



carolyn@weatherlyassetmgt.com
 T 858.259.4507 F 858.259.0782
 832 Camino Del Mar, Ste 4 | Del Mar, CA 92014
 WWW.WEATHERLYASSETMGT.COM



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

**First Quarter 2022 Weather(ly) Report
 April 2022**

We are living in a fascinating time in history. As we entered the New Year, we saw global stimulus ease and fiscal stimulus (PPP loans and stimulus checks) end in Fall 2021. With the pandemic subsiding, we experienced households with excess savings, historically low interest rates, low unemployment at 3.8%, coupled with tight labor markets. These circumstances pushed rents, wages and food and gas prices higher, pointing to sustained inflation. Supply-chain became an everyday word during the last year; businesses moved some supply-chain sources from global to local, while others increased suppliers and order sizes to be nimbler. The rate on 30-year fixed mortgages reached 2.5% in 2021, fueling real estate prices, especially single-family homes, while wealthy individuals and corporations making multiple all cash offers further drove prices upward. Since the March 2020 lows, equity markets doubled by year end 2021 and delivered historically high market returns for the trailing 3- and 5-year periods.

In first quarter 2022, the world shifted attention abruptly to the Russia-Ukraine war which displaced over 10 million of the 40 million Ukrainian population and proceeded with atrocities not seen in Europe since WWII. NATO and its allies initiated sanctions against Russian economy restricting trade, Russian financial assets and access to reserves. Cybersecurity attacks within the Ukraine and other global assets increased, heightening concerns as the war by land, sea and air waged on. Oil prices following the month of Russia’s invasion of Ukraine rose 21% from \$92.81 to \$112.34 a barrel. President Biden authorized the release of over 180 million barrels from U.S. reserves with unprecedented government intervention in an attempt to ease oil prices. Putin’s statements threatened chemical, biological, nuclear, and cyber-attacks throughout this period. A potential new world order occurred as all eyes turned to China, India, North Korea, Iran, and other potential Russian allies as to their next steps.

Given a multitude of potential outcomes due to the gravity of the Russia-Ukraine war and the Federal Reserve’s pivot to higher rates (reducing reserves and raising the Fed Funds rate), strategies to mitigate risk became essential. Stocks suffered the worst quarter in 2 years with these concerns of war and inflation, with the S&P returning -4.9%, the DJIA -4.6%, the Nasdaq -9.1%, the Euro STOXX -9.2% and Cathie Wood’s Flagship ARK Innovation Fund (ARKK) -30%. The average equity fund returns for 12 months trailing delivered 0.9%, while Weatherly’s equity composite was just below 9% during the same period.

Focus continues on the U.S. yield curve, as the curve inverted (2-year yields above 10-year yields) for a couple of days near quarter end. As of this writing, the yield curve has steepened at the short end, but is extremely flat from 3-30 years. As further Fed rate hikes are expected at an accelerated rate, a re-inversion is a possibility, raising concern about timing and duration of slower growth or recession. The rate on 30-year fixed mortgages ended the quarter at 4.67%.

Weatherly’s positions in cybersecurity, defense, water, oil, and durable growth coupled with high quality short-term fixed income helped portfolio returns. Positions in biotech, digital payments, streaming services, and pandemic darlings from prior years, detracted from portfolio returns for the quarter.

“Top Ten” Holdings *

- | | |
|-----------------------------|--------------------------|
| 1. Apple Inc | 6. Costco Wholesale Corp |
| 2. Amazon.com Inc | 7. SPDR S&P Biotech ETF |
| 3. Microsoft Corp | 8. Waste Management Inc |
| 4. Invesco Global Water ETF | 9. Adobe Systems Inc |
| 5. Netflix Inc | 10. Alphabet Inc Class A |

Weatherly is pleased to announce that our firm was represented in Barron’s list of Top 1200 Advisors this March 2022, with our President, Carolyn Taylor, coming in at #78. See her profile and learn more about the listing by clicking [here](#) or visiting Weatherly’s [Newsroom](#).

Weatherly’s partners and advisors continue to work closely on planning opportunities for clients, their businesses, families, and communities. An integral part of our approach is the customization of individual client planning and investment strategies alongside dynamic pivots as appropriate given changes to their unique situation and the global environment. With 2021 tax deadline around the corner on April 18th, we have utilized this as an opportunity to help with gifting to charity and the next generation, modifying withholdings and project income and expenses to keep investment plans on track. Given the increased market and cyber risk, we have also suggested clients maintain a cash cushion of at least 3 months of expenses and implement multi factor authentication across financial institutions. Please let us know if we can elaborate on either of these suggestions. Weatherly’s clients continue their generosity, increased during the pandemic, to extend impact globally with charitable donations from their IRAs and charitable funds to assist many in need of food and health care in the Ukraine and Europe.

*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>
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%
2019	32.54%	31.54%	31.48%	27.30%	7.05%	6.55%	3.55%	22.85%	22.10%	17.01%
2020	30.97%	29.97%	18.39%	16.82%	4.35%	3.85%	3.10%	21.36%	20.61%	12.08%
2021	20.55%	19.55%	28.68%	19.04%	0.69%	0.19%	-0.55%	14.34%	13.59%	13.45%
1st Quarter 2022	-7.85%	-8.10%	-4.60%	-5.26%	-3.33%	-3.46%	-2.34%	-6.44%	-6.63%	-3.47%
5-Year Trailing (Ann.)	16.99%	15.99%	15.97%	12.19%	2.37%	1.87%	1.07%	11.94%	11.19%	8.81%
Since Inception (Ann.)	10.86%	9.86%	10.83%	8.16%	4.48%	3.98%	3.27%	10.68%	9.93%	8.30%
<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 2022, 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%, 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 1995-2020 combined, 9.96% and for 1995-2021 combined, 10.31%. 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 c,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%, 1995-2020 combined, 4.31%, and for 1995-2021 combined, 4.15%.

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.