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Second Quarter 2013 Weather(ly) Report July 2013

Investors around the globe experienced fireworks before the July 4th holiday as markets digested The Federal Reserve's statements regarding their plan to "ease up on bond purchases" and the potential taper of easy money policies as economic conditions continue to improve. On May 22nd, equities experienced a sharp sell-off alongside emerging markets, gold, real estate, preferred stocks and bonds. Yield oriented sectors were some of those hardest hit; bonds with maturity greater than 3 years experienced negative returns as the 10-year Treasury yield rose from 1.84% to 2.49%. REITS and gold were down -19.1% and -23%, respectively, for the quarter and Barclays' Muni Index dropped 4.4% in June alone. The US Dollar strengthened with the Mexican Peso off -5.8%, Turkish Lira off -7.0%, South African Rand off -8.7% and Indian Rupee off -9.9%. Subsequent dovish statements released by the Fed somewhat settled markets in the final trading days of the quarter. The S&P 500 rose 2.4% for the quarter and 12.6% YTD, while the DJIA rose 2.3% for the quarter and 13.8% YTD. In contrast, Brazilian stocks fell -21.6% and China and Russia were down -19.6% and -5.8%, respectively.

Fixed income, high-yield and emerging markets were reminded of a drop in liquidity after Chairman Bernanke's speech to the Joint Economic Committee. Monetary policy was mixed across the globe; Poland and Hungary eased while The Bank of Indonesia raised rates. Russia, India, Egypt, Turkey, Philippines and South Korea all left rates unchanged. The bond sell-off slowed into the first week of July, but investors did not see a rally in Treasuries as yields held firm in their new range. Fixed income's bull market seemed to have run its course, with even the largest bond fund manager, Bill Gross at PIMCO, feeling the pain from TIPS, duration and foreign investment exposure. Yield came at a price and this quarter, for investors, maturity and duration are surely in the spotlight.

Stock dividends began to look even more appealing, especially in the mid-cap and large-cap sectors in the US, yet volatility increased. Real Estate Trusts and Master Limited Partnerships accounted for almost 1/3 of the IPO activity year-to-date 2013. Inflationary numbers remained muted in the US, while real disposable income declined due to new payroll taxes and continued increases in the price of health care, education and select items such as autos and real estate.

Focus on concerns over the Eurozone shifted, albeit no significant improvement in the area, to concerns over slow growth in China, protests in Brazil and strife over "democracy" in Egypt. The US job market, real estate prices, equity prices and earnings improved while mixed signals regarding a sustainable global recovery remained. Oversold international stocks and bonds showed price improvements as international markets flashed signs of recovery at the beginning of July.

Health care, technology and real estate related sectors, in a general sense, had price improvements during the quarter. Weatherly continued to shift out of positions such as Du Pont de Nemours and into Adobe to increase exposure to e-filing, e-signatures and cloud-based storage. We also continued to opportunistically add covered call positions as premiums and market volatility allowed. Weatherly's "Top Ten", our largest holdings, are shown below:

"Top Ten" Holdings *

- | | |
|----------------------|----------------------------|
| 1. Apple Inc. | 6. iShares Select Dividend |
| 2. Roche Holdings AG | 7. Volkswagen AG |
| 3. Home Depot Inc. | 8. Waste Management Inc. |
| 4. McKesson Corp. | 9. General Electric Co. |
| 5. Pepsico Inc. | 10. AT&T Inc. |

Clients of Weatherly Asset Management (WAM) received their second quarter portfolio appraisals. The composite returns for all accounts under management for the periods 2003 through second quarter 2013 and since inception are shown on the reverse side of this letter. Clients continued to access our portal at www.weatherlyassetmgt.com to view performance and quarterly appraisals. Weatherly also launched a mobile site allowing clients access via their handheld devices.

Our objective with clients for 2013 is to deliver positive risk adjusted returns. With diligence and a focus on diversification, yield and managing risk we were able to deliver on this goal for our clients. 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</u> <u>Equity**</u> <u>(gross of fee)</u>	<u>WAM Equity</u> <u>(net of fee)</u>	<u>S&P 500</u>	<u>WAM</u> <u>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>	<u>WAM</u> <u>Balanced**</u> <u>(gross of fee)</u>	<u>WAM</u> <u>Balanced</u> <u>(net of fee)</u>	<u>Blended</u> <u>Benchmark</u>
2003	28.70%	27.70%	28.69%	2.89%	2.38%	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%	-6.85%	2.12%	4.37%	3.87%	1.55%			
2012	16.36%	15.36%	16.00%	5.99%	5.49%	0.43%	11.84%	11.09%	8.22%
2 nd Quarter 2013	1.08%	0.83%	2.91%	-2.68%	-2.81%	-0.11%	-0.42%	-0.61%	1.40%
2013 YTD	9.39%	8.89%	13.83%	-2.12%	-2.37%	0.00%	4.74%	4.37%	6.85%
10 Year Trailing	8.41%	7.41%	7.37%	4.19%	3.69%	2.59%			
Since Inception (Ann.)	8.93%	7.93%	8.99%	5.57%	5.07%	4.47%	11.12%	10.37%	10.16%

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 1/1/11 meet the requirements of the revised version of Global Investment Performance Standards (GIPS).

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 2013, the average weighted 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%, and 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 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%

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 according to the procedures outlined by Association of Investment Management Research (AIMR) effective 1/1/06 to 1/1/11. 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 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 portfolios utilizing strategic asset allocation with both equity and fixed income components. The Blended Benchmark is comprised of 50% S&P 500 and 50% Merrill Lynch 1-3 Year representing the average 50% Equity and 50% Fixed Income allocation in the Composite. Since Inception for the Balanced Composite begins 1/1/12.