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**Second Quarter 2023 Weather(ly) Report  
July 2023**

With July 4<sup>th</sup> celebrations wrapping up and America's 247<sup>th</sup> birthday behind us, we head into the second half of 2023. "Data makes the world go around" remained the focus as global interest rates rose and stock markets surged during the first half of the year. While the Federal Reserve had 10 rate rises in 15 months and then paused at their June meeting, the European Central Bank (ECB) continued to increase rates given ongoing concerns around inflation. New data will continue to help central banks determine the path forward, as manufacturing remains at a 3-year low, unemployment at 3.7%, construction spending at a new high, inflation data (CPI, PPI and PCE) on the decline but not at desired target levels in the US. Banks passed their stress tests as huge consolidation occurred and small business lending and concerns around commercial real estate loans remain. While global growth appears to be slowing with a recession underway in Germany (Europe's largest economy), US GDP indicates the consumer is still spending.

Equity returns for the 2nd quarter and year-to-date were widely dispersed across sectors. Energy, utilities, health care and financials were a slight drag on performance; in contrast, technology, and consumer discretionary charged forward, delivering double the return of the S&P 500, up 16.89% for the first half of 2023. Artificial Intelligence (AI) continued to drive the conversation in many sectors. Apple made history as the stock crossed the \$3 trillion market value threshold.

Yield curve inversion and volatility were highlighted this quarter, as opportunities beyond money market yields diverged amongst US Treasury, municipal and corporate curves. Weatherly continued to add selectively to short-term, high quality fixed income as higher interest rates offered attractive yields for the first time in years as the world emerged from a zero percent interest rate environment during the pandemic. Expectations of another Fed rate hike are on the horizon, and the US yield curve is at its deepest inversion since 1981. Globally, there have been 90 interest rate hikes and only 17 cuts.

As we head into the second half of the year, we are focused on appropriate asset allocation, shaving concentrated positions, and exploring thematic opportunities in client portfolios. Weatherly's top ten holdings as of quarter-end are highlighted below:

"Top Ten" Holdings \*

- |                             |                                |
|-----------------------------|--------------------------------|
| 1. Apple Inc.               | 6. Waste Management Inc.       |
| 2. Microsoft Corp.          | 7. Costco Corp.                |
| 3. Amazon.com Inc.          | 8. Adobe Systems Inc.          |
| 4. Invesco Global Water ETF | 9. SPDR Biotech ETF            |
| 5. Netflix Inc.             | 10. Vanguard International ETF |

Geopolitical tensions rose during the second quarter. The Russia/Ukraine war passed the one-year mark late February yet became further aggravated due to drone attacks and the Russian-led paramilitary group's march on Moscow during the Wagner rebellion. Meanwhile, Yellen headed to China this week to emphasize the importance of the two largest economies working together on global challenges. Israel's military withdrew July 5<sup>th</sup> from the occupied West Bank after large scale attacks left many wounded and dead. US elections came into focus as more candidates' step into the ring with Iowa caucuses only 6 months away.

Given the narrow breadth of the equity market rally in 2023 and the unknown aspect of when, if and how shallow or deep a recession may be, concerns remain. The housing market also adds additional flavor as demand for affordable housing versus supply remained tight with mortgage rates at 20-year highs. The mismatch of supply versus demand that began during the pandemic has remained elevated as potential sellers are often holding sub-3% mortgages while replacement mortgages hover near 7%.

The US dollar remains strong and currencies in Columbia and Mexico strengthened, although worldwide currency issues were weaker with the yen and yuan down 9% and 5%, respectively. The key to US GDP growth is consumer spending, especially in the service sector. We continue to expect interest rate pain until data points support other global policy changes. We welcome a dialogue for impact with clients as we enter the second half of 2023.

\*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%
2022	-22.33%	-23.33%	-18.13%	-17.96%	-5.71%	-6.21%	-3.65%	-17.45%	-18.20%	-10.80%
2nd Quarter 2023	8.87%	8.62%	8.74%	6.35%	0.08%	-0.05%	-0.57%	6.05%	5.86%	4.09%
Year-to-Date 2023	17.66%	17.16%	16.88%	14.26%	2.04%	1.79%	0.97%	12.40%	12.03%	8.79%
5-Year Trailing (Ann.)	11.72%	10.72%	12.28%	8.63%	1.81%	1.31%	0.95%	8.34%	7.59%	7.10%
10-Year Trailing (Ann.)	12.93%	11.93%	12.84%	9.31%	2.31%	1.81%	0.76%	9.12%	8.37%	7.01%
Since Inception (Ann.)	10.33%	9.33%	10.35%	7.74%	4.26%	3.76%	3.11%	9.38%	8.63	7.41%

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 2<sup>nd</sup> Quarter 2023, 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%, 1995-2021 combined, 10.31%, and for 1995-2022 combined 8.88%. 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%, 1995-2021 combined, 4.15% and for 1995-2022 combined 3.76%.

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.