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Second Quarter 2021 Weather(ly) Report
July 2021

As fireworks helped celebrate our country's birthday, pandemic life continued to recede in the U.S. Jobs growth paralleled the reopening of the domestic economy with global vaccinations reaching 3.22 billion, data surrounding vaccine efficacy against emerging variants continuing to improve and hospitalizations declining. With ultra-low mortgage rates, the housing market remained on fire with bidding wars and all cash offers; also putting pressure on lumber and other related home supplies. In the first half of 2021, rents in the U.S. climbed 9.2% partially due to pandemic related declines a year earlier.

The U.S. dollar strength increased in June bringing YTD gains to 2.78%. Oil topped \$75 a barrel, the highest since 2014, as OPEC and Russian led groups affected supply and demand. As a result, energy names have been the top equity performers for the year; with memories of negative prices per barrel left in the past. Year to date, the tech heavy NASDAQ advanced 12.92%, the DJIA 13.79% and the S&P up 15.24%.

In June, the U.S. economy added 850,000 jobs to payrolls bringing the unemployment to 5.9% vs 5.8% in May, leaving the unemployment rate slightly higher as more people voluntarily left their jobs and the number of job seekers rose. Still, the unemployment rate has improved measurably from the 11.1% we experienced one year ago. The biggest job gains remained in hospitality, leisure, and teachers and administrative staff returning to schools, just as unemployment benefits and stimulus checks began to subside. Challenges surrounding supply chain management (chips, container ships) caused price increases in select sectors and overall wages increased 3.6% year-over-year. The Consumer Price Index rose 4.99% over the same period. The Federal Reserve's mandate continues to be balancing maximum employment with price stability. With massive stimulus programs in place the last 15 months during the pandemic, the Federal Reserve's role in asset purchases eased and discussions continued around whether [inflation](#) is "transitory" and when the Fed would begin tapering bond buying.

Throughout the quarter, Weatherly continued to layer in our two-pronged approach to equity investing, by adding to new positions in both thematic and dividend names, including select diversified positions in both Europe and Israel. The ping pong performance between growth and value stocks over the quarter influenced net inflows into exchange-traded funds (ETFs), reaching a record \$434 billion with particular interest in infrastructure, cloud computing, cannabis and ESG.

While meme stocks and SPACs splattered the news, volatility and impact on major indices were minimal. Cryptocurrency markets remained highly volatile during the 2nd quarter with bitcoin dropping to half of its value from a high in mid-April. Debates swirled around the environmental impact of coin mining, development of a government-backed virtual currencies and pending SEC approval of over 8 virtual currency ETFs.

"Top Ten" Holdings *

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

Proposals around estate and taxes continue to impact our individual dialogues with clients and their trusted professionals. At this juncture, a 15% global corporate tax minimum was agreed upon by G7 countries in part to level the playing field. Given historically low tax rates and [high estate exemption](#) of \$11.7 million, we expect an increase in federal tax rates and capital gains in the near future on those with higher AGI and net worth.

As cybercrimes have caused huge disruptions in industry, government, and individual affairs, we continue to encourage clients to keep all software up-to-date and utilize available tools and strategies like secure portals, strong passwords with frequent changes, and dual authentication. We look forward to collaborating with you into the second half of 2021.

*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>
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%
2020	30.97%	29.97%	18.39%	16.82%	4.35%	3.85%	3.10%	21.36%	20.61%	12.08%
2nd Quarter 2021	8.23%	7.98%	8.55%	7.53%	1.00%	0.87%	-0.03%	6.01%	5.82%	4.26%
Year-to-Date 2021	10.33%	9.83%	15.24%	12.56%	0.45%	0.20%	-0.08%	7.29%	6.91%	7.45%
5-Year Trailing (Ann.)	19.93%	18.93%	17.62%	15.19%	3.05%	2.55%	1.59%	13.95%	13.20%	9.85%
Since Inception (Ann.)	11.16%	10.16%	10.89%	8.39%	4.73%	4.23%	3.47%	11.60%	10.85%	8.77%
<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 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 2nd Quarter 2021, 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%, 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 1995-2019 combined 9.23% and for 1995-2020 combined, 9.96%. 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%, and for 1995-2020 combined, 4.31%.

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.