



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

Second Quarter 2017 Weather(ly) Report July 2017

With July 4th celebrations capping off our country’s 241st birthday, we head into the second half of 2017 with both caution and optimism. Equities surged during the first half of the year, with broad global indices outperforming U.S. markets and growth outperforming value stocks. Tech led the way in the U.S., with the NASDAQ up 14% and the S&P 500 was up over 9.34% year to date; strong returns abroad included developed nations in Europe, India and Hong Kong, returning 15.91%, 20% and 21%, respectively. Specific sectors outperformed year to date in financials, healthcare, biotech and FANG (Facebook, Amazon, Netflix and Google “Alphabet”) stocks. The world stage continued to evolve as the UK’s Brexit stalled and loomed over Europe, the U.S. agenda on tax and health care reform not yet completed and uncertainty surrounding growth in China and nuclear threats from North Korea.

World growth projections for 2017 ranged from 2.5% to 2.8% depending on forecasts for developed and emerging markets. Retail and institutional investors alike took the opportunity to diversify in international investments as dollars flowed into individual holdings, mutual funds and exchange traded funds (ETFs) outside of the U.S. The U.S. dollar was down 5.6% year to date and the ECB and Federal Reserve noted their ultra-easy money policies may be over as they begin winding down their balance sheets.

Inflation both in Europe and the U.S. remained tame but world central banks attempted to stimulate reflation given near full employment and tighter labor markets. In the U.S., the Federal Reserve’s July 5th minutes release reflected non-consensus in tightening the central bank’s \$4.5 trillion balance sheet and keeping low inflation in check. Interest rates remained historically low in both the U.S. and most developed markets even as the Fed raised rates a third time after the June meeting. Low borrowing rates spurred debt levels for consumer credit and mortgage rates.

We continue to favor sectors in robotics, virtual currency, cyber security, block chain technology, biotechnology, technology, global water, infrastructure and defense holdings. After a 2016 recovery, energy has been under pressure year to date with fellow commodities, gold, and silver lagging all major equity indices with mid-single digit returns. Continuing development with global trade, environmental awareness, and the demands of population growth will create opportunities and pitfalls for investors. We continue to position clients towards neutral asset allocation in sectors and names where we find value.

“Top Ten” Holdings *

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|-----------------------|----------------------------|
| 1. Apple Inc. | 6. Guggenheim Global Water |
| 2. Netflix Inc. | 7. Home Depot |
| 3. Amazon.com | 8. AT&T |
| 4. Biotech ETF Spider | 9. Johnson & Johnson |
| 5. Starbucks | 10. Adobe |

On June 22nd 2017, Weatherly was included in the Financial Times list of Top 300 Registered Investment Advisors. To view the full article, list, and related disclosures, please visit www.weatherlyassetmgt.com/newsroom.

The Department of Labor (DOL)’s initial implementation of expanded fiduciary regulations became partially effective June 9. Weatherly continues to stay abreast of updates and best practices with our policy of putting clients’ interests first. We strive to integrate technology, compliance and a personalized approach with maximum impact on each client. Our team’s commitment to educate, problem solve and collaborate continues to drive impact on families, businesses and the community, rippling through our Firm to our clients and colleagues. We value your trust and input and look forward to having conversations with a customized approach to your world in the coming quarter.

***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%	8.18%
2013	28.20%	27.20%	32.41%	23.44%	-1.62%	-2.12%	0.36%	15.41%	14.66%	15.61%
2014	8.53%	7.53%	13.69%	4.71%	5.55%	5.05%	0.62%	7.43%	6.68%	7.01%
2015	4.86%	3.86%	1.38%	-1.84%	1.31%	0.81%	0.54%	3.55%	2.80%	1.09%
2016	8.70%	7.70%	11.95%	8.48%	2.79%	2.29%	0.88%	6.41%	5.66%	6.33%
1 st Quarter 2017	7.45%	7.20%	6.07%	7.05%	1.66%	1.53%	0.26%	5.31%	5.12%	3.17%
2 nd Quarter 2017	2.99%	2.74%	3.09%	4.45%	1.49%	1.36%	0.17%	2.34%	2.15%	1.63%
YTD	10.66%	10.16%	9.34%	11.82%	3.17%	2.92%	0.44%	7.77%	7.40%	4.85%
Since Inception (Ann.)	9.56%	8.56%	9.72%	7.39%	4.97%	4.47%	3.73%	9.49%	8.74%	7.76%
<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). Periods from 12/31/10 are calculated in a similar manner but GIPS standards no longer permit carry outs, therefore we no longer claim GIPS compliance.

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 2017, 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 1995-2015 combined 8.31%, for 1995-2016 combined 8.29%. 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%, for 1995-2015 combined 4.54%, for 1995-2016 combined 4.44%.

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 12/31/10, cash and cash returns have been allocated to the segment returns according to the procedures outlined by Association of Investment Management Research (AIMR). Effective 1/1/16, equity and fixed composite returns no longer include cash or a weighting to cash. Dividends and interest received is generally not reinvested in the same security but is included in total return calculations. Effective 2010, 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. The composite performance represents the performance of an aggregate of the firm’s managed accounts that align with a particular strategy. Individual account performance will vary and some clients may have experienced returns significantly different from the composite. Investing entails risk and past performance is no guarantee of future performance.

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 actual portfolios utilizing strategic asset allocation with both equity and fixed income components. The fixed income component for individual portfolios underlying the balanced composite have allocations tailored specifically for that account and client, and varies between 5% and 80%, whereas the blended benchmark is 50% S&P 500 Total Return and 50% Merrill Lynch 1-3 Year representing an average of a 50% Equity and 50% Fixed Income benchmark allocation in the Composite.