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**Third Quarter 2022 Weather(ly) Report  
October 2022**

While stocks rose sharply the first two days of Q4 with the S&P 500 up 5.7%, the short rally fell on the heels of three straight negative quarters leaving the index down 20% year to date, a milestone not seen since 2008. The volatility of the third quarter was felt across stocks, bonds and real estate as the Federal Reserve and European Central Bank raised rates (the fastest in ECB history) coupled with quantitative tightening due to a 40-year high in inflation. Global economies also felt the effects of the Russia/Ukraine war on the back of the pandemic. After the last 5 to 10 years of above average returns on global stocks, bonds, and real estate, all 3 asset classes fell in tandem in Q3.

High-quality fixed income in both municipals and corporates became attractive as yields rose in the short and intermediate area of the curve. The yield curve remained inverted (short-term rates higher than longer-term) as Treasury yields peaked near quarter end. The 2-year high of 4.32% was reached on September 26<sup>th</sup> and 10-year high of 3.96% on September 27<sup>th</sup>. Real rates of return on asset classes became a focus as inflation, growth and supply chain constraints appeared to be plateauing. The U.S. dollar strength, a beneficiary of Fed action, became an issue for the global economy and emerging markets in particular. U.S. mortgage rates increased the last week of September to 6.75% on a 30-year fixed rate loan. During Q3 Weatherly took advantage of the rate hikes and purchased investment grade municipal and corporate bonds in the 3-5 year section of the curve.

While higher interest rates and inflation became an annoyance to global equities, “bad news” was the good news salve on the economic front. With this backdrop we continued to steer portfolios to neutral asset allocation and minimize single stock or sector exposure. Energy, defensive and dividend stocks were reviewed for shaves given their strength.

“Top Ten” Holdings \*

- |                             |                     |
|-----------------------------|---------------------|
| 1. Apple Inc.               | 6. SPDR Biotech ETF |
| 2. Amazon Inc.              | 7. Costco Corp.     |
| 3. Microsoft Corp.          | 8. Netflix Inc.     |
| 4. Invesco Global Water ETF | 9. Home Depot Inc.  |
| 5. Waste Management Inc.    | 10. Starbucks Corp. |

While deglobalization trends occurred during the pandemic, global economies continue to be interlinked economically. U.S. companies are on pace to return a record 350,000 jobs to the U.S. this year. Slow down or freezing on hiring caused JOLTS (Job Opening and Labor Survey) results to report a decline of 1.1 million jobs this week, yet over 10 million jobs are still open. Raw materials remain in demand and feeling price pressures from the supply chain issues that arose during the pandemic-driven fiscal and monetary stimulus and excess savings coupled with the impact of the Russia/Ukraine war on energy, fertilizer, and some manufacturing sectors. Energy prices fluctuated throughout the quarter but remained down from their recent high in May. OPEC cut production by 2 million barrels after their meeting this week, further aggravating consumers.

As we enter the 4<sup>th</sup> quarter of 2022, we are reviewing clients’ unique situations, focusing on year end flows, required minimum distributions, qualified charitable donations, donations to donor advised funds and offsetting realized gains and losses as clients upload their 2021 Federal tax returns to our secure Weatherly portal. With the next Federal Reserve meeting on November 2<sup>nd</sup>, there are many data points surrounding employment, inflation, GDP growth and consumer and business spending to digest prior. We continue to expect slower growth and volatility until the data trends become more clear. Discussions of a soft landing have nearly evaporated. While a shallow recession sounds most likely and palatable, a deep recession is the hardest outcome to digest. Focus will remain on inflation, Federal policy, U.S. dollar and earning strength to help clarify potential paths forward.

We continue to welcome a dialogue with clients to make an impact on their financial plan and investments specific for their needs.

\*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</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>
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%
2021	20.55%	19.55%	28.68%	19.04%	0.69%	0.19%	-0.55%	14.34%	13.59%	13.45%
3rd Quarter 2022	-3.38%	-3.63%	-4.89%	-6.71%	-1.97%	-2.10%	-1.56%	-2.75%	-2.94%	-3.23%
Year-to-Date 2022	-26.87%	-27.62%	-23.88%	-25.34%	-7.46%	-7.84%	-4.35%	-21.16%	-21.72%	-14.35%
5-Year Trailing (Ann.)	9.95%	8.95%	9.22%	4.96%	0.98%	0.48%	0.57%	6.91%	6.16%	5.41%
10-Year Trailing (Ann.)	11.48%	10.48%	11.68%	7.83%	1.76%	1.26%	0.60%	7.83%	7.08%	6.37%
Since Inception (Ann.)	9.74%	8.74%	9.73%	7.08%	4.23%	3.73%	3.13%	8.41%	7.66%	6.71%

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 3<sup>rd</sup> Quarter 2022, 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%, for 1995-2020 combined, 9.96% and for 1995-2021 combined, 10.31%. 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 4.72%, 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%, 1995-2020 combined, 4.31%, and for 1995-2021 combined, 4.15%.

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.