

Michael H. Morris

Chief Executive Officer



Hurricane Ian Update

As we begin to comprehend the aftermath of Hurricane Ian, we are deeply saddened by the mass impact on Florida and Southwest Florida in particular. We have been thinking about and praying for our many neighbors and clients who have been affected by this devastating storm, and we are grateful for the messages of concern and hope. We are thankful to report that all NGA team members are safe and well. The road ahead may be difficult, but life in Southwest Florida will normalize—just as we expect of the financial markets and economy. There may be some minor delays with our usual quarterly reporting, but NGA has returned to full and normal business operations.

We've come to expect gas prices to rise and fall without any direct correlation to real economic activity. After all, we've been down this road before and now recognize there is a combination of an authentic cartel and a communist authoritarian controlling a meaningful portion of the global oil and gas supply. However, when the price of your coffee, milk and eggs starts to increase noticeably, you begin to think... "maybe it IS the economy, stupid" and financial optimism is almost certainly NOT what you're feeling as you exit the grocery store. A transition is playing out in our daily lives and in the investment markets that reflects this painful movement from an extraordinarily long period of low interest rates, slow economic growth and modest inflation to one of rapidly rising interest rates, rampant inflation and a declining expectation for future growth. Daily volatility reflects the uncertainty of the timing of the outcome and reasons for caution abound.

Caution has been warranted as it has been a challenging year for all investment asset classes. This is especially the case when you add in the impact of geo-political shenanigans, divisive elections and supply chain issues to the already bruised and COVID-weary economic psyche. Central Banks around the world are racing to address inflation with monetary policy (increasing interest rates). The result has been a reversing of the former TINA ("There is no alternative" to stocks) mantra. Bond investments are becoming appealing for the first time in a long time. Businesses are adjusting to the changing environment by raising prices and cutting costs. It is probable the economy will soften. It is not likely the economy will collapse. Resilient companies will prove their resiliency. Most dividend paying companies will continue to pay dividends, and in many cases, at an increasing rate. Investor's short-term expectations will change. Investor's long-term investment plans and risk tolerances should rightfully be evaluated and validated.

Transition periods are not pleasant for anyone. When virtually all investment classes have negative returns, investment advisors like us do what we can to make a positive difference. That means tightening portfolios to target asset allocations; building larger than normal cash positions; making quality upgrade swaps within asset classes and industry sectors; capturing yield enhancements; tax loss harvesting; and where possible, purposefully working to a tax neutral gain/loss position. Trading activity is high, yet movements are slow and deliberate. The enclosed report is but a snapshot of your positions at the quarter-end and shows little of the detail of the care and diligence applied in the management of your investments. If you'd like to talk through the specific actions that are being taken in your portfolio, please call or come in.

Throughout the years, scammers and fraudsters have proliferated and become increasingly creative, but they are nothing more than thieves targeting the unsuspecting. One of our custodians, Charles Schwab, affirmed this sad state of affairs earlier this summer with an alert announcing, "Be on guard: Scammers are impersonating employees of Schwab and other reputable companies." The Schwab notice told of a phishing scheme whereby the fraudster contacts and informs the client that there's an "urgent matter—a

refund, or a suspicious trade” that requires the client to grant remote access to their accounts in order to “set up test transactions” or “catch the criminal.” Obviously, a ruse. The point of all this is to urge our clients to not click on links or attachments in suspicious emails, regardless of the sender, and to avoid providing any personal identifying information by unencrypted email or telephone.

Raising awareness of these risks is but one part of our effort. Earlier this year, we revamped the provisions of our own procedures to give more emphasis to cyber-security and protecting client information. Then in July, we hired Alexandra DiPasquale to serve as Director of Compliance, Operations and Security. While the entire NGA staff is engaged in risk management in some fashion, Alex is our first full-time professional purely dedicated to protecting the firm and our clients. In a perfect world, Alex’s position would be principally behind the scenes and best delivered without any noticeable change to service recipients. However, we believe even if you don’t see her in person, you will sleep better at night knowing of the positive impact of Alex’s efforts.

Continuing this theme, on September 14th we tested the firm’s Business Continuity Plan. Little did we know how important this test would prove to be! A tad different from simply working from home, all NGA employees were tasked with validating—after-hours and from a remote location—that mission critical activities could be performed in the event of significant business disruption (fire, terrorist threat, and yes, hurricane). We complete Business Continuity Plan testing annually because of currently imaginable circumstances like Hurricane Ian. While threats are constantly changing, we’re pleased to report a high level of confidence in our ability to continue to manage portfolios and serve our clients.

On a similarly sunny note, the firm and several family members spent the morning of Saturday, September 17th volunteering for non-profit, Keep Collier Beautiful. We participated in the annual effort of Ocean Conservancy’s International Coastal Cleanup Day which aims to keep our beaches free of trash and debris. The variety of “stuff” extracted by our team was broad. As the photo depicts, the mood of the volunteers was jovial, and we felt like we made a difference, despite the less than glamorous task at hand. We will continue to seek service projects as our community embarks upon a long journey of rebuilding after the damages from Hurricane Ian.



Naples Global Advisors at the *Keep Collier Beautiful* Coastal Cleanup Day

Sometimes, currency can make a meaningful difference in investment returns. You may have heard of the persistent strength of the U.S. dollar, and perhaps more recently about the weakness of the Japanese yen versus the U.S. dollar. The yen is at its lowest price to the U.S. dollar in 20 years, resulting in potential future tailwinds from companies deriving earnings from the world’s third largest economy. We are intrigued. As a result, in December we plan to send two NGA team members to Tokyo to visit with companies and assess the opportunities. More to come on that, but we are looking forward to fully resuming our international research travel and we are hopeful about the investment prospects to be vetted.



September 2012 – September 2022 (Daily)

Natural disasters, monetary policy transitions, corrections, bear markets and recessions are all normal occurrences factored into any well thought out investment plan. Going through them is difficult and emotionally painful but does not change the appropriateness or ultimate effectiveness of the plan. Despite the long trek ahead toward recovery from Hurricane Ian and the general global pessimism that currently prevails, we remain vigilant in carefully optimizing the plan developed on your behalf, and we are grateful for your continued confidence in Naples Global Advisors.



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