



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

First Quarter 2014 Weather(ly) Report April 2014

"Times they are a-changin" around the globe with speed, uncertainty and stability all rolled into one. While historically periods of low stock returns have been followed by 10-year rolling returns averaging 13% per annum, many investors are still feeling the sting of 2008 and are weary of the volatility of the stock market. Incorporating domestically oriented dividend stocks, covered calls and high-quality callable municipal and corporate bonds paired with a focus on rebalancing portfolios has been a key for investors to maximize return and minimize volatility. For the first quarter, US stocks delivered returns of 1.6%; international stocks, 1.0%; taxable bonds, 1.8%; and municipal bonds, 3.3%. Precious metals made a partial comeback from their 2013 decline of 50% returning 12.4% for the quarter. Real estate, utilities and health care sectors outperformed the broad market, up 9.2%, 7.1% and 6.7%, respectively.

Federal Reserve Chair Janet Yellen began her term with a thorough inquisition from Congress, an extension of QE infinity bond buying policies and a promise to maintain low interest rates for a number of months. The average bond fund outperformed the average stock fund for the quarter, while municipals delivered almost double equity returns. This continuation of global low interest rates fueled further recovery in real estate. Rent continued to rise in tandem with home prices, especially squeezing for first time home buyers. Despite these price increases, along with a 12.4% increase in agricultural commodities, the Fed still shows little expectation that inflation will surpass the 2% annual rate being targeted.

The US dollar remained strong and investors saw pockets of currency strength in New Zealand and Europe throughout the quarter. The virtual currency Bitcoin continued its wild ride reaching a high of \$1,200 before fraud, hacking and the unregulated nature of the digital cash came into play and Bitcoin's market value declined by 50%. Cold War resurgence and slower growth in India and China caused BRIC countries to underperform. While emerging market stocks recovered somewhat in 2014, they still lagged US domestic stocks over the trailing 12 months.

We continued to add dividend payers, undervalued stocks and technology game changers throughout the quarter. Exchange Traded Funds allowed for exposure in Europe, the US, and the biotech industry. Weatherly's "Top Ten", our largest holdings, are shown below:

"Top Ten" Holdings *

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

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 first quarter 2014 and since inception are shown on the reverse side of this letter. We have included our annual performance disclosure for your review.

Asset allocation, after tax, after fee returns and contributions in tax deferred accounts played a large role as baby boomers and other retirees analyzed their optimal strategies to maximize income for retirement and minimize tax liabilities on their various accounts. Our objective with clients for 2014 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 for the quarter. 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 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 (net</u> <u>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%
2013	28.20%	27.20%	32.41%	-1.62%	-2.12%	0.36%	15.41%	14.66%	15.61%
1 st Quarter 2014	0.75%	0.50%	1.81%	2.59%	2.47%	0.14%	1.40%	1.21%	0.98%
10 Year Trail (Ann.)	8.45%	7.45%	7.23%	4.22%	3.72%	2.48%			
Since Inception (Ann.)	9.48%	8.48%	9.62%	5.29%	4.79%	4.25%	12.71%	11.96%	10.95%

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 1st Quarter 2014, 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%, 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 1995-2013 combined, 8.57%. 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%.

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.