

December 2021

Thankful and Watchful.



November means Thanksgiving and a time for gratitude. We all have much to be thankful for and we are grateful the trust our rapidly growing client base has in their decision to choose us to steward your wealth. Thank you.

We are thankful and we are also watchful. Record high profits for companies does not mean that there won't be dips (or even corrections). It has been 21 months and counting since COVID-19 has forced unanticipated changes to everything in our lives. Economic planning for businesses has become impossible. Individual travel plans can be disrupted at any moment. Put it together and investors need to continue to be ready to ride the COVID roller coaster.

From the Shores of Malibu, Fewer Ships.

COVID-19 (should we update to start calling it COVID-22?) variants continue to rattle investors from time to time, but a Santa Claus rally supported by strong corporate earnings and economic data provide a solid foundation for rising stock prices going forward.

The number of ships we can see in the harbors from Malibu to Los Angeles are declining, an anecdotal piece of evidence that is supported in the data. While supply chain disruptions, as well as material and labor shortages are impacting the global economy, those issues are improving. Corporate earnings are on track for a 40% year-over-year increase for the third quarter!

The flip side of this strength is rising prices (read = inflation and rising interest rates). This means risk...as well as opportunity. Technology, energy, and financials represent the largest overweight positions for client. Further, the newly researched and launched Zuma Wealth Conservative Growth strategy is the solution for clients and investors seeking alternatives to dead money bonds. The Strategy is described at a high level below.

Zuma Wealth portfolios are biased to growth stocks and sectors. November again delivered on that view with the technology sector outperforming all other sectors. Consumer prices rose for the 8th month in a row, resulting in a flight to quality, buoyed client holdings in long-duration government bonds. Most high yield corporate bond positions have been exited completely.

Opportunities.

Zuma Wealth Hedged Equity Strategy.

We are excited to launch and initiate client positions in the Zuma Wealth Hedged Equity Strategy. This strategy builds on our decades of experience utilizing covered calls and put spreads to generate income, enhance gains, provide guardrails and hedge declines. The strategy writes calls on individual stocks or ETFs and initiates put spreads on stocks and ETFs. Simple to execute. Outstanding results.

Zuma Wealth Conservative Growth Strategy.

We have also launched and initiated client positions in a rising interest rate/inflation portfolio for conservative growth. The strategy incorporates the *Zuma Wealth Hedged Equity Strategy* and is expressly designed for the higher probability that interest rates will be flat to rising in the future, rather than falling as they have for the prior three decades. Zuma Wealth Conservative Growth also includes real estate and financial sector ETFs, commodity funds, individual dividend stocks and high yield corporate bonds and/or long-duration government bond ETFs. Our rigorous and reviewed study extracts the asset classes or individual holdings that have historically demonstrated strength in rising inflation and interest rate environments, *while also passing the tough tests of outperformance during more neutral periods*. In addition, quantitative technical metrics provide guardrails against unusual declines.

Don't Pay Unnecessary Taxes.

For taxable accounts, it is the time of year when tax management can benefit your investments. To that end, we take steps to reduce unnecessary taxes for clients including avoiding capital gains distributions and generally utilizing ETFs and individual stock holdings. ETFs and stocks provide far greater flexibility for managing unnecessary capital gains and associated taxes, while also generally doing so at lower cost than mutual funds. The result for our clients: lower management fees and lower taxes.

Thank you for your loyalty and support. We are grateful.



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