



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

Fourth Quarter 2019 Weather(ly) Report January 2020

Investors rang in 2020 and a new decade with over 11 years of growth in stocks, bonds and real estate fueled by low interest rates, inflation and unemployment. Fears of a “2019 recession” were in the rear-view mirror while some carried this viewpoint into the New Year. U.S. stocks rose 28.3%, international 23.0%, and bonds 8.7% for 2019. Market lows were seen after a strong sell-off in the last quarter of 2018: US stocks are up just over 10% since 9/30/18. Keep in mind the 2019 global backdrop involved much uncertainty over China/U.S. trade tensions, Brexit, Hong Kong protests, impeachment proceedings and attacks on oil tankers in the Middle East. At the time of this writing, tensions in the Middle East have escalated after the killing of Qassem Soleimani by drone strike and subsequent vows of retaliation by Iran. Safe havens such as the Yen and gold are rallying with the extent of conflict yet to be seen.

Weatherly continued to steer client portfolios to a neutral asset allocation position by raising cash flows preemptively, making year-end appreciated stock donations, completing Qualified Charitable Distributions in IRAs and partial Roth conversions or by shaving positions in highly concentrated securities. Our equity investment approach remained two-pronged – marrying dividend-oriented stocks with a thematic approach in emerging sectors including cybersecurity, paperless money, biotech and diversified entertainment streaming.

Monetary easing continued, pushing negative interest rates in a number of countries around the globe. The U.S. Federal Reserve did a dovish pivot in early 2019. We began the year with a Fed funds rate of 2.25% and ended the year at 1.75%. The Fed also stopped shrinking the balance sheet. While recession risks may have minimized, global policy makers have less tools in their toolbox to ward off a future recession. The U.S. yield curve shape danced throughout 2019, with first a flattening, then a short time of inversion, with a slight steepening by year-end.

Information technology led the year, up 48%, with communications up 31% and financials up 29%, notable sectors outperforming the S&P 500. Weatherly’s clients benefited from our exposure to these sectors and largest ten holdings shown below.

“Top Ten” Holdings *

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

We continue to keep a close eye on flattening real estate rental rates, auto purchase declines, living wage discussions and implementations by companies and legislation. New technologies continue to push the frontier in AI and robotics in a meaningful way in health care, manufacturing and energy in both business to consumer and B2B sectors.

On December 19th, 2019 the Secure Act (effective 1/1/20) was signed into law, creating opportunity for clients to push out their minimum required distribution until age 72, removing the age limit to contribute to an IRA if you have earned income, and other changes to defined contribution, defined benefit and 529 plans. The Secure Act also places a 10-year distribution requirement on non-spouse Inherited IRA’s and does away with conduit trusts. Qualified Charitable distributions are still allowed after your 70.5th birthday. Please find more details at the following link: <https://www.fidelity.com/go/secure-act-faqs>

We continue to work with clients on investment and planning strategies unique to their situation expecting more normalized historical returns and spending – bunching charitable donations, itemized vs. standard deduction years, making sure debt to equity ratios are intact and cash flow strategies are being optimized, implemented and reanalyzed routinely. Longevity and technology revolutions are here to stay so safeguarding assets and working to educate clients and create meaningful dialogues are part of our ongoing goals

*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</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>
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%
2018	-1.92%	-2.92%	-4.39%	-8.93%	0.61%	0.11%	1.59%	-0.80%	-1.55%	-1.06%
4th Quarter 2019	10.28%	10.03%	9.06%	9.07%	0.89%	0.76%	0.51%	6.99%	6.80%	4.79%
Year-to-Date 2019	32.54%	31.54%	31.48%	27.30%	7.05%	6.55%	3.55%	22.85%	22.10%	17.01%
3-Year Trailing (Ann.)	17.41%	16.41%	15.26%	13.05%	4.01%	3.51%	1.84%	12.56%	11.81%	8.64%
Since Inception (Ann.)	10.23%	9.23%	10.20%	7.73%	4.82%	4.32%	3.56%	10.22%	9.47%	7.95%

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 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 4th 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 1995-2019 combined 9.23%. 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%, for 1995-2019 combined 4.32%.

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 90%, 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.