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**Second Quarter 2019 Weather(ly) Report  
July 2019**

“America was not built on fear. America was built on courage, on imagination and an unbeatable determination to do the job at hand.”  
- President Harry S. Truman.

We hope your Fourth of July festivities were full of barbeques, summer fun with family and friends and celebrations of our nation’s freedom. American markets forged forward with first half of 2019 reaching record highs. The S&P 500 closed out the second quarter up 18.54% for the year, followed by European stocks up 16.77%, US investment grade corporate bonds 9.85%, US high yield bonds 9.94% and WTI Crude up 28.76%.

Technology stocks led the market advance up 26% YTD through the 2<sup>nd</sup> quarter. While tech shares have led the market in recent years, future volatility is expected depending on tariff/trade resolutions with China. Throughout the quarter, trade and tariffs discussions on Chinese (and briefly Mexican) imports projected uncertainty on companies and global growth rates. Britain’s plans to exit the European Union (Brexit) added additional uncertainty as Prime Minister Theresa May resigned and new leaders emerged. Oil prices spiked to new highs as a drone was shot down and two oil tankers suffered significant damage in a separate incident. Copper stocks also swung wildly as concerns around global growth remained.

The Federal Reserve’s June meeting showed almost half of the Fed officials projecting lower rates by year end. Chairman Powell emphasized the Fed’s role of independence while remaining relatively optimistic on the economy, keeping interest rates unchanged in May. The month-long yield curve inversion indicated potential for recession, with 3- and 6-month Treasury bill yields at 2.09% and 10-year Treasuries at 2.006% at quarter end. Yield curve inversion has preceded every US recession for the last fifty years. Lower rates caused a flurry in new mortgages and refinances as investors looked to bigger homes or new purchases, with the jobless rate at 3.6%. Weatherly opportunistically put cash to work in 6-month Treasury bills yielding 2.09% to further increase portfolio quality and lock in yields above money markets for a short-term period of time.

As we head into a decade long bull market in equities, growth stocks continue to outperform value and domestic outperforming international. Weatherly began to de-risk and shift client portfolios toward neutral asset allocation by adding high quality short term corporate bonds and tax-free municipals for clients. We shaved our position in Kimberly Clark (KMB) to 2%; KMB returned 23% YTD and yield 3% locking in a solid gain while maintaining a high-quality dividend payer. Weatherly portfolios continued to enjoy biotech mega-mergers and trends in cyber and cloud computing with our top ten equity holdings at quarter end shown below.

“Top Ten” Holdings \*

- |                            |                           |
|----------------------------|---------------------------|
| 1. Netflix Inc.            | 6. Microsoft Corp.        |
| 2. Amazon Inc.             | 7. Adobe Systems Inc.     |
| 3. Apple Inc.              | 8. Starbucks Corp.        |
| 4. Guggenheim Global Water | 9. Home Depot Inc.        |
| 5. S&P Biotech ETF         | 10. Waste Management Inc. |

IPO issuance surged with many companies trading 25-30 times projected revenue (Zoom, Lyft, Pinterest, Slack and Beyond Meat). Stock buybacks also increased as companies put corporate cash to work by reinvesting in their own shares. Despite economic growth, low interest rates and low unemployment during the past decade, research from the FINRA Investor Education Foundation shows that many Americans are still unable to save, battling student loan debt and struggling with financial literacy. Half of Americans don’t have money set aside for 3 months of expenses. Geopolitical unrest continued in the Middle East, Eurozone and mass protests in Hong Kong triggered by fear of Beijing’s influence on the city. During the 2<sup>nd</sup> quarter, gold prices increased 9.03% as global uncertainty and potential growth cooled.

Weatherly was pleased to be included in the Financial Times’ Top 300 Advisors List on June 27<sup>th</sup>, 2019. To view the full article, list and related disclosures, please visit [www.weatherlyassetmgt.com/newsroom](http://www.weatherlyassetmgt.com/newsroom). As we forge ahead into the second half of 2019, we continue to strengthen our Weatherly bench of advisors to communicate with clients, enhance education, and utilize technology to elevate our core competencies of planning and investments. Visit [www.weatherlyassetmgt.com/team](http://www.weatherlyassetmgt.com/team) to learn more about our growing team!

“Freedom is nothing else but a chance to be better.” – Albert Camus

\*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&amp;P</u> <u>500t</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>
<b>2003</b>	<b>28.70%</b>	<b>27.70%</b>	<b>28.69%</b>	<b>34.63%</b>	<b>2.89%</b>	<b>2.38%</b>	<b>1.90%</b>			
<b>2004</b>	<b>14.70%</b>	<b>13.70%</b>	<b>10.87%</b>	<b>15.75%</b>	<b>4.05%</b>	<b>3.55%</b>	<b>0.91%</b>			
<b>2005</b>	<b>12.65%</b>	<b>11.65%</b>	<b>4.92%</b>	<b>11.37%</b>	<b>2.43%</b>	<b>1.93%</b>	<b>1.66%</b>			
<b>2006</b>	<b>16.21%</b>	<b>15.21%</b>	<b>15.78%</b>	<b>21.53%</b>	<b>4.94%</b>	<b>4.44%</b>	<b>3.95%</b>			
<b>2007</b>	<b>11.18%</b>	<b>10.18%</b>	<b>5.49%</b>	<b>12.18%</b>	<b>5.47%</b>	<b>4.97%</b>	<b>7.32%</b>			
<b>2008</b>	<b>-34.04%</b>	<b>-35.04%</b>	<b>-36.99%</b>	<b>-41.84%</b>	<b>-0.95%</b>	<b>-1.45%</b>	<b>6.61%</b>			
<b>2009</b>	<b>32.36%</b>	<b>31.36%</b>	<b>26.47%</b>	<b>35.41%</b>	<b>10.63%</b>	<b>10.13%</b>	<b>0.78%</b>			
<b>2010</b>	<b>11.93%</b>	<b>10.93%</b>	<b>15.06%</b>	<b>13.21%</b>	<b>6.77%</b>	<b>6.27%</b>	<b>2.35%</b>			
<b>2011</b>	<b>-5.58%</b>	<b>-6.85%</b>	<b>2.12%</b>	<b>-6.86%</b>	<b>4.37%</b>	<b>3.87%</b>	<b>1.55%</b>			
<b>2012</b>	<b>16.36%</b>	<b>15.36%</b>	<b>16.00%</b>	<b>16.80%</b>	<b>5.99%</b>	<b>5.49%</b>	<b>0.43%</b>	<b>11.84%</b>	<b>11.09%</b>	<b>8.18%</b>
<b>2013</b>	<b>28.20%</b>	<b>27.20%</b>	<b>32.41%</b>	<b>23.44%</b>	<b>-1.62%</b>	<b>-2.12%</b>	<b>0.36%</b>	<b>15.41%</b>	<b>14.66%</b>	<b>15.61%</b>
<b>2014</b>	<b>8.53%</b>	<b>7.53%</b>	<b>13.69%</b>	<b>4.71%</b>	<b>5.55%</b>	<b>5.05%</b>	<b>0.62%</b>	<b>7.43%</b>	<b>6.68%</b>	<b>7.01%</b>
<b>2015</b>	<b>4.86%</b>	<b>3.86%</b>	<b>1.38%</b>	<b>-1.84%</b>	<b>1.31%</b>	<b>0.81%</b>	<b>0.54%</b>	<b>3.55%</b>	<b>2.80%</b>	<b>1.09%</b>
<b>2016</b>	<b>8.70%</b>	<b>7.70%</b>	<b>11.95%</b>	<b>8.48%</b>	<b>2.79%</b>	<b>2.29%</b>	<b>0.88%</b>	<b>6.41%</b>	<b>5.66%</b>	<b>6.33%</b>
<b>2017</b>	<b>24.52%</b>	<b>23.52%</b>	<b>21.82%</b>	<b>24.62%</b>	<b>4.49%</b>	<b>3.99%</b>	<b>0.42%</b>	<b>17.01%</b>	<b>16.26%</b>	<b>10.75%</b>
<b>2018</b>	<b>-1.92%</b>	<b>-2.92%</b>	<b>-4.39%</b>	<b>-8.93%</b>	<b>0.61%</b>	<b>0.11%</b>	<b>1.59%</b>	<b>-0.80%</b>	<b>-1.55%</b>	<b>-1.06%</b>
<b>2<sup>nd</sup> Quarter 2019</b>	<b>4.61%</b>	<b>4.36%</b>	<b>4.30%</b>	<b>3.80%</b>	<b>2.05%</b>	<b>1.92%</b>	<b>1.44%</b>	<b>3.68%</b>	<b>3.49%</b>	<b>2.87%</b>
<b>Year-to-Date 2019</b>	<b>21.33%</b>	<b>20.83%</b>	<b>18.54%</b>	<b>16.60%</b>	<b>4.84%</b>	<b>4.59%</b>	<b>2.42%</b>	<b>15.07%</b>	<b>14.69%</b>	<b>10.39%</b>
<b>3-Year Trailing (Ann.)</b>	<b>16.27%</b>	<b>15.27%</b>	<b>14.21%</b>	<b>12.25%</b>	<b>2.78%</b>	<b>2.28%</b>	<b>1.29%</b>	<b>11.38%</b>	<b>10.63%</b>	<b>7.81%</b>
<b>Since Inception (Ann.)</b>	<b>10.05%</b>	<b>9.05%</b>	<b>9.96%</b>	<b>7.51%</b>	<b>4.84%</b>	<b>4.34%</b>	<b>3.59%</b>	<b>9.98%</b>	<b>9.23%</b>	<b>7.67%</b>

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 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 2<sup>nd</sup> Quarter 2019, 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 1995-2018 combined 8.39%. 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%, for 1995-2018 combined 4.23%.

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.