

### INVESTMENT OVERVIEW

#### THE NUTS & BOLTS OF NUVEEN

In light of the severe correction in fixed income markets precipitated by the steep rise in interest rates over the past ±12 months, the Investment Team believes that a topical review of fixed income assets (e.g., bonds) and the strategic benefits of the firm’s long-standing partnership with Nuveen Asset Management (“Nuveen”) may be warranted. For more than a decade, McShane Partners has worked with Nuveen to provide our clients with high-quality investment solutions and ensure direct access to active management, best execution, and independent fundamental credit analysis within clients’ Fixed Income portfolios. Based on the Investment Team’s objective assessment and comparative analysis of quantitative and qualitative factors, Nuveen has consistently proven to be an extremely cost-effective way to seek positive risk-adjusted returns (i.e., alpha). It is our responsibility to continuously conduct due diligence on Nuveen as it relates to our view of the Fixed Income Market. We spent the last month conducting a deep review.

#### MARKET EFFICIENCY | ECONOMIES OF SCALE

People mistakenly assume that the market structure and trading dynamics of the municipal bond market are similar to that of the U.S. Treasury bond market, a misconception that often results in ineffective attempts by retail investors to trade individual municipal bonds in a marketplace dominated by large, institutional asset managers. **The municipal bond market is notoriously inefficient** because trading activity in the underlying bonds is often dictated by

[Continued on next page](#)

### WEALTH ADVISORY OVERVIEW

#### HURRICANE IAN SHINES SPOTLIGHT ON FLOOD INSURANCE

Last week, most of us watched as hurricane Ian came ashore in Florida and decimated properties in the sunshine state. The destruction highlights the need for flood insurance in areas where properties are prone to flooding. Flooding is the most common and most damaging natural disaster in the country. In Florida, flood risk is higher due to the state’s frequency of storms and proximity to water. Most insurance policies do not cover flooding; therefore, additional flood insurance is required in order to protect assets.

#### WHAT IS FLOOD INSURANCE?

Flood insurance is available through the National Flood Insurance Program (NFIP), which is administered by the Flood Emergency Management Agency (FEMA). NFIP was created to provide affordable flood insurance for residents living in areas where flooding is a regular occurrence. Most homeowners insurance policies do not cover flood damage. Flood insurance is a separate policy that can cover buildings, the contents in a building, or both. Flood insurance is available to everyone: homeowners, business owners, condo unit owners and renters. Depending on the risk of where you live or own a business, as well as the provider you choose when purchasing flood insurance, policies may vary in price. Although the cost of another insurance policy may seem unnecessary, it could save you in the long run from flood damage costs; just one inch of flood water can cause more than \$25,000 in damage.

[Continued on page 5](#)



#### INVESTMENT TEAM

Daniele Donahoe, CFA  
*CEO | Chief Investment Officer*  
Jon Michael Morgan CFA  
*Senior Portfolio Manager*  
Elliott Van Ness, CFA  
*Director of Research | Portfolio Manager*  
Abby Williams  
*Investment Associate*

#### WEALTH ADVISORY TEAM

Sandy Carlson CFP®, CPA, CDFIA®  
*President | Wealth Advisor*  
Rebecca Hoover CFP®, CPA, CDFIA®  
*Director of Tax | Wealth Advisor*  
Lorri Tomlin, FPQP™  
*Wealth Advisor*  
Ryan Vaudrin CFP®, CDFIA®  
*Wealth Advisor*  
Daniel Hudspeth, CFP®  
*Wealth Associate*  
Corey Meyer  
*Operations Manager*

#### POINTS OF INTEREST

- [Monthly Index Review](#)
- [Around McShane Partners](#)

## INVESTMENT OVERVIEW

### THE NUTS & BOLTS OF NUVEEN

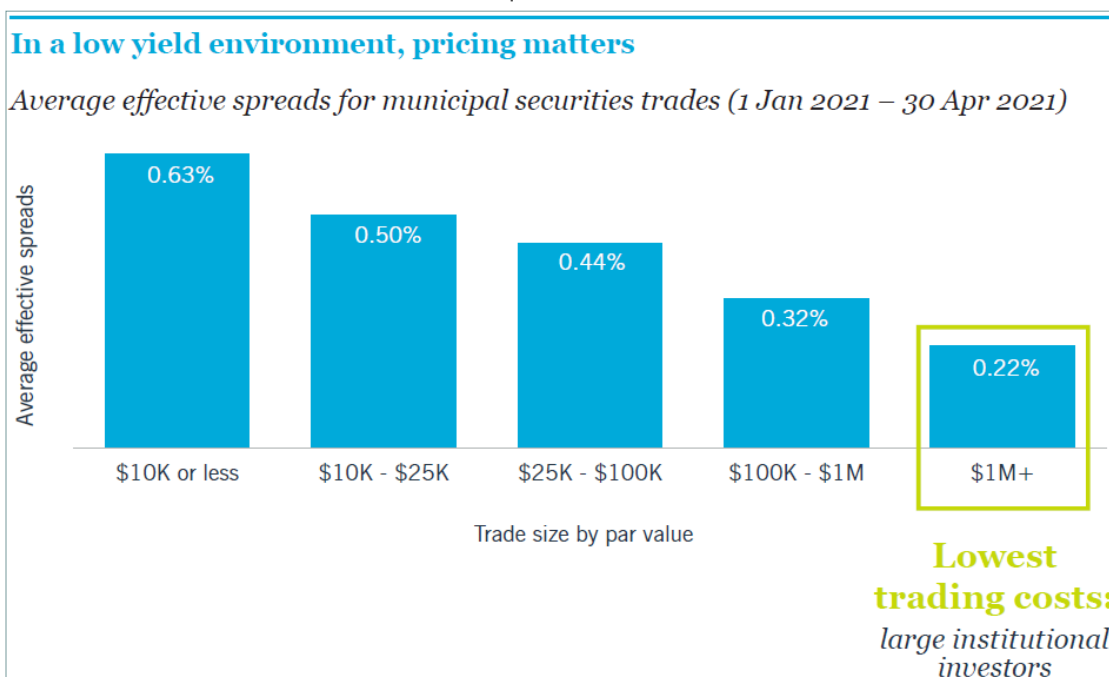
multiple technical factors (e.g., illiquidity, inconsistent new issuance, supply/demand imbalances, etc.) that are less prevalent in comparable U.S. Treasury and corporate bond markets. As a result, a large institutional investor or asset manager with an established presence in the municipal bond market, such as Nuveen, is able to take advantage of economies of scale by aggregating and trading larger “blocks” of bonds in order to receive more favorable pricing, while also obtaining greater access to new issuance and negotiating more attractive terms on deals coming to market. Chart I, below, illustrates the degree to which trade size can influence bid-ask pricing (i.e., average effective spreads) for municipal bond securities; through the first four months of 2021, the average effective spread for trades of \$10,000 or less was  $\pm 0.63\%$  vs.  $\pm 0.22\%$  for comparable trades of at least \$1.0 million: in other words, larger trade blocks received  $\pm 0.41\%$ , or  $\pm 41$  basis points (“bps”), of incremental price improvement vs. smaller trade blocks (Source: Nuveen Asset Management). This invaluable ability to achieve better pricing in an inefficient market is the primary reason for utilizing a larger asset manager like Nuveen.

#### ACTIVE MANAGEMENT | COST-BENEFIT ANALYSIS

The Investment Team prefers to rely on active management for strategic exposure to inefficient markets where an active

**CHART I: MUNICIPAL BOND MARKETS | ECONOMIES OF SCALE DRIVE SUPERIOR PRICING**

[Continued on next page](#)



Source: Nuveen Asset Management, LLC

#### MONTHLY INDEX REVIEW USD TOTAL RETURN

DATA AS OF SEPTEMBER 30 <sup>TH</sup> 2022	SEPTEMBER 2022	2022 YTD	2021	2020
S&P 500® Index	-9.21%	-23.87%	+28.71%	+18.40%
Dow Jones Industrial Average	-8.76%	-19.72%	+20.95%	+9.72%
NASDAQ Composite	-10.44%	-32.00%	+22.18%	+44.92%
Russell 2000	-9.58%	-25.10%	+14.82%	+19.96%
MSCI Emerging Markets	-11.67%	-26.89%	-2.22%	+18.69%
MSCI EAFE	-9.31%	-26.76%	+11.78%	+8.28%
Bloomberg Barclays U.S. Aggregate Bond Index	-4.32%	-14.61%	-1.54%	+7.51%

## INVESTMENT OVERVIEW

### THE NUTS & BOLTS OF NUVEEN

manager has a higher probability of generating alpha and where the cost-benefit is positively skewed in favor of active. Nuveen has a history and track record of performing independent, fundamental credit analysis on municipal bonds that is difficult to replicate and critical to managing risk across municipal bond portfolios.

When prudent and appropriate relative to clients' investment objectives and constraints, the Investment Team recommends using a dedicated separately managed account ("SMA") for the core of their Fixed Income allocations given the extremely attractive cost-benefit proposition: the incremental cost of investing with Nuveen via their fixed income SMA platform is not only competitive, but also largely justified by the incremental savings on the trading side. The SMA structure allows municipal bond investors to avoid unnecessary or excessive costs, relative tax inefficiencies, and potential performance headwinds associated with other investment vehicles, such as open-end mutual funds or exchange-traded funds ("ETFs").

Given the firm's partnership with Nuveen and our ability to work with them on aggregating firm-wide assets across individual client relationships, McShane Partners' clients are able to invest with Nuveen via the SMA structure, thereby capturing the cost-savings and implied efficiencies of directly owning individual bonds. Instead of having indirect bond exposure via a comingled investment vehicle, each bond in a SMA is directly held by the respective client and is not subject to the indirect impact of trading activity by a third-party investment manager across a broader bond portfolio; in other words, the trading activity or redemption schedule of other investors should not have a direct impact on the bonds directly held by a client in their individual SMA. In the mutual fund or ETF structures, if one investor has a large position in the fund and decides to liquidate that position, it can force the third-party portfolio manager of that fund to sell at inopportune times, which can have an adverse impact on performance and corresponding tax implications for other investors in that fund.

Additionally, despite the touted benefits of the ETF structure in solving or addressing the inefficient tax structure of mutual funds, the ETF structure is not a clear solution to the aforementioned comingled fund issue; because of the aforementioned illiquidity of the municipal bond market, the underlying index of the corresponding ETF is often not easily or efficiently replicated within the ETF vehicle, which can result in or contribute to performance dispersion, or worse: a complete breakdown in the liquidity-generating mechanism of the ETF structure itself.

#### INSIGHTS & UPDATES

Nuveen recently hosted its Global Investment Summit at the New York Stock Exchange where we spent two days listening to and meeting with the firm's top strategists and portfolio managers across fixed income and real estate markets. It was an exceptional opportunity to conduct routine due diligence across multiple managers at Nuveen and get an update on the platform. Nuveen's top priority continues to be building a service offering that is comprehensive, accessible and generating positive alpha. The level of communication over our fifteen-year history with them is constantly improving and impressive. The most pertinent conclusion from our visit was that Fixed Income is attractive today after one of the most severe corrections in history which is illustrated in the Chart II on the following page.

After this painful correction in the bond market there are windows of opportunity for investors to initiate bond positions or close underweights. This view keeps in mind that it has been 50 years since a U.S. Federal Reserve was managing a rate increase regime which is unprecedented territory for many investors in the market today. Our predisposition at this point is toward municipal bonds given the tax policy landscape, the credit quality of North Carolina bonds and valuation. Bonds are much more attractive than a year ago with what will set up to be competitive rates and downside protection if a recession commences.

#### MUNICIPAL MARKET

Along with all other areas of fixed income, municipal market performance has been pressured from rates moving higher and persistent inflation. John Miller, Head of Nuveen Municipals articulated a compelling thesis for municipal bond as prices reflect the rise in rates, with demand beginning to recover. Valuations look attractive as both tax-exempt cash flows and taxable-equivalent yields have more than doubled since the

[Continued on next page](#)

## INVESTMENT OVERVIEW

### THE NUTS & BOLTS OF NUVEEN

beginning of the year. Historically, yields have been a strong predictor of future returns. At present, yields appear high enough to account for the bad news while generating renewed enthusiasm for investing in bonds.

Structurally, the municipal market is well positioned if there is a recession looming. Credit fundamentals remain strong, with rainy day funds and revenue collections at the highest levels in history. Because of this strength, new municipal issuance is running well-below normal creating a compelling dynamic of scarcity in bonds with rising demand. Historically, this technical dynamic has resulted in positive performance in munis. Despite the fundamental strength present within the municipal market, recent fears on inflation have pressured municipal bonds as retail investors have sought safety over return. As a reminder, the municipal market is overwhelmingly dominated by the retail investor. Therefore, once investor demand returns when forward inflation paths become more visible, the municipal space should perform well within fixed income.

The state and sector-level specifications are a highlight of the flexible Nuveen offering allowing our team to have input on multiple important client-specific factors. Economic downturns often affect sectors differently. McShane can direct client municipal bond allocations toward sectors that have shown resilience during economic downturns; including airports and ports, toll roads, and state and local governments. Many of our clients reside in North Carolina, which remains an attractive state for municipal bond investing due to the state’s solid track record for maintaining a balanced budget.

The municipal bond market is slightly more complex than the U.S. Treasury and corporate bond markets, which is why the Investment Team believes that, perhaps now more than ever, our partnership with Nuveen is critical to clients’ ability to access and invest in the municipal bond market in a low-cost, efficient manner.

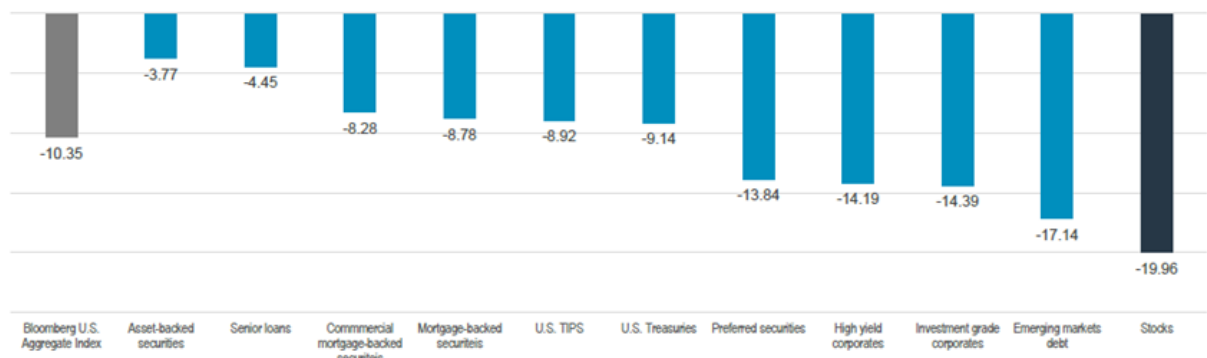
**CHART II: BOND MARKET SUFFERS WORST START TO CALENDAR YEAR ON RECORD**

## Worst start to a year for the bond market on record

All fixed income sectors experienced negative returns.

- Shortest duration sectors, like asset-backed securities and senior loans, fared best
- U.S. TIPS benefited from high inflation, but have longer duration, which detracted as rates rose
- Emerging market debt suffered most due to its longer duration profile and exposure to some of the regions hardest hit by the war
- Equities suffered even more in the risk off environment

Year-to-date total return by fixed income sector



Source: Nuveen Asset Management, LLC

## WEALTH ADVISORY OVERVIEW

### HURRICANE IAN SHINES SPOTLIGHT ON FLOOD INSURANCE

Homes and businesses in high-risk flood areas with mortgages from government-backed lenders are required to have flood insurance. However, individuals who own their homes outright can decide to either purchase flood insurance, or to self-insure. If a homeowner has purchased flood insurance, it is important to understand what that policy may cover. For instance, federal flood insurance is capped at \$250,000 per building and \$100,000 for contents.

#### KNOW YOUR RISK

The Federal Emergency Management Agency (FEMA) flood map service can help consumers determine their flood risk. Depending on the location, consumers may qualify as a high risk, moderate to low risk, or undetermined risk.

- High-risk areas have at least a 1 percent chance of flooding each year. Homeowners in these areas with mortgages from federally regulated or insured lenders are required to buy flood insurance.
- Moderate to low-risk areas have less than a 1 percent chance of flooding each year, but there is still a possibility the area could flood. Flood coverage is not required in these areas, but it is recommended. Some mortgage lenders still require you to have flood insurance in non-high-risk areas.
- Undetermined risk areas are areas where flood-hazard analysis has yet to be conducted, but risk still exists.

To learn more about flood risks in your area, visit the local emergency management office website or FEMA to look at a flood map.

#### HOW CAN FLOOD INSURANCE BE OBTAINED?

Although you can purchase flood insurance at any time, waiting until a hurricane or major storm is threatening your home may be too late. Many policies take upwards of 30 days after purchase to take effect. To qualify for flood insurance, a community must join the NFIP and agree to enforce sound floodplain management standards. To find out if your community participates, visit [www.floodsmart.gov](http://www.floodsmart.gov), contact the local emergency management office, or call your insurance agent.

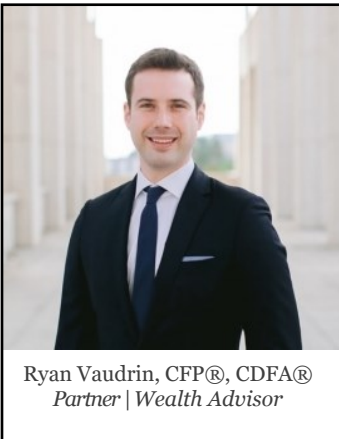
If your property experiences flooding impacts from a disaster, it is not guaranteed you will be able to receive federal assistance. If your area has not received a Presidential Disaster Declaration, you will not receive assistance. A Presidential Disaster Declaration makes federal assistance available under FEMA. When there is an official Presidential Disaster Declaration, NFIP policyholders are encouraged to apply for FEMA disaster assistance, in addition to their flood insurance claim. The average payout by FEMA's Individuals and Households Program is only about \$5,100, while claims under the NFIP average around \$29,000.

#### HOW TO FILE A CLAIM

Flood insurance claims can be filed anytime your property experiences flooding impacts. A flooding event is considered to be any flooding that affects two or more acres of land or two or more properties. If you need to file a flood insurance claim, be informed and prepared so that recovery can move quickly and smoothly. Before a disaster strikes, have updated photos of your home or business so that insurance providers can clearly examine your property and belongings. If your property has experienced flood impacts, take extensive photos of damages before cleaning up. This will allow insurance providers to compare before and after photos to determine the extent of damages and arrange the best claim payment possible. As you are cleaning, make a detailed list of lost or damaged items. If you have original receipts for items, hold onto those for documentation in your claim. After gathering all the necessary information, contact your insurance company to begin filing your claim.

If you have any questions about flood insurance, or any of your insurance needs, please contact your Wealth Advisor. We are here to make sure that you have the coverage that will best suit all of your insurance needs.

## NEXTGEN: THE INVESTMENT PORTAL VS. WEALTH ADVISORY VAULT



Ryan Vaudrin, CFP®, CFA®  
Partner | Wealth Advisor

Like an annual meeting, it's important to touch base every year regarding the tools and resources that are available to McShane Partners Clients. We would like to take this opportunity to discuss both the Investment Portal and the Wealth Advisory Vault. The combination of the two on our website create a holistic picture of a clients Investment and Planning situation.

While it is easy to get them mixed up, we have two separate areas for client information since our performance reporting software and our planning software operate on different systems. The performance reporting software drives the Investment Portal while our planning software drives the Wealth Advisory Vault. Each section requires a separate login to access personal, client-specific information.

### The Investment Portal

The Investment Portal provides clients with information regarding their managed investment portfolio. The portal showcases the current Account Performance, Net Contributions, Investment Gains/Losses, Current Managed Market Value, and overall Asset Allocation. Each quadrant displays the information in an easy-to-read format for quick updates.

Clients can also take a deeper dive into their reports at the top left of the page. These additional reports will provide more detail on the performance, holdings, and transactions. This section also includes the "Documents" section where we upload our Investment Team Communications, Quarterly Reports, and other miscellaneous information for client review.

### THE WEALTH ADVISORY VAULT

The Wealth Advisory Vault is where clients go to view everything related to their Financial Plan. With the Wealth Advisory Vault, clients can link both managed and unmanaged investment accounts to create a comprehensive Net Worth Statement in one location. As accounts are linked, the Spending feature is unlocked. This feature can be accessed within the spending section and allows clients to track and categorize expenses.

We utilize the Wealth Advisory Vault as a digital filing cabinet to securely store important client documents which can be accessed via the Vault tab at the top of the page. This is also where we upload client materials for meetings, estate planning documents, tax returns, as well as other important items. I personally keep a copy of my passport in my Vault so that I can access it anytime or anywhere. The Vault is a great tool which increases security and allows us to declutter as we move from paper hard copies.

Taking advantage of both the Investment Portal and Wealth Advisory Vault helps to stay involved and up to date with your current financial situation. Let us know if you would like to review either section together or if you need help getting logged in!

#### INVESTMENT PORTAL

The screenshot shows the Investment Portal interface. At the top, there's a navigation bar with 'REPORTS' and 'DOCUMENTS' (with a red notification badge). Below that, a search bar says 'FIND DATA FOR All Accounts'. The main content area is divided into four quadrants: 'PERFORMANCE' (N/A), 'NET CONTRIBUTION' (Contributions, Withdrawals, Net Contribution), 'INVESTMENT GAIN' (N/A), and 'MANAGED MARKET VALUE'. At the bottom, there's an 'ASSET ALLOCATION' section for 'All Accounts' with a note: 'No category allocation to report.'

#### WEALTH ADVISORY VAULT

The screenshot shows the Wealth Advisory Vault interface. The top navigation bar includes 'Home', 'Expense', 'Spending', 'Vault', 'Reports', and 'Help'. The main content area is titled 'Welcome, John and Jane Sample'. It features a list of 'Accounts' with values like Cash (\$50,000), Credit Cards (\$0), Taxable (\$1,000,000), Tax Advantaged (\$1,350,000), Life Ins Cash Values (\$0), Loans (\$0), Property (\$1,190,000), and Stock Options (\$0). A prominent 'Net Worth' box shows '\$3,590,000 as of today'. There's also a 'Spending' section with a bar chart and a 'Protection' section with a note: 'You do not have any protection accounts. Add accounts to activate this section.'

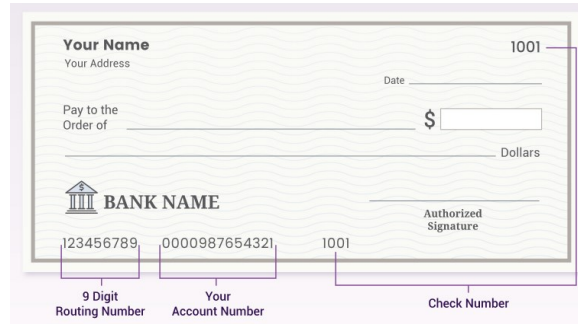
## SENIOR PLANNING: NEW SCHWAB ROUTING NUMBER FOR CHECKS



Lorri Tomlin, FPQP™  
Partner | Wealth Advisor

Many of our clients with accounts held at Charles Schwab have been getting email notifications regarding Schwab’s new routing (or ABA) number for checks and electronic funds transfer instructions.

If you have Charles Schwab checks associated with your Schwab One brokerage account, please review these checks to ensure that they have the correct/current routing number. The current routing number is 031100157. The routing number can be found at the bottom of



each check on the left-hand side and before the account number.

If your Schwab checks do not have the correct routing number, please contact us and we will order new checks for you. This may be a good time to pull out all those old Schwab checks in the back of a drawer and review to see which ones are still needed and valid and which ones need to be shredded!

This new routing number will also affect clients who have automatic electronic funds transfer (EFT) set up to make or receive payments to outside vendors. For example, if you have tax payments or refunds set up to be withdrawn from or deposited into your Schwab One account, please make sure that your tax preparer has this updated routing number for their records. Another example might be having an insurance premium paid directly from your Schwab One account or a Social Security payment directly deposited into your Schwab One account. Make sure that these vendors have the correct routing number on file for these transactions. Again, if you have any questions, please let us know and we can make sure that you have the correct information.

As of December 31, 2022, Schwab will no longer honor Schwab One checks or electronic funds transfer (EFT) instructions that include or reference the old/incorrect routing number.

This issue is NOT related to, nor does it have an impact on, “Moneylink” transfers that we have set up to transfer funds between your Schwab One account and your personal checking account.

## PLANNING TIP: ACCESSING YOUR CREDIT SCORE

You are entitled to a free credit report every 12 months from each of the three major consumer reporting companies (Equifax, Experian and TransUnion). You can request a copy from [AnnualCreditReport.com](http://AnnualCreditReport.com).

You can request and review your free report through one of the following ways:

<b>ONLINE</b>	<b>VISIT <a href="http://WWW.ANNUALCREDITREPORT.COM">WWW.ANNUALCREDITREPORT.COM</a></b>
<b>PHONE</b>	<b>CALL (877) 322-8228</b>
<b>MAIL</b>	<b>ANNUAL CREDIT REPORT REQUEST SERVICE P.O. BOX 105281 ATLANTA, GA 30348-5281</b>

## AROUND McSHANE PARTNERS

### COREY AND KELLY MEYER HONEYMOON IN THE MALDIVES

Operations manager, Corey Meyer, and his new wife, Kelly, traveled to the Maldives in the Indian Ocean for an amazing trip celebrating their honeymoon. It was an experience of a lifetime, and they loved every minute of it! Their only complaint is the travel time to get to this magical island.



## The Learning Collaborative

McShane Partners has joined forces with The Learning Collaborative in Charlotte. The Learning Collaborative is a preschool and family support & involvement program that prepares at-risk children for success in school. We are loving our time spent with these adorable kids!

McShane Partners in partnership with Charlotte Wine & Food is hosting a charity vintner dinner featuring the wines of DAOU Vineyards & Winery. All proceeds benefit the following organizations:



### DANCING WITH THE STARS OF CHARLOTTE - DANCING FOR A CAUSE

McShane Partners is thrilled to announce that Elliott Van Ness will be participating in the seventh year of [Dancing with the Stars of Charlotte - Dancing for a Cause](#), a ballroom dance and fundraising competition featuring Charlotte-area "Stars" and award-winning professional dance partners, on February 10<sup>th</sup> 2023. All profits from the event go towards supporting two amazing local non-profit organizations: [Carolina Breast Friends](#) and the [Go Jen Go Foundation](#)!

We are extremely proud to be sponsoring Elliott and would invite anyone interested in learning more or contributing to Elliott's campaign to visit his [personal fundraising page](#).

Thank you all very much in advance for your consideration, generosity, and support! We are incredibly excited about supporting such wonderful organizations and will keep everyone updated over the next several months!



### McSHANE PARTNERS

Wealth management is our only business; therefore, our attention is undivided, and our intentions are transparent.

2150 Park Drive  
Charlotte, NC 28204  
Phone: (980) 585-3390  
Fax: (980) 265-1274  
Email: [mcshane@mcshanepartners.com](mailto:mcshane@mcshanepartners.com)

*Information provided in this newsletter should not be considered or interpreted as advice for your particular financial situation. Please consult a professional advisor for advice regarding your specific financial needs.*

*CIRCULAR 230 NOTICE: To comply with requirements imposed by the United States Treasury Department, any information regarding any U.S. federal tax matters contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, as advice for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.*

*This newsletter is for discussion purposes only and represents the opinions of McShane Partners.*

*McShane Partners is a Registered Investment Advisor.*