June 2022

We are pleased to share a follow-up profile that was published by *Business Insider* on May 27. It is attached at the end of this letter. This article written by the same journalist that profiled Terri in April 2020, shortly after the global shutdowns at the start of the COVID-19 epidemic. In other media, Terri is appearing regularly on Bloomberg TV with her next scheduled appearance on June 24 at 3:40pm EST.

The First 100 Days:

The first 100 days of 2022 marked the fourth worst start for stocks in 90 years, we may have seen the bottom and the start of a recovery for the rest of 2022. After a late month rally, we can finally say goodbye to May. Will there be a June swoon? Maybe. Predictions are a fool's game. However, for the second half of 2022 the probability of gains are likely higher than they are for losses.

Here are 3 reasons why:

1. Seven week losing streaks are rare (and potentially bullish). The S&P 500 registered a 7-week losing streak through May 20, 2022. That's only happened 3 other times since 1950 and for two of those, stocks were up more than 33% in the next 12 months.
2. From the start of 2022 until May 20, the S&P 500 shed 18.6%. When prices fall this much, the probability for gains in the next 12 months are good. Prior drops of 10-20% show gains of 25% on average a year later.
3. The 1st 100 days of trading for 2022 mark the fourth worst start after 1932 (Great Depression), 1940 (World War II) and 1970 (Vietnam and a recession). The good news is that previous bad starts have seen nice rubber band snap backs and that could be the case this year too.

For client accounts, during May we added opportunistically to individual stocks, including Exxon Mobil and Microsoft, as well as sectors including financials and "cash cow" stocks (those that generate strong cash flows and dividends). Portfolios currently hold about 13-25% cash, down from about one-third to 50% cash at the end of April.

We have been in challenging situations multiple times and approach wealth management with a process and a strategy. We stay on alert overseeing to investment holdings with the two goals of growing wealth while guarding it.

We look at risk and return both strategically and protectively. Strategically, through good offense, by combining different asset classes we create an allocation with great prospects for delivering the growth you seek while guarding against unnecessary risk. Protectively, through great defense, we incorporate data to flexibly respond to market information and to guard against losses.

BUSINESS INSIDER – Subscriber only content.

Terri Spath used a simple approach that protected clients' money during multiple market downturns. She told us how she's updated her approach to play better offense and earn bigger returns.

Marley Jay

May 27, 2022, 8:34 AM

Zuma Wealth founder and former Sierra Mutual Funds Chief Investment Officer and fund manager Terri Spath. Sierra Mutual Funds

- **Terri Spath has managed mutual funds worth billions of dollars through severe downturns.**
- **At her new firm, she's melding defensive quantitative techniques with a more traditional approach.**
- **Spath told Insider how she's evolved her strategy to deliver more upside to clients.**

After years of helping investors thrive by playing good defense, Terri Spath says she's added offense to the mix.

As a mutual fund and portfolio manager at firms including Franklin Templeton and Sierra Advisors, where she was also chief investment officer, Spath built a track record of outperforming the market during downturns like the dot-com crash, the Global Financial Crisis, and the COVID sell-off.

Today, as the founder and investment chief at Zuma Wealth, Spath says she's combining the best parts of the approaches she learned earlier in her career, using the quantitative techniques Sierra favored as well as the fundamental analysis she learned at earlier stops like Franklin Templeton.

She says that has helped Zuma post flat returns in April when the S&P 500 fell almost 9%.

"What I've got now as a decision process is that intersection of both fundamental analysis and quantitative metrics to determine is this not just the right thing to buy, but is it also the right time to buy it," she told Insider. "You can uncover cheap stocks all day long, but if you don't buy them at the right time or sell them at the right time, then it can just be dead money for a very long time."

Spath says the marriage of those styles helps her find stocks that are just beginning to rise.

In 2020 Spath told Insider that moving averages were the foundation of Sierra's defense-oriented approach, and she used those averages to identify sell signals that tell her when it's time to get out of the stock market. Today, Spath says those are still an important tool in her arsenal.

While quantitative analysis is helpful in preventing meltdowns with a momentum-focused approach, she says it doesn't answer the vitally important question of when to buy. While the selling on Wall Street is settling down, she's holding large amounts of cash and waiting for clearer 'buy' signs.

"There are certain crossovers that make sense for most stocks to help decide whether it's a good time to buy or whether you're just catching a falling knife," she said. "When does the nine day moving average, for example, cross over the 18 day?"

But Spath says there are some bargains already, including Home Depot, Starbucks, and JPMorgan Chase, while names like Wells Fargo and Charles Schwab may be bargains but don't look ready to break out yet. Using those traditional approaches also lets her cast a wider net than she could in the past.

"If you sharpen your pencil and start to do some homework, there's some blue chip S&P 500 companies that are within 5% of their 52-week lows. They pay a decent dividend, and they are in a sweet spot for their price to earnings ratio," Spath said.

Energy companies are very appealing, she adds, but she doesn't want to overload her clients' exposure to that volatile sector of the market. Spath also recommended the Invesco DB Commodity Index Tracking Fund, which tracks a basket of commodities and benefits from the strength in the US dollar.

Some alternatives are also performing reasonably well as she waits for an opportune moment to buy more stocks.

"You can park money in merger arbitrage funds right now, and you're going to make a nice, steady return," she said. "And managed futures, believe it or not, have been something that we've put money into."

Thank you for your continued loyalty and trust.

Terri Spath

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