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First Quarter 2020 Weather(ly) Report
April 2020

2020 is a time in history that will be remembered by everyone around the world; where they were, what they did, and how their lives and those of loved ones were impacted by the COVID-19 virus. First, we want to express our sympathy to those who have lost loved ones, our heartfelt thanks to the first responders and health care workers, and our appreciation for those who continue to give to their community during this time of need. “There are decades where nothing happens, and there are weeks where decades happen” - Vladimir Lenin.

The wave of COVID-19 sped around the globe during Q1, with the first case reported in Wuhan, China in December 2019. Current reports show outbreaks in 184 countries/regions, with a concentration in the US, Europe and Asia. As of this writing, per the John Hopkins Coronavirus Research Center, there are over 1.45 million confirmed cases and the number of global fatalities has passed 83,000.

A trifecta of events occurred as the 2020 pandemic unfolded. Many businesses laid off, furloughed or reduced hours for employees leading to a historic surge in jobless claims as 6.65 million Americans filed for unemployment benefits at the end of March. The ripple effect of COVID-19 through domestic and international economies led many investors to wonder if a recession is looming. Monetary and fiscal stimulus were passed swiftly and in incredible proportions to alleviate the pain of the economy. Additional pressure was put on oil prices as Russia initiated a price war with Saudi Arabia on March 8th, 2020. Volatility and liquidity issues in domestic and international markets led to a strong global pullback in equities, with the S&P 500 returning -19.6% and MSCI ACWI returning -21.26% YTD.

We have experienced a shift to de-globalization (already in process with Brexit and US/China trade wars) in pandemic responses by global governments, including polices to shelter-in-place, limit travel and commerce by region. In contrast, we have seen accelerated globalization with collaboration in the scientific field as data is shared rapidly and both private and public company innovate solutions for efficient testing kits, personal protective equipment (PPE), ventilators, potential vaccines and medical treatments.

Social distancing and proper handwashing are recommended as the global goal is to “flatten the curve” and save lives and precious resources needed to care for those in need. Families and businesses are disrupted as many states enact shelter-in-place initiatives, moving work and school to remote environments. Technology plays a major role in this new era, with cloud-based computing, paperless documentation, video/teleconferencing and cybersecurity allowing business to continue. Medical professionals and insurers are also encouraging the use of telemedicine for non-critical appointments to continue to help “flatten the curve.” Ability to detect/monitor who has tested positive or has antibodies may be part of our future, as IDs and temperature screenings may become protocol to travel and at large events. We see a cocoon-like re-emergence as individuals, families, businesses and governments address their ‘safe zones” based on health first, followed by job safety and cushion of investment assets second.

Fiscal and monetary moves thus far have been unprecedented as cash has been king. The Federal Reserve announced emergency moves to lower the Fed Funds rate to zero and provide much needed liquidity to US Treasuries and investment grade corporates and municipals to assist with unprecedented bid/ask spreads since mid-March. The ten-year Treasury dropped to 70 basis points and mortgage refinance activities flooded lenders with requests as 30-year fixed rate mortgages neared 3% for qualified borrowers. Investors rushed to high-quality, investment grade bonds, the home of Weatherly’s core fixed income investment strategy.

Our investment strategy during Q4 2019 and Q1 2020 has moved clients to neutral asset allocation, increased cash, minimized exposure to any single company or sector and had a domestic focus with modest exposure to gold (GLD). We avoided some of the hardest hit industries – autos, restaurants, cruise, hotel and airlines to any large degree. We previously sold emerging markets in 2018 and minimized exposure to real estate in 2019. We had just over 1% exposure to oil in client accounts and continued to minimize our small and mid-cap and foreign equity exposure in client accounts. As shown with our “Top Ten” holdings our clients have benefitted from companies and industries utilized by businesses and consumers during the shelter at home period.

“Top Ten” Holdings *

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

Our Weatherly team transitioned to mostly remote work mid-March and we continue to conduct business seamlessly and securely with clients. Given the passage of the CARES Act March 27, we have an additional write up highlighting key components impacting individuals, families and businesses. Please stay healthy and well and reach out to our team to schedule your virtual planning session.

-The Weatherly Crew

***Please see reverse side**

* 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.

	*WAM Equity** (gross fee)*	*WAM Equity (net fee)*	*S&P 500t*	MSCI ACWI (gross USD)	*WAM Fixed** (gross fee)*	*WAM Fixed (net fee)*	*Merrill Lynch 1-3 year*	*WAM Balanced** (gross fee)*	*WAM Balanced (net fee)*	*Blended Benchmark*
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%**
2019	**32.54%**	**31.54%**	**31.48%**	**27.30%**	**7.05%**	**6.55%**	**3.55%**	**22.85%**	**22.10%**	**17.01%**
1st Quarter 2020	**-14.78%**	**-15.03%**	**-19.60%**	**-21.26%**	**-2.13%**	**-2.26%**	**2.81%**	**-10.43%**	**-10.62%**	**-8.40%**
3-Year Trailing *(Ann.)*	**8.69%**	**7.69%**	**5.09%**	**2.05%**	**2.70%**	**2.20%**	**2.70%**	**6.64%**	**5.89%**	**4.42%**
Since Inception *(Ann.)*	**9.43%**	**8.43%**	**9.15%**	**6.63%**	**4.69%**	**4.19%**	**3.64%**	**8.44%**	**7.69%**	**6.56%**
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 1st Quarter 2020, 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%, for 1995-2019 combined 4.32%.

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 90%, 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.