10, cash and cash returns have been allocated to the segment returns according to the procedures outlined by Association of Investment Management Research (AIMR). Effective 1/1/16, composite returns no longer include cash or a weighting to cash. Weatherly 2010 to 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 Balanced composite continues to include cash. 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.