



Weatherly
Asset Management

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Fourth Quarter 2014 Weather(ly) Report January 2015

Each New Year provides an opportunity for reevaluation and refreshed outlooks which are often accompanied by both excitement and trepidation. The 2015 New Year began much the same way, leaving behind a broad mix of world events. There appeared to be a two-speed global economy, with the US outpacing the majority of overseas markets. As the US economy gained traction, the Dow Jones Industrial Average and S&P 500 ended another record year up 10.02% and 13.69%, respectively. Europe's MSCI Index dropped 8.6% while emerging markets fell 4.6% for 2014. Furthermore, Japan slipped back into recession as Nikkei averaged 7.1% for the year. As European economic environments trickled forward, the second largest economy, China, slowed growth in comparison to their accelerated progress in prior years. The big question of 2015 will be if the US economy can continue forward, while the rest of the world stumbles to regain strength.

The Federal Reserve sought to end its post crisis stimulus by curtailing bond buying during the third quarter as rates remained historically low around the globe. As investors braced for higher interest rates, 10- year bonds in the US, Germany, and Japan closed the year out at 1.98%, 0.45%, and 0.30%, respectively. Municipal bonds had one of their best years, up 8.9% for 2014 while longer municipals delivered 15.5% for 2014. Investors saw a dramatic shift in markets as "bond king" Bill Gross left his tenure at PIMCO to take on a new role at Janus Capital. PIMCO saw an outflow of \$150 billion following the news.

The US Dollar retained its strength, up 7% for the year. Oil, driven in part by excess supply and slowing demand, peaked in June then lost 51% of its value ending the year at \$52.69/barrel. Hay Group predicted average global salary to grow 5.4% this year, however CPI and PPI baskets remained tame. Talks of deflation circled the Eurozone creating concerns about failing prices and reduced spending. Domestically, real estate prices increased at a delayed pace while global real estate marched forward. Gold gave lack luster returns for the year.

Weatherly continued to focus on diversification by sector and industry with a tilt towards domestic equities. Technology enhanced sectors were favored when adding to portfolio positions. A short break down of Weatherly's Top 10 Equity holdings are below:

"Top Ten" Holdings

- | | |
|----------------------|----------------------------------|
| 1. Apple Inc. | 6. Adobe Systems Inc. |
| 2. Home Depot Inc. | 7. iShares Select Dividend |
| 3. Roche Holdings AG | 8. Wells Fargo & Co. |
| 4. Starbucks Corp. | 9. SPDR Series Trust S&P Biotech |
| 5. Netflix Inc. | 10. General Electric Co. |

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 2014 and since inception are shown on the reverse side of this letter.

The trends we found noteworthy in 2014 are expected to continue into the New Year. We became more connected than ever as wearable technology, commercial drones and 3D printing dominated the market. Our team continues to review investment opportunities and risks in many of these arenas. Weatherly Asset Management reached a milestone with our 20-year anniversary, which was both celebrated and viewed as an opportunity for change. Our team continued to grow in 2014 by pursuing further education and credentials in both CFA and CFP® tracks. After two decades of dedication to Weatherly Asset Management, Hazel Easton retired as a partner of the Firm as of December 31, 2014. The business foundation Hazel helped build, positions Weatherly for further growth and enhanced client service. We continue to develop processes throughout the business in order to remain on the forefront for investments, communications, and planning. We are excited about a technology conversion currently underway and will provide clients with more detail before the end of the first 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 fee)</u>	<u>WAM</u> <u>Equity</u> <u>(net fee)</u>	<u>S&P 500</u>	<u>MSCI ACWI</u> <u>(gross USD)</u>	<u>WAM</u> <u>Fixed**</u> <u>(gross fee)</u>	<u>WAM</u> <u>Fixed (net</u> <u>fee)</u>	<u>Merrill</u> <u>Lynch 1-3</u> <u>year</u>	<u>WAM</u> <u>Balanced**</u> <u>(gross fee)</u>	<u>WAM</u> <u>Balanced</u> <u>(net fee)</u>	<u>Blended</u> <u>Benchmark</u>
2003	28.70%	27.70%	28.69%	34.63%	2.89%	2.38%	1.90%			
2004	14.70%	13.70%	10.87%	15.75%	4.05%	3.55%	0.91%			
2005	12.65%	11.65%	4.92%	11.37%	2.43%	1.93%	1.66%			
2006	16.21%	15.21%	15.78%	21.53%	4.94%	4.44%	3.95%			
2007	11.18%	10.18%	5.49%	12.18%	5.47%	4.97%	7.32%			
2008	-34.04%	-35.04%	-36.99%	-41.84%	-0.95%	-1.45%	6.61%			
2009	32.36%	31.36%	26.47%	35.41%	10.63%	10.13%	0.78%			
2010	11.93%	10.93%	15.06%	13.21%	6.77%	6.27%	2.35%			
2011	-5.58%	-6.85%	2.12%	-6.86%	4.37%	3.87%	1.55%			
2012	16.36%	15.36%	16.00%	16.80%	5.99%	5.49%	0.43%	11.84%	11.09%	8.22%
2013	28.20%	27.20%	32.41%	23.44%	-1.62%	-2.12%	0.36%	15.41%	14.66%	15.61%
4 th Quarter 2014	2.25%	2.00%	4.93%	0.52%	0.55%	0.42%	0.17%	1.64%	1.45%	2.55%
2014 YTD	8.53%	7.53%	13.69%	4.71%	5.55%	5.05%	0.62%	7.43%	6.68%	7.01%
10 Year Trailing (Ann.)	8.14%	7.14%	7.65%	6.64%	4.30%	3.80%	2.54%			
Since Inception (Ann.)	9.54%	8.54%	9.81%	7.41%	5.23%	4.73%	4.11%	11.51%	10.76%	10.22%
<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 12/31/10 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 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 1995-2014 combined, 8.54%. 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%, for 1995-2014 combined 4.73%

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 12/31/10. 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.