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**Third Quarter 2013 Weather(ly) Report  
October 2013**

The balancing act continued for investors in the third quarter as the “circus act” in Washington dominated the investment headlines. International stocks surged 8.1% for the quarter, with domestic stock indices and commodities up 7.3% and 4.78%, respectively. Year-to-date international stocks and domestic stocks increased 22% and 15.1%, respectively, while commodities returned -0.89%. The S&P 500, US dollar-based, large-cap index became the hardest index to beat for 2013. World news shifted from the Eurozone and Syria to the political indecision in Washington. This domestic shift caused emerging market funds to return 5.2% for the quarter, a mild recovery after two difficult years.

Fixed income recovered somewhat after the Fed backtracked on their May statement regarding their intent to taper the bond buying program. We continued to add to individual, tax-free municipals in accounts with higher tax brackets, given lower supplies in the municipal market and attractive after-tax returns. Corporate yields were scarce and high-yield debt and bond funds continued to see net outflows. Municipal bonds were negative 2.9% for the trailing 12 months, with taxable bonds up only 1% for the same period. Floating rate notes, Treasury Inflation Protected Securities (TIPS) and mortgage and real estate mutual funds continued to offer decent yield alternatives.

Washington made front page news around the globe as the stalemate and squabbling between Democrats and Republicans regarding fiscal issues caused a partial government “shut down” as of October 1, 2013. With deadlines surrounding the debt ceiling looming, the US Treasury estimated by October 17<sup>th</sup> the country will run out of cash and be prohibited from borrowing additional funds. Words of US Treasury “default” caused interest rates on T-bills to reach 5-year highs. President Obama announced Janet Yellen as nominee for Federal Reserve Chairman and successor to Ben Bernanke come January 2014 marking the first time a woman will hold the position. Fed focus continues to be on balancing a fragile economy with easy money policies, including the Fed bond buying program and addressing their dual mandate of easing unemployment and inflation.

The middleman between businesses and consumers continued to become automated with technology, much as we saw with travel, music, books and videos over the last decade. Access to capital venture financing via on-line “crowd funding” side stepped long-time government regulation surrounding the definition of a “qualified investor.” MOOC’s, massive open online courses, went mainstream in 2013 as lectures for credit were offered via Harvard, MIT and many other educational institutions at discounted prices. Traditional TV and cable trended toward online streaming services available on mobile and tablet devices. The technology theme continued to embed itself deeper into our daily existence.

Weatherly continued to focus on sector-specific investing throughout the quarter, including technology, health care, biotech and raw materials sectors. Weatherly’s “Top Ten”, our largest holdings, are shown below:

“Top Ten” Holdings \*

- |                            |                          |
|----------------------------|--------------------------|
| 1. Apple Inc.              | 6. Pepsico Inc.          |
| 2. Roche Holdings AG       | 7. Volkswagen AG         |
| 3. Home Depot Inc.         | 8. Adobe Systems Inc.    |
| 4. McKesson Corp.          | 9. Amazon Inc.           |
| 5. iShares Select Dividend | 10. General Electric Co. |

Clients of Weatherly Asset Management (WAM) received their third quarter portfolio appraisals. The composite returns for all accounts under management for the periods 2003 through third quarter 2013 and since inception are shown on the reverse side of this letter.

As we enter the final quarter of 2013, we continue to touch base with clients and prospects on a number of topics, including charitable gifting and year-end tax planning. Donating to charitable organizations can help reduce overall tax liability though tax-deductions. Charitable giving accounts can be established through Fidelity Investments, allowing clients to donate appreciated stock with ease and distributing funds at their convenience. We also encourage clients to provide us with 2012 tax returns, including Schedule D, to aid in year-end tax planning, such as offsetting taxable gains with prior years’ losses and other tax minimization strategies. Please do not hesitate to call, or e-mail us at [carolyn@weatherlyassetmgt.com](mailto: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&amp;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>
<b>2004</b>	<b>14.70%</b>	<b>13.70%</b>	<b>10.87%</b>	<b>4.05%</b>	<b>3.55%</b>	<b>0.91%</b>			
<b>2005</b>	<b>12.65%</b>	<b>11.65%</b>	<b>4.92%</b>	<b>2.43%</b>	<b>1.93%</b>	<b>1.66%</b>			
<b>2006</b>	<b>16.21%</b>	<b>15.21%</b>	<b>15.78%</b>	<b>4.94%</b>	<b>4.44%</b>	<b>3.95%</b>			
<b>2007</b>	<b>11.18%</b>	<b>10.18%</b>	<b>5.49%</b>	<b>5.47%</b>	<b>4.97%</b>	<b>7.32%</b>			
<b>2008</b>	<b>-34.04%</b>	<b>-35.04%</b>	<b>-36.99%</b>	<b>-0.95%</b>	<b>-1.45%</b>	<b>6.61%</b>			
<b>2009</b>	<b>32.36%</b>	<b>31.36%</b>	<b>26.47%</b>	<b>10.63%</b>	<b>10.13%</b>	<b>0.78%</b>			
<b>2010</b>	<b>11.93%</b>	<b>10.93%</b>	<b>15.06%</b>	<b>6.77%</b>	<b>6.27%</b>	<b>2.35%</b>			
<b>2011</b>	<b>-5.58%</b>	<b>-6.85%</b>	<b>2.12%</b>	<b>4.37%</b>	<b>3.87%</b>	<b>1.55%</b>			
<b>2012</b>	<b>17.03%</b>	<b>16.03%</b>	<b>16.00%</b>	<b>5.99%</b>	<b>5.49%</b>	<b>0.43%</b>	<b>11.84%</b>	<b>11.04%</b>	<b>8.22%</b>
<b>3rd Quarter 2013</b>	<b>6.42%</b>	<b>6.17%</b>	<b>5.25%</b>	<b>0.50%</b>	<b>0.38%</b>	<b>0.29%</b>	<b>4.02%</b>	<b>3.83%</b>	<b>2.77%</b>
<b>2013 YTD</b>	<b>16.86%</b>	<b>16.11%</b>	<b>19.80%</b>	<b>-1.63%</b>	<b>-2.01%</b>	<b>0.30%</b>	<b>8.95%</b>	<b>8.39%</b>	<b>9.80%</b>
<b>10 Year Trail (Ann.)</b>	<b>8.95%</b>	<b>7.95%</b>	<b>7.57%</b>	<b>4.23%</b>	<b>3.73%</b>	<b>2.57%</b>			
<b>Since Inception (Ann.)</b>	<b>9.16%</b>	<b>8.16%</b>	<b>9.20%</b>	<b>5.29%</b>	<b>4.79%</b>	<b>4.36%</b>	<b>11.95%</b>	<b>11.20%</b>	<b>10.36%</b>
<i>Please see footnotes</i>									

**\*\* 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 3rd 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. Effective 1/1/06 to 1/1/11, cash and cash returns have been allocated to the segment returns according to the procedures outlined by Association of Investment Management Research (AIMR). Beginning in January 2012, WAM Equity numbers reflect the equity only return of our balanced accounts. The cash component remains in the fixed income return. We have restated the period 1/1/12 to date to reflect this methodology. Weatherly 2010-present 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 1/1/2012.