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First Quarter 2012 Weather(ly) Report April 2012

Globalization remains the key to growth and volatility in the future. Companies, financial markets and governments as well as political and social interactions are evolving internationally at warp speed. While the Eurozone has stepped back from the brink of collapse, Europe is by no means out of the woods. Renewed worries of European economics have been directly correlated with the US dollar strength and the price of gold. While the US economic engine seems to be chugging forward, the process of deleveraging and restructuring in the aftermath of “The Great Recession” is taking time, as new problems and solutions arise. We have seen corporate deleveraging, record profits, increased dividends, merger and acquisition activity, technology spending and increased efficiency as companies began hiring again. Individuals with stable jobs have gone through much of the same process by refinancing debt, increasing cash positions and streamlining spending by shedding unnecessary expenses. Governments, at local, state and federal levels, have been going through this process as well, albeit slowly and with difficult headwinds.

On a more optimistic note, stocks in the US, Europe and around the globe surged for their best quarterly gain since 1998 on the heels of a similar meteoric rise Fourth Quarter 2011. Most major equity indices returned double digits for the First Quarter 2012 with the MSCI Emerging Market returning 14.1%, S&P 500 12.6%, Russell 2000 12.4%, MSCI EAFE 11.0%, and Real Estate Investment Trusts 10.5%. Investors began to move money out of government bonds and into higher risk assets.

Low interest rates remain a key to global recovery. While the Federal Reserve left interest rates unchanged during the quarter, long term rates began to creep up. Negative returns were delivered to investors who held Treasuries in most maturities greater than money market funds. Investment grade corporate debt still offers historically attractive spreads, yet at low absolute yields. Credit defaults remain at low levels in both tax-free and corporate bonds. Weatherly continued to add to yield and interest rate sensitive sectors with high-quality corporate bonds, CPI and LIBOR-based floaters and select municipal, non-dollar and preferred stocks as appropriate.

While leading indicators are trending in the right direction, concerns surrounding the 8.3% rate of unemployment remain. There appears to be a structural impediment related to the level of education as well as geographic location. While we remain cautiously optimistic, this structural mismatch will take some time to mend and has created opportunities to invest in education, technology, health care and raw materials where demand and growth remain strong. While worries about inflation have subsided, we remain concerned about wage and price increases in specific growth-oriented sectors. With our cautiously optimistic approach, we continue to add yield to portfolios with dividend stocks and covered calls while shaving equity positions opportunistically.

Weatherly’s “Top Ten”, our largest holdings, are shown below:

“Top Ten” Holdings *

- | | |
|-----------------------------|----------------------------|
| 1. Apple Inc. | 6. General Electric Co. |
| 2. Home Depot Inc. | 7. iShares Select Dividend |
| 3. Du Pont De Nemours & Co. | 8. Volkswagen AG |
| 4. McKesson Corp. | 9. iShares MSCI Japan |
| 5. Pepsico Inc. | 10. Caterpillar Inc. |

Clients of Weatherly Asset Management (WAM) received their First Quarter portfolio appraisals. The composite returns for all accounts under management for the periods 2003 through 1st Quarter 2012, seven year trailing, and since inception are shown on the reverse side of this letter.

Weatherly’s team continued to work with clients holistically, tilted toward growth for the future and aligning portfolios to incorporate pending changes in tax codes such as increases in high earner’s income tax and potential changes in capital gains and qualified dividend rates. We suggest a review of clients’ annual and lifetime gift opportunities before 2012 comes to a close. Exercise caution as technology use expands in the corporate and individual on-line world; we suggest you be on guard to emails, calls or letters requesting your personal and confidential information. We appreciate your continued confidence in our Firm and look forward to working with you and your family on your particular financial needs. Please do not hesitate to call, or e-mail us at carolyn@weatherlyassetmgt.com.

*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 Equity **</u> <u>(gross of fee)</u>	<u>WAM Equity</u> <u>(net of fee)</u>	<u>S&P 500</u>	<u>WAM Fixed **</u> <u>(gross of fee)</u>	<u>WAM Fixed</u> <u>(net of fee)</u>	<u>Merrill Lynch</u> <u>1-3 year</u>
2003	28.70%	27.70%	28.69%	2.89%	2.39%	1.90%
2004	14.70%	13.70%	10.87%	4.05%	3.55%	0.91%
2005	12.65%	11.65%	4.92%	2.43%	1.93%	1.66%
2006	16.21%	15.21%	15.78%	4.94%	4.44%	3.95%
2007	11.18%	10.18%	5.49%	5.47%	4.97%	7.32%
2008	-34.04%	-35.04%	-36.99%	-0.95%	-1.45%	6.61%
2009	32.36%	31.36%	26.47%	10.63%	10.13%	0.78%
2010	11.93%	10.93%	15.06%	6.77%	6.27%	2.35%
2011	-5.58%	-6.58%	2.12%	4.37%	3.87%	1.55%
1st Quarter 2012	12.61%	12.36%	12.59%	2.45%	2.33%	-0.08%
7 Year Trail (Annualized)	6.14%	5.14%	4.71%	5.14%	4.64%	3.46%
WAM Since Inception (Annualized)	8.76%	7.76%	8.71%	5.65%	5.15%	4.69%

Please see footnotes

**** PERFORMANCE DISCLOSURE**

Please note, the Weatherly Asset Management (WAM) Equity performance is a mid- to large-cap value investment approach and the WAM Fixed Income performance is a high-quality intermediate-maturity investment approach. Additional investment style detail is available upon request.

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 maximum potential advisory fee a client may incur. Investment advisory fees are described in Part II of Weatherly’s Form ADV. For the 1st Quarter 2012, 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 average weighted 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% and for 1995-2011 combined, 7.14%. 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% and for 1995-2011 combined, 5.09%.

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. Cash and cash returns have been allocated to the segment returns. Weatherly 2010-2012 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.

These performance numbers are provided under the guidelines provided by the SEC on one-on-one reporting. Prospective and current clients have received past results with the required disclosures within a 12-month period. A full presentation, including all required disclosures, is available upon request.