



Weatherly
Asset Management

If you prefer to receive this letter via e-mail, please let us know: carolyn@weatherlyassetmgt.com

Fourth Quarter 2013 Weather(ly) Report January 2014

Change continues to occur rapid-fire around the globe. The technological revolution is breaking down barriers, decimating industries, creating new products and services as well as both helping and hurting cultural, political, educational and religious institutions. Industries undergoing vast changes include health care, biotech, education, energy, banking, entertainment, and manufacturing. Companies are finding that solutions can be simple, ranging from ridding an industry of the middle-man, to streamlining of processes or delivery schedules, to implementing technology such as fracking, 3-D printing, Venmo, Bitcoin and on-demand entertainment. Although with these arrangements comes pressure on structural unemployment in addition to an abundantly apparent global disparity in income.

Cultures, economies, governments, industries and people are linked instantaneously depending on their access to technology. Big data, breaches in technology, communication and privacy are all challenging the regulations, oversight and traditional cultural and political boundaries to which we have come accustomed. Changes continue to move forward often without customary oversight, planning or repercussions. Prevalence of "connectedness" is causing new physical, social and competitive ailments, all while creating new industries, solutions, communities and cures. Google, Facebook, virtual work/home commutes are only the tip of the iceberg.

Professionals in investing, estate administration, financial planning and philanthropic arenas continue to evolve towards the "anywhere advisor" model, offering services over the web and communicating with clients via email and video teleconference. The ability for high-net-worth individuals to access expert guidance and direct communication remain critical in the evolving wild west of technological advance. Security of personal information remains of paramount importance as more individuals store and access proprietary information on the Internet and mobile devices.

Investment returns for 2013 chugged forward but divergent across asset classes. Stocks were favored over bonds and raw materials such as gold took a nose dive. The S&P500 return for the year was 32.41%, with the average international stock fund up 19.1% and emerging market stocks down -0.1%. Bonds posted negative returns of -1.9% for 2013 and Treasury Inflation Protected Securities (TIPS) returned -6.0%. The average precious metal fund returned -49.0% although precious metals in general returned -24.9%. REITs suffered their worst year in over a decade when compared to stocks, returning a modest 2.70%.

Interest rates around the globe continue to hover at historically low levels, albeit shifting sands in fixed income markets. Change is underway as we see interest rates drift higher, hints of wage inflation by sector and Janet Yellen confirmed as the first female Chair of the Federal Reserve. Municipal credits continue with low issuance and credit improvements, providing a limited quantity of tax havens. We continue to monitor interest rates and inflation, expecting both to rise much more dramatically than consensus.

We continue to add positions in technology, health care, biotech and solid dividend-paying, large-cap companies. Weatherly's "Top Ten", our largest holdings, are shown below:

"Top Ten" Holdings *

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

Clients of Weatherly Asset Management (WAM) received their fourth quarter portfolio appraisals. The composite returns for all accounts under management for the periods 2003 through fourth quarter 2013, 10-year trailing and since inception are shown on the reverse side of this letter.

As 2014 unfolds, the Weatherly team wishes you a happy, healthy New Year. Please let us know when you are available for a review or how we can be of assistance with tax deadlines, by providing advisory fees for deduction, schedules of gains/losses, and retirement funding options. Reports and quarterly statements are available online via Weatherly's client portal. If you are interested in online access, please email or call (858) 259-4507.

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%	-6.58%	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%
4th Quarter 2013	9.71%	9.46%	10.52%	0.01%	-0.12%	0.06%	5.93%	5.74%	5.29%
2013 YTD	28.20%	27.20%	32.41%	-1.62%	-2.12%	0.36%	15.41%	14.66%	15.61%
10 Year Trailing (Ann.)	8.74%	7.74%	7.41%	4.15%	3.65%	2.57%			
Since Inception (Ann.)	9.57%	8.57%	9.65%	5.22%	4.72%	4.30%	13.61%	12.86%	11.86%

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 4th Quarter 2013, 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%, 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-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.