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**Third Quarter 2023 Weather(ly) Report
October 2023**

As we head into year end, the impact of the European Central Bank (ECB) and the Federal Reserve (Fed) hiking rates at the fastest pace in history reverberated through industries sensitive to interest rates, like mortgages and real estate. While the Federal Reserve paused at the last 2 meetings, the phrase “higher-for-longer” persisted as the goal to contain inflation at a 2% target has yet to be achieved. The expectation of a higher-for-longer rate environment also impacted stock prices the final month of the quarter. The yield curve remained inverted (often an indicator of a recession) with 10-year Treasuries at 4.8% and two-year Treasuries at 5.15%, reaching 16-year highs. U.S. 30-year mortgages topped 7.5%; levels not seen since 2000. Consumer savings dropped below March 2020 pre-pandemic levels. Student loan payments scheduled to resume in October also hit consumer pocketbooks. As such, consumer discretionary stocks showed some of the steepest declines for the quarter.

Labor markets remained tight, yet job openings and August hours worked began to show jobs gains slowing in the recent reports. While the Magnificent 7 (Tesla, Apple, Amazon, Alphabet, Nvidia, Microsoft, Meta) led with strength for most of 2023, these market darlings were also hit with increased volatility in the third quarter. Disparity between market indices was highlighted with YTD returns of 2.73% for the Dow, 4.27% for S&P Midcap and 13.07% for the S&P 500. Big data and AI remain in focus, with 35% of companies using AI in their businesses. How AI will impact efficiencies and employment trends is yet to be seen across industries.

To capture higher yield with quality, Weatherly implemented additional positions in 6-month and 2-year Treasuries alongside additional high-quality corporates and municipals. Asset allocation, security concentration, liquidity and tax implications all come into play for individual client portfolios.

“Top Ten” Holdings *

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

Global growth has continued to slow during a period of U.S. Dollar strength. The Russia-Ukraine war continued, and China’s slower growth concerns also impacted world growth expectations. Q3 oil prices trended higher, putting additional cost pressures on consumers and industries. Budget and spending concerns were also felt, exacerbated the cost of US debt, forcing lawmakers to pass a temporary funding bill for 45 days to prevent a shutdown. This was followed by the unprecedented ousting of the Speaker of the House Kevin McCarthy. While Unions comprise a minority of labor in the US economy, 2023 became known for the summer of strikes; first with Hollywood writers and actors, next with the 3 largest domestic auto companies and next with healthcare workers at Kaiser Permanente. These strikes have focused on wages and benefits but also working conditions post-Covid and during a tight labor market.

How to best move forward with clients’ planning and investments before year end requires laser focus on their unique needs and circumstances. Charitable giving for 2023 has declined during a period when assets have still appreciated for the year, but future cash flow crunches are also being considered. As with many historical periods, volatility creates opportunity.

What will 2024 bring? Lower interest rates and inflation paired with slower growth are expected; but if a recession is to come in 2024 or an idealized “soft landing” is yet to be determined. Considering planning and investment trends and opportunities for either scenario is key for stability of clients’ financial plans. We welcome your calls and questions as we head into the final quarter of the year.

*** 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>
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%
3rd Quarter 2023	-5.31%	-5.56%	-3.27%	-3.30%	-0.70%	-0.83%	0.74%	-3.81%	-4.00%	-1.27%
Year-to-Date 2023	11.41%	10.66%	13.06%	10.49%	1.33%	0.96%	1.72%	8.12%	7.56%	7.41%
5-Year Trailing (Ann.)	8.95%	7.95%	9.89%	6.98%	1.61%	1.11%	1.06%	6.45%	5.70%	6.00%
10-Year Trailing (Ann.)	11.62%	10.62%	11.89%	8.11%	2.19%	1.69%	0.81%	8.27%	7.52%	6.58%
Since Inception (Ann.)	10.03%	9.03%	10.12%	7.55%	4.20%	3.70%	3.11%	8.81%	8.06%	7.13%

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 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.