

# THE SEIA REPORT

*Successful wealth management is the result of an ongoing collaboration between investor and advisor, built upon trust and maintained according to the highest standards of integrity and expertise.*

## 2016 US PRESIDENTIAL ELECTION: EXPECT THE UNEXPECTED

**Derek S. Kellman, CFA®**  
*Portfolio Manager*

### **Conventions Conclude**

The Republican and Democratic conventions have both concluded with the expected nominees prevailing – but not without some controversies along the way. The Republican convention got off to a rocky start including an attempt to “unpledge” Trump delegates, as well as the notable absences of Republican Governor John Kasich and previous nominee Mitt Romney. Ultimately, the convention ended well with the speeches of vice presidential nominee Mike Pence, Trump’s children and presidential nominee, Trump himself being well received by the assembled delegates.

Following closely on the heels of all the Republican turmoil, the Democratic convention hoped to demonstrate an element of stability and party unity; no such luck. The day before the convention, over 20,000 emails from the Democratic National Committee (DNC) were released to WikiLeaks detailing an extensive anti-Sanders conspiracy among committee leadership; culminating in the resignation of DNC chair Debbie Schultz and her removal from the convention speaking lineup. The revelation deepened still fresh wounds among Sanders supporters. Nevertheless, the convention concluded with stirring speeches from Michelle Obama, Bill Clinton and President Barack Obama helping to restore party unity. When the dust settled, Hillary Clinton became the first woman to ever accept the presidential nomination of a major party.

### **Running Mates Selected**

Hillary Clinton chose Tim Kaine, the former Governor of Virginia, as her vice presidential running mate. Kaine is highly regarded for his earnestness and, due to Clinton’s movement to the left, appears more aligned with independent voters. Clinton is hoping that Kaine’s honesty will help assuage her biggest liability – her perceived trustworthiness. The one principal drawback to the selection is that Kaine lacks the progressive enthusiasm that an Elizabeth Warren or Bernie Sanders could have offered.

Donald Trump selected Mike Pence, the Governor of Indiana, as his vice presidential running mate. Pence helps mitigate the lack of political experience concern surrounding Trump, and as a strong social conservative should placate Republican leadership and solidify key elements of the conservative base. A principal drawback could be his inability to persuade more moderate independent voters.

### **Party Platforms**

Both the Republican and Democratic nominees have been shaping their platforms during the campaign and with the conventions now over, we can better gauge which industry sectors may benefit and which may be negatively impacted by each agenda.

*continued on page 2*

*Signature Estate & Investment Advisors, LLC® (SEIA) is a Registered Investment Advisor firm offering Investment Supervision and Financial Planning Services tailored to meet the unique needs of affluent individuals and corporations. Fundamental experience and professionalism enable the financial advisors, with SEIA's research and support staff, to design a financial plan or investment portfolio to meet the client's goals.*

The information contained herein is the opinion of SEIA and is subject to change at any time. It is not intended as tax, legal or financial advice, and it may not be relied on for the purpose of avoiding any federal tax penalties. You are encouraged to seek such advice from your professional tax, legal or financial advisor.

The content is derived from sources believed to be accurate but not guaranteed to be. For a complete listing of sources please contact SEIA.

Neither the information presented nor any opinion expressed constitutes a solicitation for the purchase or sale of any security or investment product. Investing involves risk and possible loss of principal capital. Indices are unmanaged and cannot be invested in directly. Past performance does not guarantee future results. There is no guarantee that any forecasts made will come to pass.

Registered Representative/Securities offered through Signator Investors, Inc. Member FINRA, SIPC, 2121 Avenue of the Stars #1600, Los Angeles, CA 90067 (310) 712-2323. SEIA and its investment advisory services are offered independent of Signator Investors, Inc. and any subsidiaries or affiliates.

# 2016 US PRESIDENTIAL ELECTION: EXPECT THE UNEXPECTED

continued from page 1

## BENEFICIARY OF AGENDAS

Donald Trump		Hillary Clinton	
Defense, Cyber, & Homeland Security Companies	Large boost in Defense, cyber, and homeland security spending due to a focus on fighting ISIS, enforcing the border and increasing intelligence work. Drones, prisons, communications networks, and cyber all stand to benefit.	Hospitals & Medicaid HMOs	Expansion of Medicare and Medicaid could benefit hospitals and Medicaid HMOs.  Managed care & hospital stocks could benefit from extension of Obamacare.
Oil, Natural Gas, and Coal	Republican platform calls for Keystone Pipeline to be completed and growth to be generated from U.S. production of fossil fuels.	Solar, Renewable Energy	The goal of half a billion solar panels by 2020 will directly benefit the solar industry, but renewable energy as a whole should thrive under Clinton's policy to increase the cost of fossil fuel-based energy.
Infrastructure Companies	Companies that will build the wall on the U.S. border to prevent illegal immigration. Oil & gas companies stand to benefit from Republican emphasis on energy-related growth.	Infrastructure Companies	A boost in federal infrastructure investment and wide-ranging infrastructure plans. Creation of an infrastructure bank to help support private infrastructure investments, combined with a renewal of the Build America Bonds.
Domestic Companies Impacted by Global Trade	Trump calls for Trans-Pacific Partnership (TPP) to not be implemented. Companies that would lose to foreign competition would benefit. And companies facing greater competition from China will also benefit from the anti-China agenda.	U.S. Manufacturing & Domestic Companies Hurt by Trade	Clinton's pivot against trade deals and crackdown on trade violations, specifically against China, could work to the benefit of domestic firms. She has said she will crack down on companies engaging in shifting earnings overseas.

## HURT BY AGENDAS

Donald Trump		Hillary Clinton	
U.S. Multinationals	A Trump presidency will try to renegotiate trade deals and potentially put some U.S. companies at an export disadvantage.	Drug & Biotech	Drug & Biotech Stocks have already felt downward pressures from Clinton calls to lower drug costs.
Hospital Stocks	Hospital Stocks may be adversely impacted by Trump's repeated calls for the repeal of Obamacare.	Financials	Investment firms may be hurt by high frequency trading tax and a risk fee. Banks could be hurt by Clinton's agenda to expand Dodd-Frank and Glass-Steagall.
Solar, Renewable Energy	Repeal the Clean Power Plan, reject the Paris Agreement and eliminate energy subsidies (mostly tied to renewable energy).	Oil, Natural Gas & Coal	Eliminate tax breaks for big oil and gas companies. Continue Obama's tough regulation of oil, gas, and coal industries.

## What to expect going forward

The Presidential Election will be held a little more than two months from now on November 8th. What we can expect during that period is the unexpected. Past assumptions and models have proven to be useless, as Trump continues to defy all expectations. It also remains unclear how Clinton's Secretary of State email, Benghazi and Foundation scandals will play out with voters. Most notably, there's simply no precedent for a presidential election in which both candidates have such extraordinarily low favorability

ratings. Presidential elections typically focus on battle ground states, but with such an unconventional election taking place, the opportunities for upsets are certainly possible. To date, Clinton is leading in most electoral polls by a sizeable margin. However, media coverage will be on a 24/7 cycle, and three big debates (September 26th, October 9th and October 19th) loom on the horizon. These along with any unforeseen economic turmoil or terror event may ultimately decide who takes office.

# Identity Theft – It’s Not Personal

By Rachel Posner, CAMS, CFE, CMFC, AIF®  
Chief Compliance Officer

The buzzwords are everywhere in the news: cybersecurity, cybercrime, identity theft. We hear horror stories of lives and fortunes being compromised by thieves and hackers, and we worry whether it could happen to us. Is somebody out there stalking your identity, gathering as much personal data as they can about your life and waiting for an opportune time to strike? The simple answer is that it’s highly unlikely. Contrary to the romanticized portrayal of the genius hacker assuming your identity to wreak untold financial damage, the vast majority of identity theft crimes are the result of a process more reminiscent of telemarketing than the work of a mastermind.

## The value of your identity

According to fraud specialists, identity thieves and hackers typically make money by selling large batches of personal information. Much like telemarketers do, they may gather and bundle 10,000 Social Security numbers that they can sell for a penny per number (\$100) to others who will buy that information in hopes of a few of those numbers proving useful. Even in the very rare instances where a complete dossier of personal information (i.e., your name, address, phone number, birth date and Social Security number) is gathered on a single individual, the market value of the information is generally less than \$30.

However, despite your personal data being worth a lot less than you might have thought, it doesn’t mean hackers won’t persist in their efforts to access it and use it. And in those one-in-a-million instances where they “hit the jackpot,” they can certainly wreak havoc.

## A small inconvenience to avoid a big headache

Last year I was at a conference where we sat through a comprehensive 90-minute presentation about the do’s and don’ts of cybersecurity given by a leading industry expert. As we came back from lunch, I overheard two brokerage firm executives conversing as they checked their emails. One of them had just opened an email from their technology department and clicked the attachment which launched the image of a large frowning face. The other executive grinned and said “oh yeah, I saw the email but deleted it because I didn’t know the sender’s name and the subject seemed irrelevant.” It was a test from the firm’s compliance department, and even a savvy executive who had just sat through a presentation on the subject had failed miserably. Had that been malware, it could have given hackers a backdoor entry into the company or provided them with access to the executive’s personal computer and information.

It’s just one example of how the increasing complexity of our online lives makes it so easy to let our guard down no matter how attentive we try to be. That’s why more and more firms today are striving to help protect your sensitive information by adding extra layers of security. You’ve probably experienced instances where in order to change a password you first needed to enter a 4-digit PIN that was sent to your cell phone number of record. Or for certain electronic

transaction requests where the likelihood of fraud may be greater (e.g., wire transfers or other money movement) you may have received one or more phone calls to verify the authenticity of the request.

We understand that this “*trust but verify*” approach may be a slight inconvenience and require a little extra time, but in the long run, a 5-10-minute inconvenience is a small price to prevent a much larger potential problem. While we can’t completely stop every instance of fraud from occurring, through these protections we can dramatically decrease the likelihood.

## What to do if you think your identity has been compromised

Clients often contact us concerned that one of their bank accounts or email accounts may have been hacked. Occasionally they’ve receive a notification from the IRS that their Social Security number has been compromised. The following are a few steps you should immediately take if you believe your personal information may have been compromised:

1. Visit [IdentifyTheft.gov](http://IdentifyTheft.gov) to help you create a recovery plan.
2. Call one of the three major credit reporting agencies and request that a “fraud alert” be put on your credit report. They will immediately notify the other two agencies, and a 90-day fraud alert will be added so any credit requests they receive in your name will alert creditors to take extra steps to verify the legitimacy of a request for new credit, extension of credit to an existing account or issuance of an additional card on an existing account.  
Equifax Fraud Department  
1-800-525-6285 [www.equifax.com](http://www.equifax.com)  
Experian Fraud Department  
1-888-397-3742 [www.experian.com](http://www.experian.com)  
TransUnion Fraud Department  
1-800-680-7289 [www.transunion.com](http://www.transunion.com)
3. Notify us and your other financial institutions of the situation, and request that additional security measures be added to your accounts.
4. About 30 days later, request a credit report and check for any suspicious activity.
5. Continue to periodically check your credit report and work with the reporting agencies and credit card companies to reverse any fraudulent charges and activities.

Keep in mind that children and the elderly are especially vulnerable to fraud. The elderly are often more trusting and less technology savvy, rendering them easy prey to hackers. Children tend to be ideal targets because nobody ever looks at their credit report for the first two decades of their lives, providing hackers with a huge window of opportunity. And lastly, be careful what you put out on social media. Your Facebook post about an upcoming trip to Europe is just the type of information that smart, creative identity thieves and hackers can use to their advantage.

# Politics, Policies and Profits

## What's the truth about markets and elections?

By Gary Liska, MS, CFP®, AIF®, CRPC®, AAMS®  
Founding Partner, CFO

As all eyes turn towards the 2016 presidential election, the litany of polls and predictions from political, economic, and market pundits intensifies. Nightly newscasts and online media outlets are a veritable blur of “talking heads,” each offering a particular partisan alarmist spin—often portraying the nation as either saved or doomed depending on how the election swings.

Yet, while the outcome of a major election inevitably has some impact on the economy, and in turn your personal wealth, far too many people either over-emphasize or entirely misconstrue the long-term effects of partisan politics on the stock market. Consider the following common assumptions:

- **Belief** – *The stock market typically performs better during a Republican administration than a Democratic one.*

**Reality** – *Since 1900, annualized stock market returns for the S&P 500 have been 3.7 percent higher under Democratic presidents than Republican presidents.<sup>1</sup>*

- **Belief** – *Because markets hate uncertainty, markets tend to underperform during major election years.*

**Reality** – *Since 1900, stock market growth has averaged 9.5 percent in an election year, compared to 3.4 percent growth in post-election years, 4.0 percent growth during midterm years and 11.3 percent growth in pre-election years.<sup>2</sup>*

### Pay attention to policy more than performance

Investors may be far better served if they consider the upcoming election from a domestic-policy perspective rather than if they focus purely on market performance. Whichever party takes the reins of the executive branch will almost certainly be paired with a GOP-controlled Congress (at least through the next midterm election).

And that Congress will be addressing a multitude of significant issues, including healthcare, education and entitlement-program reform, as well as the ongoing terror threat.

Perhaps most importantly, it appears highly unlikely that President Obama's Supreme Court nominee Merrick Garland will receive confirmation

to succeed Justice Antonin Scalia. In addition to that vacancy, Justices Ruth Ginsburg, Anthony Kennedy and Stephen Breyer will be ages 83, 80 and 78, respectively, when the next president takes office; and that affords a potentially unprecedented opportunity to shape the future direction of the court through multiple appointments.

Among the many issues likely to find their way onto the court's docket are legislative revisions to the Dodd Frank Regulatory Reform Bill. Democrats adamantly maintain that existing regulations on “*too big to fail*” financial institutions and the subsequent additional bureaucracy of the Consumer Financial Protection Bureau are critical consumer protections. Republicans counter that the bill represents bloated regulatory overreach amounting to homogenized ineffective solutions with markedly higher consumer costs.

In all probability, our next president will be either facilitating reform/repeal of the Dodd Frank bill or wielding a veto stamp against the same efforts. Ultimately, the ideological leaning of the Court may tip the scales one way or the other.

As for stock market performance, under Republican administrations, financial stocks, defense industries, energy, utilities and U.S. multinationals tend to outperform. Conversely, when Democrats hold the White House, healthcare, infrastructure and renewable-energy stocks, along with municipal bonds, generally fare well.<sup>3</sup>

Our investment committee recognizes these patterns but focuses more on global economic conditions and where we are in the current economic and interest rate cycles. Knowing these are far greater determinants of market performance than election-related media noise, we prefer to not have the latter cloud our macro allocation strategies and specific sector weightings.

When all is said and done, however, we can invest only in the markets we have, not the ones we want. Stay focused on what your portfolio needs to accomplish and speak regularly with your advisor about how best to achieve those objectives within this ever-changing market environment.

1 The Bespoke Report, Q2 2016; 2 Ned Davis Research, Inc.; 3 Daniel Clifton, “Governing & Campaigning in a Slow Growth Economy,” Strategas Research Partners, March 2016.



## Philanthropy and Signature Fund for Giving

### Samaritan's Feet Event at Ann Street School

SEIA was proud to be the presenting sponsor of the Samaritan's Feet Event on June 2nd at Ann Street School, in Downtown Los Angeles.

Samaritan's Feet shares hope with children in the U.S. and around the world by washing their feet, giving them a new pair of shoes, and helping them believe that their dreams can come true. The organization was founded on the belief that a new pair of shoes can be a tangible foundation of hope to a person in need.

All of the items purchased to host the Ann Street School event were covered by SEIA's support of the event.



## Richstone Family Center School & Art Supply Giveaway



Over the month of July, Signature Fund for Giving asked SEIA employees to give art and school supplies to benefit the Richstone Family Center located in Hawthorne, CA. The Fund became aware of Richstone's needs through SEIA Partner Eric Pritz, and we were eager to support the nonprofit's worthy mission. The Richstone Family Center is dedicated to preventing and treating child abuse and trauma; strengthening and educating families; and decreasing violence in families, schools, and communities. We are delighted to have collected and delivered much-needed school supplies and feel privileged to have had the opportunity to closely interact with the Richstone staff. Many thanks to our giving employees!

2121 Avenue of the Stars, Suite 1600  
Los Angeles, California 90067  
telephone 310.712.2323  
facsimile 310.712.2345

610 Newport Center Drive, Suite 300  
Newport Beach, California 92660  
telephone 949.705.5188  
facsimile 949.705.5199

3452 East Foothill Blvd., Suite 1140  
Pasadena, California 91107  
telephone 626.795.2944  
facsimile 626.795.2994

1815 Via El Prado, Suite 100  
Redondo Beach, California 90277  
telephone 310.712.2322  
facsimile 310.712.2377

1650 Tysons Boulevard, Suite 1575  
Tysons Corner, Virginia 22102  
telephone 703.940.3000  
facsimile 703.738.2259



Would you prefer to receive our quarterly newsletter electronically? Do you have friends or family that you would like to add to our quarterly distribution list? E-mail us at: [contactus@seia.com](mailto:contactus@seia.com).

# Signature Estate & Investment Advisors

## Recent Accolades and Updates

### ***Los Angeles Business Journal Best Places to Work***

SEIA is proud to announce that once again we have been selected as one of the Los Angeles Business Journal's Best Places to Work. What makes this a tremendous honor is that it is based on the anonymous answers of our employees about our culture and environment in comparison to thousands of other company employees who also took the survey.

This award serves to recognize and honor the best employers in Los Angeles, benefiting the county's economy, workforce and businesses. The list is made up of 100 companies, and SEIA is honored to have been ranked #6 on the list of this year's Best Places to Work in Los Angeles.

### ***Barron's Top Independent Financial Advisor List***

SEIA is excited to announce that Brian Holmes has been named to the Barron's Top 100 Independent Financial Advisor list for the tenth year in a row.

### ***Financial Times 300 Top Registered Investment Advisers***

SEIA is pleased to be named to the Financial Times 300 Top Registered Investment Advisers, as of June 16, 2016. The list recognizes top independent RIA firms from across the U.S. with the "average" FT 300 firm having been in existence for 22 years and managing \$2.6 billion in assets. The 300 top RIAs hail from 34 states and Washington, D.C.

### ***Signature Estate & Investment Advisors Recognizes Our 10+ Year Tenure Employees***

Beyond outside recognition, SEIA takes tremendous pride in the fact that we have so many long-tenured employees. Aside from the longevity of our client relationships, we feel it's the most meaningful accolade our firm can achieve and the key driver for continued growth. While we continue to bring new employees into the SEIA fold, we want to take a moment to honor this illustrious group of individuals who have been with the firm for **over a decade**.

*Chad Bates, June 2003:* His first job out of college was working within our President, Brian Holmes' practice. Thirteen years later, Chad has become an advisor while also attaining his CFP and numerous other designations. He has become an integral part of the team helping to advise clients while particularly excelling in Financial and Estate Planning.

*Joseph Fusaro, Jr, March 1998:* For over 18 years Joe has served in various capacities as an advisor, in compliance, marketing, operations,

human resources and ultimately working closely with the Partners running the firm on a day-to-day basis. He is the "go to" person for those who want to recount the firm's history, milestones and stories of yesteryear.

*Andrew Lin, December 2004:* Twelve years ago, Andrew started out in our investment department and eventually became the head of our subsidiary platform Signature Investment Advisors (SIA) where he is building out and leading a subsidiary that now manages over \$1.5 billion dollars.

*Deron McCoy, January 1995:* Starting out as a Financial Advisor in the mid-90's, Deron soon realized his skills and passion were more closely aligned with investment analysis. He is now Chief Investment Officer at SEIA and the head of our investment department, overseeing a team of ten.

*Stephanie Mills, September 2000:* Having worked closely with Senior Partner Fritz Miller for over 18 years, Stephanie has truly become a part of Fritz and wife Angie's family. She has not only been Fritz' right hand, but the couple's smiling, cheery supporter for the better part of two decades.

*Joyce Mizuhata, March 2001:* Joyce has been with Senior Partner Jennifer Kim for over 17 years where together they have helped thousands of clients reach their financial goals. Joyce has become a pillar of SEIA's consistency and efficiency.

*Sabina Pinsky, October 2005:* Sabina started out working for Senior Partner Vince DiLeva before expanding her role into Marketing and assisting Brian Holmes' practice. Over her eleven years working for two large practices and serving as a notary, she has developed extraordinarily close relationships with our clients.

*Brian Schiazzano, February 2007:* Over the past ten years, Brian has become an integral part of Founding Partner Mark Copeland's team. The amazing continued growth of Mark's practice is no doubt due in part to Brian's perfectly complimentary skill set.

*John Williams, September, 2004:* There isn't anything he wouldn't do for SEIA. During his twelve years as a key member of Founding Partner Paul Taghibagi's practice, John also ran our billing department and served as the firm's technology guru in the early days. Nobody is better at follow-through, attending to every aspect of client needs.

## Orange County Relocation

To meet growing client needs, SEIA's Irvine office is pleased to announce a relocation and expansion to 610 Newport Center Drive, Suite 300 in Newport Beach, CA. The office phone number 949-705-5188 remains the same.

