SEIA

Quarterly Newsletter Bringing you Financial Insights from the Leaders | VOL 9 | ISSUE 4

THE SEIA REPORT

EMERGING MARKETS; EMERGING OPPORTUNITIES

“YOU CAN NEVER CROSS THE OCEAN UNLESS YOU HAVE THE COURAGE TO LOSE SIGHT OF THE SHORE.”

Deron T. McCoy
CFA, CFP®, CAIA, AIF®
Chief Investment Officer

It is a famous quote attributed to Christopher Columbus. It is wisdom that too few investors ever take to heart. Consider for a moment that U.S. investors typically allocate about 75% of their equity portfolio to U.S. stocks, yet our economy only accounts for about 22% of global GDP (JPMorgan). If you were to guess that the other 78% of global GDP comes primarily from Germany, France, England, and Japan then you would be mistaken. Since 2013, the share of global GDP by developed economies has been surpassed by emerging economies which now account for 56% of global GDP (and nearly 80% of its growth!). And the trend shows no signs of slowing. It is estimated that within the next 5 years, the GDP of China and India will each surpass that of the U.S. The takeaway? Viewing the world through a predominantly developed economy (and U.S.-centric) lens is an extremely outdated approach that may be hazardous to your portfolio.

Key Emerging Market Countries

• Brazil	• Chile
• China	• Colombia
• Hungary	• Indonesia
• India	• Malaysia
• Mexico	• Peru
• Philippines	• Poland
• Russia	• South Africa
• Thailand	
• Turkey	

Unfortunately, the vast majority of individual investors have not yet caught up to reality as there is a massive disconnect between their actual allocation and what an accurate global GDP-weighted stock portfolio should look like. Certainly, some of the reluctance to venture more actively into emerging market equities can be attributed to a common investor bias towards the familiarity of their home market. And of course, given

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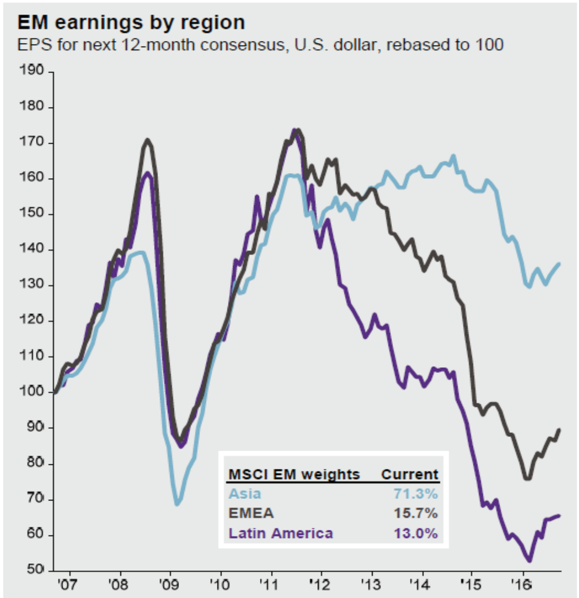

Source: FactSet, MSCI, Consensus Economics, J.P. Morgan Asset Management.

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.

- BRIAN D. HOLMES, MS, CFP®, CMFC, AIF®
PRESIDENT & CEO

ABOUT SEIA

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.

TOGETHER WE'VE BUILT SOMETHING PRETTY SPECIAL:

Forbes

Top 100 Wealth Manager in the U.S.

BARRON'S

Top 100 Independent Financial Advisors

Emerging Markets; Emerging Opportunities

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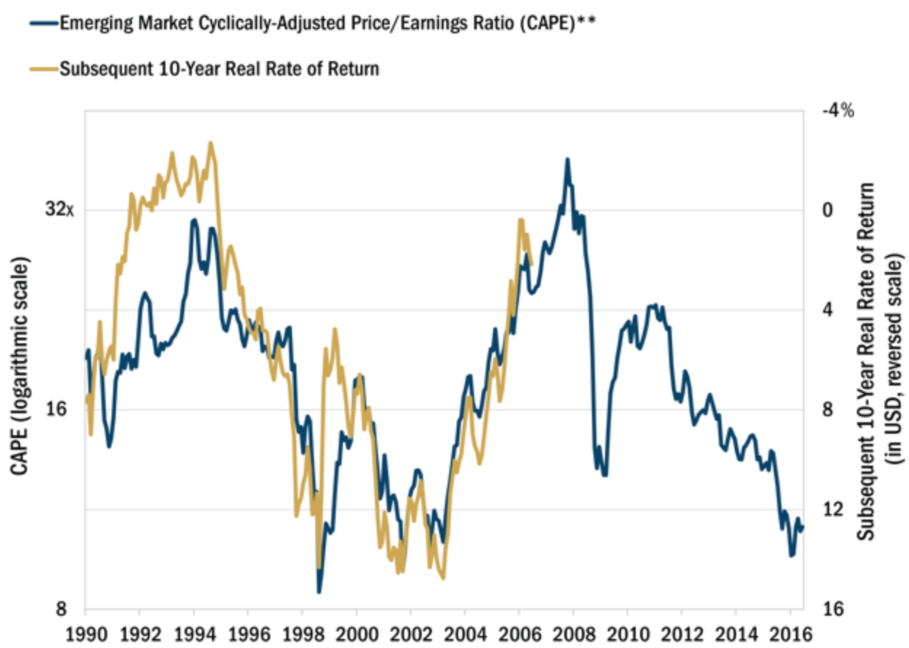

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**The emerging market Cyclically-Adjusted Price/Earnings (CAPE) ratio is based on the MSCI Emerging Markets Index (prices and earnings in U.S. dollars), which provides earnings data starting in 1995. Prior to 1995, the MSCI Index data were augmented by data from Global Financial Data (GFD), which reports both total return and price index data for emerging markets. Using this data it is possible to infer the dividend yield for each period that is used, along with the average payout ratio, from the current MSCI data to calculate the earnings per share and CAPE prior to 2005. Details on creating a historical emerging markets index can be found in the *Credit Suisse Global Investment Returns Yearbook, 2014*.
Economic predictions are based on estimates and are subject to change.
Past performance does not guarantee future results.

increased geopolitical risks and foreign exchange rate fluctuation risks, investing in emerging markets requires a great deal of care. Yet despite a 15% year-to-date return, emerging market valuations continue to remain comparatively inexpensive.

There are several tailwinds supporting the asset class:

1. Earnings are poised to rebound after peaking nearly 5 years ago.
2. Valuations are attractive compared to both domestic equities as well as their own historical averages. Investing in EM equities at these valuations (as measured by the Cyclically Adjusted Price/Earnings Ratio) has historically yielded double digit returns over the ensuing ten years.
3. Demographics suggest that EMs have plenty of room to grow. It's estimated that of the roughly 3 billion people worldwide who will enter the middle class between now and 2050, nearly all of them will be living in emerging markets.
4. EM stock prices surged this year, despite rising interest rates and a stronger U.S. dollar – two factors that typically act as headwinds. Whenever a market or sector can perform positively in the face of negative forces, we view that as a convincing sign of genuine strength. Look no further than Brazil for a perfect example. Despite significant political turmoil and an economy struggling to emerge from recession, the country's stock market (the Bovespa) has soared nearly 50% year-to-date.

Counterintuitive Timing?

Given recent election results, our focus on emerging markets might seem

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SEIA CELEBRATES 20 YEARS: *A ROAD LESS TRAVELED*

Brian D. Holmes
MS, CFP®, CMFC, AIF®
President & CEO

Back in 1997, the Dow Jones Industrial Average stood around 6,000. The average cost of a new home was $118,200. From a technology perspective, DVDs were first introduced to the market while worldwide the total number of Internet users topped the 10 million mark. And in a nod to having come full circle, a Clinton was running for the White House.

At the same time, four financial advisors who were working in Beverly Hills for Signator Investors, Inc., collectively decided there was a better way to work on behalf of their clients. They envisioned an independent firm that would put client interests first, where portfolios would be built and managed to achieve client's goals in a fiduciary manner, and where trusted advice and guidance would be their hallmark.

The result was the establishment of Signature Estate & Investment Advisors, LLC (SEIA).

Gradually and organically over the next decade, we grew from literally nothing to $1B in assets under management through repeatedly delivering on our promise and the eagerness of our clients to introduce their friends and family to our unique firm. Then along came the 2008 financial crisis. Rather than a setback, however, it proved to be a strong validation of our approach and an unexpected catalyst for the business. As wirehouse Wall Street firms like Lehman Brothers toppled, SEIA's focus on managing risk and protecting the hard-earned wealth of our clients made it abundantly clear precisely which side of the table we were on. What ensued was a large and steady influx of clients from major brokerages – clients who sought a genuine financial advocate instead of an adversary.

Our growth over the past decade has been nothing short of remarkable.

Today we stand entrusted with the management of more than $5.7B of your hard-earned wealth, with 16 advisors and more than 60 supporting team members working on your behalf in five separate locations. And we are especially proud of the fact that throughout this sometimes turbulent but amazing journey, we have never lost an advisor along the way. While frequent turnover may be de rigueur for the industry, we believe the fact that all seven of our senior partners started and remains with our firm over two decades, speaks volumes about the quality of the work we are able to do and the level of collaboration among our professionals.

LOOKING AHEAD

We have had the incredible good fortune to grow to a point where economies of scale continually allow us to explore new ways to serve you better through leading-edge technology, enhanced research capabilities, specialized expertise and access to an increasingly diverse array of investment opportunities. No matter how large we grow, however, we will never lose sight of the essence of SEIA – the deep, personal client relationships that enable us to craft truly personalized approaches to wealth management. We are immensely thankful for the trust that you have placed in us. It's been a tremendous journey, and we look forward to continued future success with all of your families for generations to come.

GREEN IS THE NEW BLACK

Joseph Fusaro, Jr.
Director of Operations

At SEIA, we are always on the lookout for innovative ideas and service enhancements that bring value to you our clients. At the beginning of 2016, we rolled out new Secure Client Portals designed to deliver vital documents (e.g., Quarterly Reports, Engagement Agreements, Trust Documents and Investment Policy Statements) quickly, conveniently and securely. These portals also allow you to upload documents for our review or as a digital lockbox for safekeeping. No matter where you are – at home, at work or on vacation, an Internet connection is all you need to access your important documents securely anywhere, anytime.

Not only do these portals offer an important increased measure of personal data security *(see Chief Compliance Officer Rachel Posner's article Security – Don't Take It Personal in last quarter's newsletter),* they also aid in all of our efforts to be environmentally friendly by reducing our printing and paper consumption. It's a genuine win-win that we are so supportive of, SEIA has pledged to donate $25 for every client portal that is opened over the coming year – with a goal of donating more than $5,000 to charity through this initiative.

Going "green" is a commitment we take very seriously. So much so, that now with the completion of the Metro Expo Line extension to Santa Monica, we are incentivizing our team members to utilize this green alternative. SEIA employees will have their monthly transit passes paid for plus receive an additional cash bonus for using public transportation. Not only will this reduce our carbon footprint with fewer cars on the road, but we believe it will make for happier, healthier and less stressed employees who can enjoy their commute rather than battling the rigors of traffic.

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rather contrarian given that Trump has included proposals to renegotiate trade deals and impose unilateral protectionist measures (Mexico, China, etc.) which would be negative for EM growth. Keep in mind, however, that EM currently sits as an appreciably undervalued asset class. Investors may be well served to recall an old quote from the post-2008/2009 financial crisis: "you can't get hurt falling out a basement window." Furthermore, if "President Trump" ultimately takes a more measured tone once inaugurated, the recent selloff may represent an excellent opportunity to initiate a position in the asset class.

As with all aspects of portfolio construction, an emerging markets allocation needs to be approached strategically based on your investment objectives, time horizon and risk tolerance. In addition, there are ways to establish offsetting positions that can help mitigate downside risk. Portfolios that bypass emerging markets, however, run the very real risk of missing out on tremendous growth opportunities from a diverse array of markets and equities which have collectively delivered an impressive 15-year track record.

SIGNATURE FUND *for* GIVING

At SEIA, a cornerstone of our culture is philanthropy. It is at the heart of everything we do, and where we spend a good portion of our time and focus outside of the office. We are committed to making the world a better place for others, using SEIA's Signature Fund for Giving to help outstanding Southern California non-profit organizations accomplish worthwhile goals to help children in need.

Through SEIA's Signature Fund for Giving, we have raised over $327,503.00 for local and national nonprofit organizations, and have given $103,012 directly to A Place Called Home, Toberman Neighborhood Center, and the Children's Hospital of Orange County.

Of particular note this year, the Signature Fund for Giving provided:
• A holiday tree to the Toberman Neighborhood Center
• Ongoing Staples Center tickets to A Place Called Home to attend noteworthy sporting and entertainment events
• Sponsorship of A Place Called Home's Stars & Strikes Celebrity Bowling Tournament
• Art supplies to the Richstone Family Center's art therapy program
• New shoes to students of an inner-city Los Angeles elementary school through the Samaritan's Purse organization and with the assistance of the UCLA Women's Basketball Team
• A team for the Leukemia and Lymphoma Society's Light the Night Walk, taking steps to end cancer
• A Children's Hospital of Orange County grant to fund the Child Life Program
• Ten tickets to the Toberman Neighborhood Center for local youth to attend the Loyola Marymount University/University of Connecticut Football game where a good time was had by all

This holiday season, we celebrate these non-profit organizations for their tireless efforts to make the world a better place, starting with improving the lives of the children they serve.

The Toberman Neighborhood Center offers three key community programs: Children, Youth and Family Services, The FamilySource Center, and Gang Intervention Services.

A Place Called Home is a place where caring staff, supporters and volunteers come together to provide South Central children and teens, ages 8 to 21, with love, safety, enrichment, training, and access to educational programs, counseling, and mentorship. Serving as a safe haven, underserved youth take ownership of the quality and direction of their lives and are inspired to make a difference in their communities and the world.

Children's Hospital of Orange County is committed to nurturing, advancing and protecting the health and well-being of children. Since 1964, CHOC has provided the highest quality medical care to children with a 279-bed main hospital facility in the City of Orange, over 100 additional programs and services, a pediatric residency program, and four centers of excellence, which include CHOC Children's Heart, Neuroscience, Orthopedic, and the Hyundai Cancer Institute.

Thank you for celebrating these remarkable non-profits with SEIA this holiday season. If you have any questions regarding our Signature Fund for Giving or about how you can get more involved, please feel free to contact Hayley Wood at 310- 712-2323 or at hwood@seia.com.

Wishing You and Yours a Happy, Healthy Holiday Season and a Wonderful New Year!

PASADENA *OFFICE RELOCATION*

SEIA is pleased to announce that the Pasadena office has relocated to accommodate growing client needs and adding additional advisors. The new office is located at 155 North Lake Avenue, Suite 780, Pasadena, CA 91101.

Please update your records to reflect this change. We look forward to seeing you at the new Pasadena office.

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:
operations@seia.com

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