



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

First Quarter 2018 Weather(ly) Report April 2018

There was never a dull moment as we forged forward into the New Year. A lot of change was being digested as investors and their trusted advisors adopted the December 22, 2017 tax package in the U.S., the new Federal Reserve Chair Powell took over the reins, and tariff and trade war discussions heated up. Data in January showed a tighter labor market, as well as increased wages and consumer prices, driving bond yields higher the first 2.5 months, with the 10-year Treasury yield up half a percent, ending the quarter at 2.74%. Stocks surged in January, reaching their highs on January 26th and fell sharply to end the quarter with the S&P 500 off 0.76%, the DJIA off 1.96%, and the NASDAQ up 2.59%. To help investors put this volatility into perspective, 12-month trailing returns for most broad market indices remained at double-digits. Growth continued to outperform value stocks for both Q1 and 12-month trail and mid-cap generally outperforming small-cap during the same periods. Stocks around the globe followed suit with Japan's Nikkei off 5.06% and European Stoxx off 4.02% Q1.

The Federal Reserve raised the federal funds rate by 0.25% in March and the committee forecasts were split between 2 or 3 additional increases this calendar year, a sign of underlying economic strength and a shift in policy to less monetary accommodation. Geopolitical posturing continues to dominate the news cycle and we continue to filter for substantive indicators to take advantage of an opportunity or review risk. Commodities in general, especially oil and gold, provided positive returns to investors. Treasury Inflation Protected Securities (TIPS) provided some shelter as investors looked with an eye to both inflation and quality. The rise in bond yields stalled in March as investor appetite was tantalized by higher yields and also by those looking for attractive alternatives to dividends. Weatherly continued to add to high quality, callable bonds (taxable and municipal) and shaved positions in both Boeing and Netflix as appropriate, while adding a small position of a blockchain focused ETF (BLCN). In general, Weatherly's client portfolios' approached a neutral asset allocation. While volatility continued, cash was put to work in enhanced cash funds and high quality bonds.

"Top Ten" Holdings *

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

Cybersecurity, digital assets, and privacy remain of paramount importance to our clients. Crypto thieves, hacking of customer information, and fraudulent requests have grown, causing our policies, education, and monitoring to increase on our clients' behalf. More stringent protocols have been implemented by Weatherly and our custodians to help minimize such occurrences. We appreciate your help in guarding your Personally Identifiable Information.

With the personal income tax deadline looming around the corner on April 17th, we continue to work with clients to maximize deductions and fund retirement and other deferred tax accounts. Donating appreciated stock or Qualified Charitable Distributions (QCD) to satisfy required minimum distributions continue to be strategies we are pursuing with clients as appropriate. Having a financial plan, appropriate asset allocation, and diversification by sector and security are key and impactful for clients during periods of volatility or growing geopolitical concerns. We continue our work with entrepreneurs and business owners to re-evaluate potential savings given significant changes to the corporate tax code and pass-through income rules. Should you wish to collaborate further on these topics or have us coordinate a dialogue with your appropriate professionals to evaluate your family, business and charitable options, we are happy to facilitate a discussion.

We continue to intentionally have a *Dialogue for Impact* with clients to address their specific plan, create a personal experience and problem solve to address goals and maximize their experience. Financial security for our clients and their families is the ultimate value and goal of our Weatherly Team. We look forward to working on client priorities behind the scenes and welcome your questions and calls.

*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%
2017	24.52%	23.52%	21.82%	24.62%	4.49%	3.99%	0.42%	17.01%	16.26%	10.75%
1st Quarter 2018	2.66%	2.41%	-0.76%	-0.91%	-0.72%	-0.84%	-0.13%	1.62%	1.43%	-0.445%
3-Year Trailing (Ann.)	12.03%	11.03%	10.77%	8.71%	2.29%	1.79%	0.40%	8.49%	7.74%	5.57%
Since Inception (Ann.)	9.92%	8.92%	9.89%	7.61%	4.83%	4.33%	3.60%	10.02%	9.27%	7.66%
<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 carve 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 1st Quarter 2018, 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 1995-2017 combined 8.91%. 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%, for 1995-2017 combined 4.42%.

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.