SEIA PRIVATE CLIENT GROUP NEWSLETTER

SEIA Report

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BACK TO SCHOOL
PUBLIC VS. PRIVATE – FINANCIAL EDITION

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It's hard to believe it's back to school season already. It's also hard to believe that it's been 10 years since the start of the financial crisis that brought about the Great Recession. A decade later, we find ourselves in the nation's second longest economic recovery and expansion (FYI: the average duration of a bull market is 3.5 years). Yet while stocks continue to push to new record highs, corporate earnings have failed to keep pace with prices, resulting in stock valuations that now sit near all-time highs. If you remove the tech bubble as a one-time anomaly, stocks have historically never been more expensive (based on a number of different metrics) than they are today.

Recent History

The good news is that after two years of relatively flat earnings, we finally reached an inflection point late in 2016. Year-over-year earnings are now growing 10% compared to the first half of 2016 when energy prices acted as a significant drag on the economy. A rebound in corporate earnings and a pickup in economic activity (Q3 GDP is projected to be greater than 3% as of this writing) combined with the possibility of fiscal stimulus and tax reform in late 2017/early 2018 lessens the likelihood of a recession occurring anytime soon.
However, the bad news might come in 2018 when double digit earnings growth becomes much more difficult as the year-over-year comparisons get harder when measured against the strong growth of the past ten months. Corporate earnings may be locked into a best-case scenario of mid-to-high single digit growth for the foreseeable future.

Philosophy (Get rich or stay rich?)

The risk of recession and an ensuing bear market is always elevated this far into a market cycle. But where should investors turn their attention to? In times past, one could take stock profits and reallocate into 6-8% yielding treasuries – sacrificing little in portfolio return since the mid-to-high single digit returns were similar to what was projected for stock gains in the remainder of the business cycle. However, we live in interesting times and that's not a viable option this cycle. With stocks at all-time high valuations and treasury bonds yielding next to nothing after taxes and inflation, we must work harder and dig deeper to find value.

Econ 101 (Seek out value)

There is a herd mentality to the market. An initial investment thesis in a quiet part of the market catches fire *continued on page 4...*

7 STEPS TO STRENGTHEN YOUR INFORMATION SECURITY & PRIVACY

Stephen Fringer
Systems & Reporting Analyst

We realize that online safety and security – not just of your financial information, but also your family's personal information – is a growing concern for many of you. In response, both SEIA and our custodial partners go to extraordinary lengths to ensure the safekeeping of your assets and information. But we also encourage you take preventive measures in your day-to-day activities to minimize the potential for hackers to gain access to your data. The following are some basic precautionary steps that our Information Technology team suggests every client strive to follow:

1. **Cover the cameras on all your devices:** at first blush this may sound a bit paranoid, but there's a reason why most government-issued computers are now fitted with camera covers and why high-tech leaders like Facebook's Mark Zuckerberg tapes over his webcam. It's an easy way for hackers to access your computer surreptitiously, in an effort to gather information.

2. **Download software only from trusted websites:** anytime you use an installer, you are essentially putting your safety in someone else's hands. Even commonly used sites like CNet's www.download.com can serve as an entry point for malware. Whenever possible, only download software from original vendors.

3. **Use strong usernames and passwords, and never share them online or via text:** we've been warned hundreds of times, yet most people still rely on one or two simple, easy-to-remember (and therefore easy to hack) passwords for all their important websites. If managing multiple passwords is too much of a headache, for a small annual cost, applications like LastPass will take the hassle out of managing your user names and passwords across multiple sites.

4. **Install and regularly update security software on electronic devices:** yes, it seems that Windows or iOS always chooses the most inopportune times to launch an automatic update, but these software updates often include vital security patches to protect against new and evolving threats. Make sure you allow these updates to run on your computers, phones and tablets.

5. **Lock down privacy settings on social media accounts and apps that can access personal data:** social media users often err on the side of oversharing personal information about themselves in order to feel connected to those in their network making their profile page a treasure trove of personal information. And many social media sites default privacy settings are far too permissive. Take time to review these settings and limit access to your posted content to as few people as necessary.

6. **Be vigilant about possible phishing scams:** even if you think an email is from a legitimate source, be extra vigilant before opening any attachments or clicking any links. What seems like a 100% authentic Amazon or Ebay communication may be anything but. Look for any questionable grammar, and always check the email address of the sender. If you have any doubts, find the customer service number for the sending company online, and call them to verify the email's authenticity.

7. **Regularly monitor your financial accounts and credit report for suspicious activity:** ignorance is anything but bliss. Regular monitoring of your accounts and credit report is by far your best defense against fraudulent activities. A little vigilance can keep a minor inconvenience from becoming a major headache.

While online life will never be 100% safe or secure, a few preventative measures and a healthy dose of vigilance will go a long way to keeping yours and your family's private information out of the hands of hackers.

CHOOSING A CHARITY HOW TO FIND THE RIGHT FIT FOR YOUR TIME AND MONEY

Mark Copeland
CFP®, AIF®
Senior Partner

Many of you have been actively engaged in philanthropic efforts for years – giving your time, talents and money to a wide range of community-based, national and international charitable organizations. In 2016 alone, Americans gave over $390B to charity; far and away the lion's share of global philanthropic dollars.[1] We are, without a doubt, an incredibly generous nation. Yet individually, our motivations for giving are as unique and personal as a fingerprint.

What we all have in common, however, is a desire to be sure that our charitable efforts and dollars are being well deployed in order to generate a maximum impact. But how can we be certain? The following are some simple steps you can take and things to look out for when conducting due diligence on any charity – whether an organization you're already actively engaged with or a new nonprofit you're interested in supporting – to help you better gauge whether it's a good fit.

- Carefully review the charity's literature and website – make sure they have a clearly stated mission that closely aligns with your philanthropic goals. Look to see whether they set measurable goals for each year, and have a demonstrated history of achieving them. What kind of tangible results/ progress has the organization shown in delivering on its mission? Have they steadily grown in size and scope? These all serve as strong indicators as to the quality of the charity's leadership and its ability to impact the community.

- Make use of independent online resources – you can learn a great deal on practically any charity through either the GuideStar.org or CharityNavigator.org websites – from the basics of whether or not it's a qualified 501(c)(3) charity, to detailed tax filings and key efficiency metrics showing how contribution dollars are put to work.

- Look closely at the Board of Directors – perhaps no single piece of information speaks more about a charity than the composition of its leadership. Is the Board made up of well-respected and accomplished individuals? Is there a strong diversity of age, profession, gender and ethnicity? Greater diversity in composition will often lead to a greater diversity of innovative ideas and approaches. Are the board members also financially committed to the organization? If they're not fully engaged in giving both their time and money – why should you?

- Examine but don't obsess over expenses – far too many philanthropically-minded individuals have been taught to focus their attention solely on a nonprofit's administrative and fundraising expenses. Conventional wisdom says that the lower those expenses, the more of each donated dollar goes to fund programs. However, there are a variety of very legitimate reasons why a charity might be incurring higher expenses than its peers. They may be in the midst of a major new capital campaign, or launching a new program that requires significant time and resources to implement. Or perhaps the organization is simply doing the type of work that comes with inherently high expenses. While expenses are an important efficiency metric, they are just one measure among many. Don't allow them to be the sole driver of your charitable engagement decision.

- Schedule a site visit in advance – indicate that you would like to chat not only with someone from management, but also with one or more constituents/ beneficiaries of the charity as well as other donors or volunteers. When you talk to representatives of management, how well can they paint a picture of the challenges they're addressing and how the charity's actions will fill that need? How passionate do they seem? Can beneficiaries clearly express how the charity empowered them or helped their lives? What sort of experience have other donors and volunteers had in working with the organization? Do they feel fulfilled by their engagement?

Engaging with a charitable organization – whether through your financial support, volunteerism or both – is an investment that can yield incredible personal returns in the form of an uplifting and transformative experience. Like any investment, however, a good measure of due diligence will help ensure that you're aligning yourself with the right organization. And your SEIA advisor would be happy to help you throughout the process.

1 Giving USA 2017: The Annual Report on Philanthropy for the Year 2016

continued from cover...

and prices start to rise. Other investors catch on and pile into the trade—pushing prices higher still. The thesis turns into gospel when more and more investors pile in. The cacophony reaches a fever pitch as the herd chases the recent winners and pushes prices and valuations way beyond what any well-informed, reasonable investor would deem appropriate, not to mention the original thesis. When this happens, savvy investors need to check their emotions at the door, take profits and look elsewhere for shunned assets that are generally under-owned, unappreciated, and unloved.

This is hard as often assets are shunned for good economic reasons. But not always.

Look no further than our January newsletter article highlighting unique opportunities in emerging markets (EM) despite the anti-China/anti-Mexico rhetoric coming out of Washington DC (EM stocks are one of the best performing groups in 2017).

In this case, the government caused investors to flee an asset class. In other times, assets may be under-owned (and therefore cheap) because they aren't well known or readily available to the average investor. In both cases, the supply of investors is artificially smaller which limits the herd factor and keeps prices rational.

On very rare occasions, investors can uncover these unloved assets in a sector of the economy that's improving. When both influences align (an asset class has a limited supply of investors/investment capital and an economic tailwind driving demand higher) one of the first rules of economics begins to take shape. When demand exceeds supply, prices tend to appreciate and investors have an opportunity to reap meaningful profits.

Applied Math

Theory is great but can investors actually allocate to such investments? Private Alternatives may currently offer this rare combination. Because these assets are illiquid and not available to everyone (generally limited to institutions and high net worth individuals), they are considered Private. And by definition, because these assets aren't publicly registered securities like stocks and bonds, they are classified as Alternatives—thus *Private Alternatives.* Some options include the following (for a more detailed analysis, please see this quarter's 'Tailwinds' publication at http://www.seia.com/news/commentary/):

- **Private Lending (in the Real Estate sector)**
- **Private Lending (in the Corporate sector)**
- **Private Insurance (in the Real Estate sector)**
- **Private Ownership of Key Assets (Farmland, Timber, Infrastructure & Real Estate)**

Conclusion: Private or Public?

While we are by no means calling for a top in global *public* equities, it now may be a prudent time for investors to focus on increasing the 'stay rich' side of their portfolio ledger via *private* alternatives. These strategies should not only appeal to the typical bond investor but also the stock investor. Yields are greater than those that can be found elsewhere publicly and total returns have the potential to rival domestic stocks.

OUR THOUGHTS AND PRAYERS ARE WITH ALL WHO HAVE BEEN AFFECTED BY THE RECENT NATURAL DISASTERS. WE WISH EVERYONE THE BEST IN THE MONTHS TO COME.

RECENT ACCOLADES AND UPDATES

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 22, 2017. The list recognizes top independent RIA firms from across the U.S. with the "average" FT 300 firm, assessing AUM and AUM growth, a company's years in existence, compliance record, industry certifications, and online accessibility.

Los Angeles Business Journal 100 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 100 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 on the list of this year's Best Places to Work in Los Angeles.

Signature Estate & Investment Advisors Recognizes Our 10+ Year Tenure Employees
At SEIA, we believe in building long-term relationships, both with clients and our employees. One of the keys to our lasting success and growth is the long tenure of many on our team, and while we continue to grow, we want to take a moment to honor this distinguished 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 infrastructure for the 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.

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.

Vincent Reyes, April 2007: Utilizing his previous 10 years' experience as a trader before joining SEIA, Vince has since built out and expanded SEIA's trading department to handle the tremendous growth of the firm. The first one in the office every day, Vince and his team are continuously working to get clients best execution, keep Advisors abreast of available debt instruments and improve client service.

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.

Michael Van Kleeck, October 2007: From his start Mike was challenged with assisting the firm through the U.S.'s Great Recession. As a Compliance Officer, his calm, ethical approach has continued to be a source of leadership 10 years later.

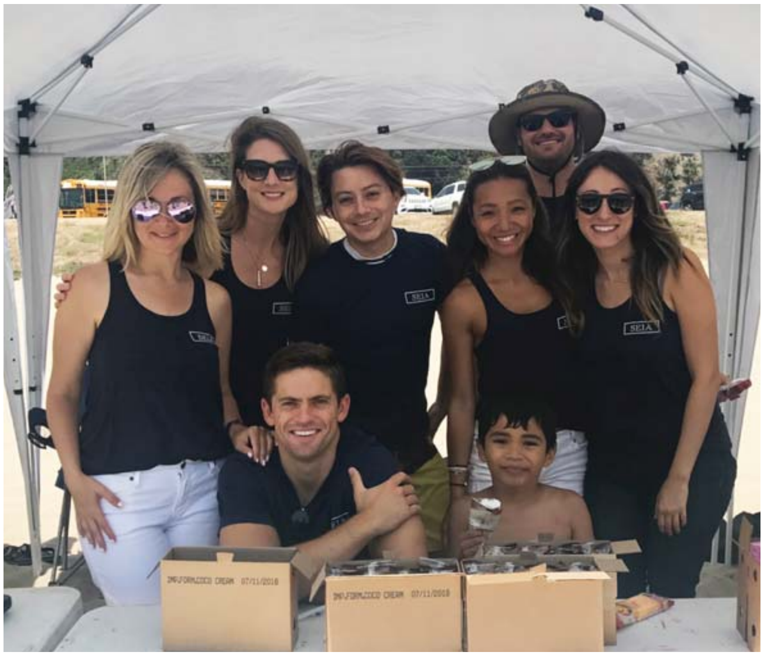
John Williams, September, 2004: There isn't anything he wouldn't do for SEIA. During his thirteen years as a key member of Founding Partner Paul Taghibagi's practice, John also ran our billing department and served as the firm's technology guru in the early days. Nobody is better at follow-through, attending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

SIGNATURE FUND *for* GIVING

As part of our continued commitment to providing unique experiences to Los Angeles youth, SFFG sponsored **A Place Called Home's** All Agency Beach Field Trip held on Friday, July 21st at Will Rogers State Beach Park. Approximately 150+ APCH members attended the event, enjoying a day at the beach swimming, playing sports including volleyball and football, and of course, cooling off with ice cream!

We are honored to be a part of the event and share with you the following note of gratitude:

"For many of our members the beach trip is the highlight of their Summer. It's a great opportunity to escape the big city, build sand castles and jump into crashing waves. We could not thank SFFG enough for sponsoring the trip and helping to create endless memories for our youth." ~ Abram Castaneda, APCH Volunteer Coordinator



Left to Right: Sabina Pinsky, Hayley Wood, Richard Parra, Christine Cheung, Elina Kaufman, Jake Geringer, Christian Hutchins

SEIA

SIGNATURE ESTATE & INVESTMENT ADVISORS, LLC®

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