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THIRD QUARTER | 2022

FROM KATHLEEN AND NICOLE

Dear Clients,

These are volatile times in the overall markets, and we are all experiencing "volatility fatigue." This can be a difficult time to stay focused on your goals and your long-term plan.

Here are some quotes from some of our trusted and successful investment gurus:

Warren Buffett—"I will tell you how to become rich. Be fearful when others are greedy. Be greedy when others are fearful."

Dr. David Kelly— "There is no good investment that didn't feel lousy when you got in."

*Peter Lynch— "*Far more money has been lost by investors preparing for corrections or trying to anticipate corrections than has been lost in the corrections themselves."

Don Calcagni— "We diversify not because of what we expect, but to protect against what we don't. That is the utmost manifestation of prudence, common sense, and our fiduciary duty to those we serve."

Remember, you have an individual comprehensive financial plan. Trust your plan, be patient, and try not to let fear sabotage your plan. Diversification, asset allocation, time and patience are what create long term wealth. Stay the course. Call us anytime to discuss your financial plan.

Kathleen and Nicole

IS MARKET TIMING WORTH IT DURING PERIODS OF INTENSE VOLATILITY?

"2022 will likely remain volatile for equity markets, as central banks normalize alongside persistently hot-inflation and geopolitical issues result in prolonged uncertainty. "

Jack Manley, Global Market Strategist

Success in both investing and retirement requires investors to focus on what they can control, like saving patterns and asset allocation. During periods of extreme volatility, emotions can often interfere with this success. Despite efforts by financial advisors, investors may be tempted to take control in a way that is likely to be detrimental, selling out of the market after a significant drawdown – and locking in losses – with a plan to re-enter when things feel "safer".

This behavior is driven by "loss aversion" – the desire to avoid additional losses because losses feel more painful than gains feel good. However, what most investors aren't aware of is how closely the best days often follow the worst, and how important those good days are to the recovery of a portfolio.

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"The average investor's return is significantly lower than market indices due primarily to market timing."

— Daniel Kahneman

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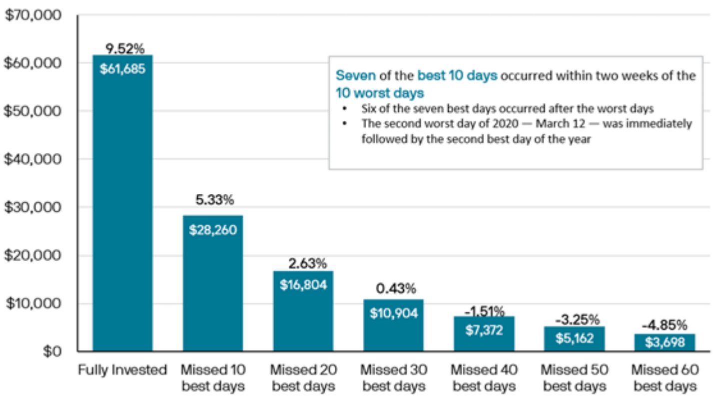
The chart below, from J.P. Morgan 2022 Guide to Retirement, helps to explain this concept, illustrating its worst-case outcome. It compares the return experience of an untouched $10,000 investment in the S&P 500 over the past 20 years to a return that is impacted by missing some of the best days as a result of premature selling.



Returns of the S&P 500. Performance of a $10,000 investment between January 1, 2002 and December 31, 2021

As of year-end 2021, seven of the best days have occurred within two weeks of their corresponding worst day; often the spread is much closer than that. For example, March 12, 2020 was the second-worst day of the year, and was immediately followed by the second-best day of the year. Moreover, the worst days overwhelmingly occur before the best days: over the last 20 years, six of the seven best days occurred after the worst day.

"The four most expensive words in the English language are, "This time it is different".

– Sir John Templeton

Given this reality, should an investor sell after experiencing a poor return, it is impossible to re-invest in time to benefit from the best day that may follow. Will this investor miss the best 10 or 20 days? Likely not – but this illustrates how repetitive "loss aversion" induced selling can significantly erode returns.

However, some may ask: what if an investor misses the worst days but still benefits from the best? There are two key issues with this question:

First, there is no guaranteed "signal" to get out of the market, and market bottoms are only determined in hindsight.

Second, the investor would need to buy in on the worst days during some of the most significant market drawdowns when loss aversion is at its greatest.

As a result, it is hard to believe that someone could be smart enough to consistently miss the worst days while courageous enough to invest for the best days.

Unfortunately, 2022 will likely remain volatile for equity markets, as central banks normalize alongside persistently hot-inflation and geopolitical issues result in prolonged uncertainty. Therefore, it is important to remind investors that success is achieved through time in the market, not timing the market. And, to quote Dolly Parton, "If you want the rainbow, you gotta put up with the rain."

Source: J.P. Morgan Asset Management analysis using data from Bloomberg. Returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Indices do not include fees or operating expenses and are not available for actual investment. The hypothetical performance calculations are shown for illustrative purposes only and are not meant to be representative of actual results while investing over the time periods shown. The hypothetical performance calculations are shown gross of fees. If fees were included, returns would be lower. Hypothetical performance returns reflect the reinvestment of all dividends. The hypothetical performance results have certain inherent limitations. Unlike an actual performance record, they do not reflect actual trading, liquidity constraints, fees and other costs. Also, since the trades have not actually been executed, the results may have under- or overcompensated for the impact of certain market factors such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. Returns will fluctuate and an investment upon redemption may be worth more or less than its original value. Past performance is not indicative of future returns. An individual cannot invest directly in an index. Data as of December 31, 2021.

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INVESTMENT COMMENTARY

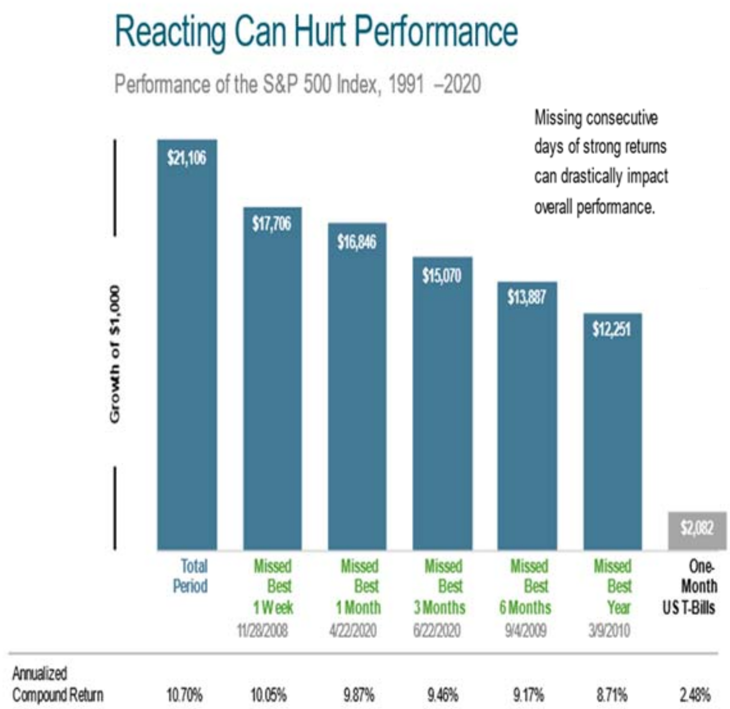
Here we sit halfway through 2022 and both the stock and bond markets have had quite the negative start to the year. The S&P 500 is down -19.96% for the year and the bond market (Bloomberg US Agg) is down -10.35%. We have experienced quite the upside over the last ten years with the S&P 500 up 12.96%, the Russell 3000 up 12.57%, and even bonds up 1.54% (all numbers annualized). The stock market has provided good returns, the bond market not nearly as much, over the last ten years, which includes the last six months.

The Federal Reserve has been raising rates during the last three meetings. They have raised the Federal Funds rate three times for a total of 1.50% to fight inflation. The Federal Reserve has signaled its intention to raise the Federal Funds rate a few more times. In addition, the Federal Reserve will not reinvest some of the US Treasury Bonds and mortgage securities as they mature. Both actions are in an effort to fight inflation.

The continued Russian invasion of Ukraine, the disruptions in the labor markets, and supply chains concerns have all directly or indirectly contributed to higher inflation. The Federal Reserve has been taking actions to fight inflation. These events and actions have led to past downside market volatility so far this year.

With the expectation for potentially more Equity and Fixed Income market volatility, as well as the expected actions from the Federal Reserve, would we recommend trying to time the market to avoid potential losses? The answer is a resounding and emphatic NO! Market timing does not work. We have seen this both in the Equity markets and the Fixed Income markets.

In the Equity markets, we have seen some very big market swings over the last thirty years. Some really good months and some really bad months. At the same time, we don't recommend staying out of the market to avoid potential losses. The below chart shows what can happen if you miss some of the best times over the last thirty years, even as short as the best week. One thing to note here, is that each of these best periods came after some very big drops. This chart shows what would happen if you invested $1,000 in the S&P 500 from the beginning of 1991 – through 2020:



Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. In US dollars. For illustrative purposes. Best performance dates represent end of period. The missed best consecutive days examples assume that the hypothetical portfolio fully divested its holdings at the end of the day before the missed best consecutive days, held cash for the missed best consecutive days, and reinvested the entire portfolio in the S&P 500 at the end of the missed best consecutive days. Annualized returns for the missed best consecutive days examples were calculated by substituting actual returns for the missed best consecutive days with zero. S&P data © 2021 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. "One-Month US T- Bills" is the IA SBBI US 30 Day TBill TR USD, provided by Ibbotson Associates via Morningstar Direct. Data is calculated off rounded daily index values.

Now turning to the Fixed Income market, the Federal Reserve has announced they intend to raise interest rates. Given the announcement about intended rate increases, one would expect that we can wait until after the meeting to act. Since the Federal Reserve has been publicly communicating these rate increase intentions, they are typically priced in ahead of the rate-increase announcement. The Federal Reserve announced a rate increase after their meeting on June 15, 2022. As we can see in this chart of US Treasury yields, the rates increased leading up to the announcement but then actually decreased after the announcement.

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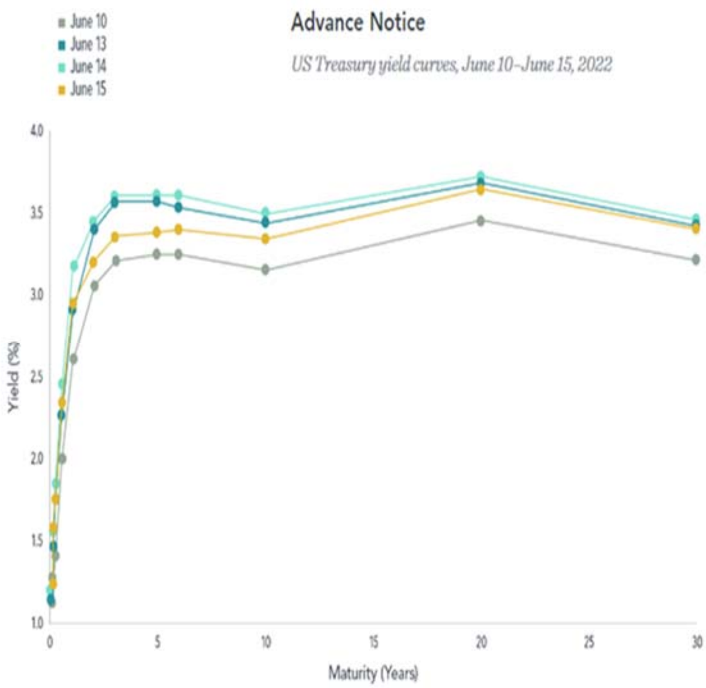

One piece of advice is not from the investment industry but comes from the medical field: "Don't just do something, stand there!" While this statement seems contradictory, it is a common saying for emergency departments across the country. Taking unnecessary action can lead to negative outcomes. As financial professionals, we are not dealing with the same life or death decisions, but we can learn from this concept. At Mercer Advisors, we recommend that you have a well-developed financial plan for your short term and long-term goals. Once you have this well-developed financial plan, we invest accordingly. Once we have the plan in place, we recommend a fully diversified portfolio. The quote from Don Calcagni, Mercer Advisors' Chief Investment Officer encapsulates it best:

"We diversify not because of what we expect, but to protect against what we don't. That is the utmost manifestation of prudence, common sense, and our fiduciary duty to those we serve."

By: David Simpson

Fixed Income Chart DISCLOSURE

This material is in relation to the US market and contains analysis specific to the US.

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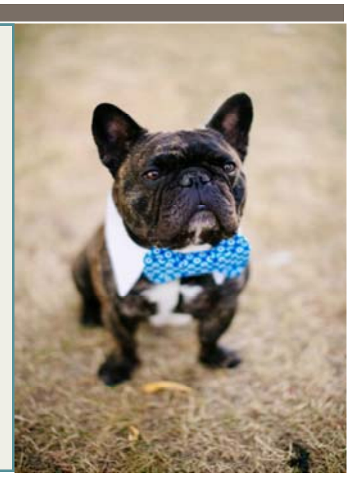
MARCEL'S MASTERMIND

Your long term wealth creation is adversely affected by focusing on the short term.

– Marcel



MARK YOUR CALENDAR

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July

- Sunday, 10: Barn Day; *pay homage to the heart of every farm.*
- Wednesday, 27: National Korean War Veteran's Armistice Day; *take a moment to reflect on the service and sacrifices of American troops during this conflict.*

August

- Tuesday, 2: National Night Out; *Civilians, organizations, and the Police join hands to enhance the relationship between neighborhoods and communities.*
- Thursday, 4: US Coast Guard Birthday; *Keeping the nation's waterways safe since August 4, 1790.*
- Sunday, 14: National Financial Awareness Day; *Sound financial decisions can really make a difference down the road.*

September

- Monday, 5: Labor Day (Mercer Advisors, Closed)
- Sunday, 11: Grandparent's Day; *Grandparents Day is an opportunity to treasure that relationship.*
- Saturday, 17: Constitution Day, *Signed by the Founding Fathers this day 1787.*

STAFF NEWS

What is the best piece of financial advice you have been given?

Kathleen: Have a plan, but be flexible. Enjoy your hard-earned wealth.

Nicole: Be disciplined in setting and saving for goals, and reward yourself when they are achieved. Don't forget to have fun along the journey!

David: Slow and steady wins the race. (I have been the rabbit and I have been the tortoise.) Sometimes you have to be the wise owl that observes and reflects on what you have heard or read but not act too quickly. Many investors don't do as well as they could since they react to news and then buy in and sell out when it is not in their best interest.

Jane: Save, save, save. Always look ahead. Unexpected things happen in life all the time. But if you are always looking forward you can often avoid major pitfalls.

Carrie: "Compound interest is your friend." This is only true if you're on one end of that interest equation, of course, but a reminder nonetheless.

Sharon: Start saving at a young age. Compound interest is the best strategy to wealth accumulation.

"Investing should be more like watching paint dry. If you want excitement, take $500 and go to Las Vegas." - Paul Samuelson

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FINANCIAL UPDATE

Here are selected rate of return numbers for the last two years and year to date as of 06/30/2022*

Index	6/30/2022	2021 Annual Return	2020 Annual Return
Dow Jones Industrials	-14.44	20.95	9.72%
NASDAQ Composite	-29.23	22.18	44.92%
S&P 500 Index	-19.96	28.71	18.40%
Russell Midcap - US Mid Cap	-21.57	22.58	17.10%
Russell 2000 - US Small Cap	-23.43	14.82	19.96%
MSCI EAFE - International Large Cap	-19.57	11.26	7.82%
MSCI Emerging Markets	-17.63	-2.54	18.31%
BBgBarc US Aggregate Bond	-10.35	-1.54	7.51%
FTSE Treasury Bill 3 Month - Cash Alternative	0.17	0.05	0.58%

*(Source: Morningstar) *Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results may vary. Past performance does not guarantee future results.*

"The Stock Market is designed to transfer money from the active to the patient."

– Warren Buffett

CONTACT INFORMATION & DISCLOSURES

We would like to remind you that in the event you are unable to speak with someone at our office, you can contact Raymond James Client Services directly for assistance with your accounts at (800) 647-7378. If you have any questions or feedback regarding the newsletter, please contact the office and let us know how we can improve our communication with you.

We thank those of you who have referred your family members, friends, associates, and clients, to us. Your referrals are most appreciated personally and professionally and has helped our practice to grow over the years.

Contact us at (425) 822-8122 or by email.

Please email more than one of us to ensure a prompt response.

Note: our **new email addresses** are listed below, please update your address book.

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