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Third Quarter 2019 Weather(ly) Report October 2019

“Education is the most powerful weapon which you can use to change the world.” - Nelson Mandela

The Weatherly team continues to focus on our clients’ and team’s continued education, even during times of college admissions scandals. Teachers and mentors, online or in-person, can elevate thought, discussion and change through collaboration. Our core values align with this belief and each dialogue we craft with our clients to better their situation alongside their trusted advisors. The 2020 election cycle is in full swing and we are monitoring the polls as frontrunners jockey for position. What policy proposals begin to gain traction with the American public, along with developments in the impeachment inquiry are domestic uncertainties that will influence portfolio positioning for clients.

The confluence of change in geopolitics, technology and regulatory and tax proposals created both risk and opportunity for investors. After ten plus years in the current market cycle, our team continues to move client portfolios to asset allocation neutral positions, decrease concentrated holdings and tilt client equity investments to high-quality, dividend stocks (COST, WM, SBUX). Our trend of investing thematically in evolving sectors include allocation to cybersecurity, streaming and paperless money. With the current geopolitical backdrop and uncertainty surrounding trade war, tariffs, Brexit, drone oil confrontation and protests in Hong Kong, investors grappled with actual versus potential growth slowing around the world. In general, the U.S. dollar retained its strength in 2019. While markets were positive, index disparity was clear with S&P 500 up 20.19% YTD and the MSCI All Country World Index up 16.71% YTD. Many technology stocks experienced increased volatility with competition in streaming, like Netflix and Disney, but strongholds to performance included bellwethers Apple and Microsoft.

“Top Ten” Holdings *

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|----------------------------|---------------------------|
| 1. Apple Inc. | 6. Starbucks Corp. |
| 2. Amazon Inc. | 7. Adobe Systems Inc. |
| 3. Netflix Inc. | 8. SPDR S&P Biotech ETF |
| 4. Guggenheim Global Water | 9. Home Depot Inc |
| 5. Microsoft Corp. | 10. Waste Management Inc. |

Interest rates, Federal Reserve and global monetary policy all remained a focus of change for the 3rd quarter. The U.S. yield curve started the 3rd quarter inverted (long-term rates below short-term) and ended the quarter almost flat (short-term 6-month Treasury yields to 10-year yields). We continued to upgrade quality and maturity to reduce portfolio risk while increasing yields over money markets with purchases of 6-month Treasury bills at 2.09% and 3-year Treasury Inflation Protected Securities. The U.S. Federal Reserve continued to keep an eye on global growth and inflation before lowering the Federal Funds rate for the 2nd time on September 18th, 2019 by 25 basis points (0.25%). Municipal bonds continue their stellar performance, however many bonds were called as corporations and individuals took advantage of historically low rates. ECB cut interest rates further into negative territory and remarked it was starting quantitative easing (QE) with hopes to achieve the stated inflation target. Japan enacted a consumption tax hike, the first since 2014, worrying citizens and investors alike that the hike may further slow an already tepidly growing economy.

We continue to focus our fiduciary responsibilities on our core services of investments and planning, incorporating dialogues on tax, legal, philanthropic and business and retirement account guidance. As we head into the final quarter of 2019, we want to make sure to incorporate 2018 tax loss carryovers along with retirement and charitable funding to best position clients for taxes in 2019. If you have not provided us with your 2018 tax return, please do so via mail or your secure Weatherly portal. If you would like a secure client portal created for you, please do not hesitate to reach out to our office. We welcome your questions and calls.

*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</u> <u>500t</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%	8.18%
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%
2016	8.70%	7.70%	11.95%	8.48%	2.79%	2.29%	0.88%	6.41%	5.66%	6.33%
2017	24.52%	23.52%	21.82%	24.62%	4.49%	3.99%	0.42%	17.01%	16.26%	10.75%
2018	-1.92%	-2.92%	-4.39%	-8.93%	0.61%	0.11%	1.59%	-0.80%	-1.55%	-1.06%
3rd Quarter 2019	-0.94%	-1.19%	1.70%	0.10%	1.21%	1.08%	0.59%	-0.22%	-0.41%	1.15%
Year-to-Date 2019	20.19%	19.44%	20.55%	16.71%	6.10%	5.72%	3.03%	14.82%	14.26%	11.66%
3-Year Trailing (Ann.)	14.37%	13.37%	13.39%	10.30%	2.89%	2.39%	1.52%	10.25%	9.50%	7.56%
Since Inception (Ann.)	9.90%	8.90%	9.93%	7.43%	4.84%	4.34%	3.58%	9.61%	8.86%	7.57%

Please see footnotes

**** 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 standards no longer permit carve outs, therefore we no longer claim GIPS compliance. 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 3rd Quarter 2019, 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 8.57%, for 1995-2014 combined 8.54%, for 1995-2015 combined 8.31%, for 1995-2016 combined 8.29%, for 1995-2017 combined 8.91%, for 1995-2018 combined 8.39%. 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 4.72%, for 1995-2014 combined 4.73%, for 1995-2015 combined 4.54%, for 1995-2016 combined 4.44%, for 1995-2017 combined 4.42%, for 1995-2018 combined 4.23%.

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, equity and fixed composite returns no longer include cash or a weighting to cash. Dividends and interest received is generally not reinvested in the same security but is included in total return calculations. Effective 2010, 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. The composite performance represents the performance of an aggregate of the firm's managed accounts that align with a particular strategy. Individual account performance will vary and some clients may have experienced returns significantly different from the composite. Investing entails risk and past performance is no guarantee of future performance.

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 actual portfolios utilizing strategic asset allocation with both equity and fixed income components. The fixed income component for individual portfolios underlying the balanced composite have allocations tailored specifically for that account and client, and varies between 5% and 80%, whereas the blended benchmark is 50% S&P 500 Total Return and 50% Merrill Lynch 1-3 Year representing an average of a 50% Equity and 50% Fixed Income benchmark allocation in the Composite.