

### INVESTMENT OVERVIEW

#### INVESTING IN REAL ESTATE IN AN ELEVATED INTEREST RATE ENVIRONMENT

Most clients utilize McShane Partners' investment team for equity and fixed income investing, portfolio and risk management. Given the increasingly sophisticated needs of our investors, McShane introduced private investments where appropriate. Our first investment in real estate is the Nuveen Strategic Alternatives Fund I, a diversified real estate portfolio managed by Melissa Reagen and her team. Leading up to our investment decision, we conducted numerous due diligence meetings with Melissa as well as her investment and operations team at Nuveen to gain comfort in both the performance potential of the Fund as well as the liquidity risk required to participate. We especially like the new and nimble nature of this Fund, launched in 2022 within the umbrella of Nuveen, an asset manager with over a trillion dollars under management. Despite the size of the overall organization, the fund size was kept small enough to be nimble and invest in smaller, unique real estate opportunities. Nuveen invested \$50M directly into the Fund, and Melissa and her team have access to the full research capabilities within Nuveen, a team of over 700 globally. The Fund provides direct investment exposure unavailable in public markets. The three primary areas of the real estate market: medical offices, self-storage assets, and single-family rentals are steady, unique, and designed to offer diversification and buffer some of the cyclicity traditionally associated with direct real estate investing. To date the Fund has made three direct investments in newbuild medical office properties, with more likely

[Continued on next page](#)

### WEALTH ADVISORY OVERVIEW

#### TAX OVERVIEW OF MUNICIPAL BONDS

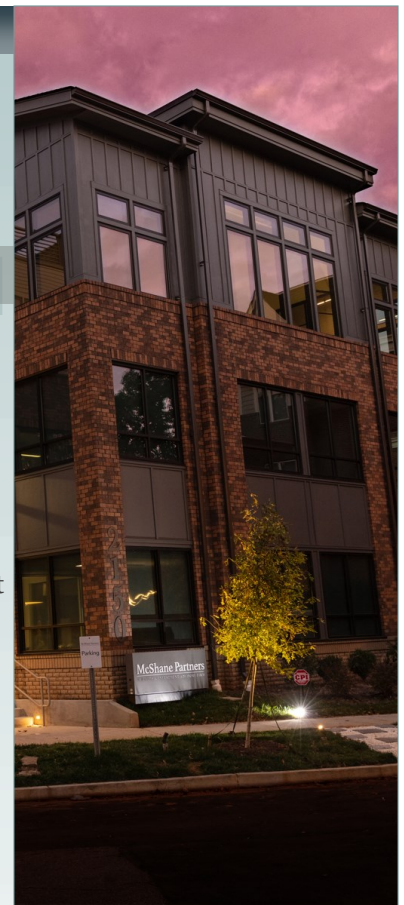
For an investor, one of the major advantages of municipal bonds is that they are typically exempt from federal income tax and frequently from local and state tax as well, particularly when the bond's owner resides in the state in which the bond was issued. For taxpayers in higher tax brackets, the after-tax return from owning municipal bonds can easily outpace returns from taxable assets. However, you need to navigate certain tax implications to ensure you realize the benefits of muni bond investments.

Essentially, when investors buy a bond, they loan money to the bond's issuer in exchange for a specified number of interest payments over a set period of time. The end of this period is referred to as the bond's maturity date, when the investor's principal is returned. Municipal bonds are debt issued by public entities that use the funds to invest in public projects such as the construction of schools, hospitals, and other needs of the issuing body.

#### Not all Municipal Bonds are Tax-Free

The federal government taxes the interest on certain municipal bonds, including private activity bonds which are not "qualified bonds", arbitrage bonds, and others. These bonds are not tax-free because the federal government will not subsidize activities that don't provide a significant benefit to the public. Bonds issued to fund stadiums,

[Continued on page 4](#)



### 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*  
Tracy Strickler  
*Office & Marketing Manager*

### WEALTH ADVISORY TEAM

Sandy Carlson CFP®, CPA, CDFA®  
*President | Wealth Advisor*  
Rebecca Hoover CFP®, CPA, CDFA®  
*Director of Tax | Wealth Advisor*  
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Corey Meyer  
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### POINTS OF INTEREST

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

**INVESTMENT OVERVIEW****INVESTING IN REAL ESTATE IN AN ELEVATED INTEREST RATE ENVIRONMENT**

as the Fund builds out its investment portfolio.

In August, the Fund announced its first capital call since the initial investment. You received an announcement email directly from Nuveen (there is nothing you need to do as we manage this process for you). This recent capital call is equal to approximately 21.5% of the initial investment commitment and will fund recent self-storage acquisitions as well as the Fund's McKesson, Renown and Christus Health medical office developments in progress. We applaud the discipline her team has shown this year, having paused further single-family rental property investment until interest rate visibility improves.

Performance through March has been exemplary, returning 23.8% net of fees on invested capital in the first year.

The McShane Investment Team will meet with Melissa and her team on September 5<sup>th</sup> to discuss recent quarterly performance, capital call timing and intended use of funds. Additionally, the insights gained from this relationship support our investment work within the publicly traded housing and self-storage REIT industries.

Housekeeping: Due to feedback from investors, going forward McShane will receive Fund correspondence from SAF I directly since we handle the cash movement on behalf of the client. We will continue to provide periodic updates through the life of the Fund.

We remain excited about the investment diversification and return potential this Fund offers and will continue to provide you with updates as Melissa and her team diligently put fresh capital to work.

On the next page is an Executive Summary of the Nuveen Strategic Alternatives Fund I.

[Continued on next page](#)

*"You get recessions, you have stock market declines. If you don't understand that's going to happen, then you're not ready, you won't do well in the markets."*

*- Peter Lynch*

**MONTHLY INDEX REVIEW**  
USD TOTAL RETURN

DATA AS OF AUGUST 31 <sup>TH</sup> 2023	AUGUST 2023	2023 YTD	2022	2021
S&P 500® Index	-1.59%	+18.73%	-18.11%	+28.71%
Dow Jones Industrial Average	-2.01%	+6.37%	-6.86%	+20.95%
NASDAQ Composite	-2.05%	+34.88%	-32.54%	+22.18%
Russell 2000	-5.00%	+8.96%	-20.44%	+14.82%
MSCI Emerging Markets	-6.16%	+4.55%	-19.74%	-2.22%
MSCI EAFE	-3.83%	+10.87%	-14.01%	+11.78%
Bloomberg U.S. Aggregate Bond Index	-0.64%	+1.37%	-13.01%	-1.54%

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## Executive summary

#### Investment strategy

- **Targeting outperforming sectors:** Medical offices, single-family rentals, and self-storage assets
- **Niche strategies within sectors:** Designed to outperform the broader medical office, single-family rental, and storage sectors
- **Resilient portfolio construction:** The performance of these three sectors is less correlated to economic growth and they tend to outperform real estate overall consistently through cycles

#### Execution

- **Exclusive pipelines:** Proprietary access to sector pipelines ensures access to off-market or very lightly marketed deals
- **Portfolio aggregation:** Acquiring small properties that fall below the radar of typical institutional investors and aggregating these properties into a portfolio for a premium upon exit
- **Value-add asset management:** Buying assets from non-institutional owners and improving assets for an institutional buyer

#### Overview

- **Target net return<sup>1</sup>:** 12%-14% net IRR (pre-tax)
- **Capital raise target:** \$350 million
- **Proven track record<sup>2</sup>:** 20.1% IRR across \$5.9 billion of real estate alternative investments
- **Strong alignment:** TIAA General Account provided a \$50 million commitment. Further, the Fund team and Nuveen key employees are also contributing meaningful amounts of capital
- **ESG focus:** The Fund's ESG policy spans data collection to reduce waste and energy consumption, climate risk analysis, the implementation of certifications, and social aspects

## WEALTH ADVISORY OVERVIEW

### TAX OVERVIEW OF MUNICIPAL BONDS

underfunded pension plans, or other projects that benefit businesses rather than the general public are typically determined to be private activity bonds.

Qualified private activity bonds are bonds that are private activity bonds, but as long as certain other requirements are met, the interest on the bonds is still tax-exempt. Even though the proceeds of qualified private activity bonds are used by private entities, that use is considered to be a “good” use. Some examples include hospitals or power plants which the municipality needs but cannot provide on its own. These projects may be undertaken by a for-profit or nonprofit organization but provide a benefit to the general public or community. The relatively good news is that qualified private activity bonds are exempt from regular federal tax but these bonds are subject to tax under the Alternative Minimum Tax (“AMT”) rules.

Some municipalities issue bonds to fund arbitrage activities. Arbitrage is the purchase and sale of the same or equivalent security or asset in order to profit from price differences. The term arbitrage is not exclusive to municipal securities; it applies to all types of investments. Bonds issued to fund arbitrage investments are not tax exempt.

Finally, holding a municipal bond or other tax-exempt investment in a retirement account generally negates the tax benefits. All distributions from retirement accounts, whether they represent the principal or investment returns, are subject to ordinary tax rates when distributed. This is one of the fundamental reasons we don’t recommend the same investments for taxable and tax-deferred accounts. Portfolios where all of your accounts are invested identically typically have a lower after-tax return than portfolios constructed with this in mind.

#### Muni Bond Tax Benefits Aren’t Just Tax-Exempt Interest

The sale of a municipal bond at a gain or loss is taxable for federal tax purposes as a capital gain or loss. If you have realized capital gains during the year you can offset those gains with losses on your municipal bonds. Using selected “tax loss harvesting”, certain bonds may be sold at a “loss”. During periods of rising interest rates bonds may have an unrealized loss due to their lower coupon rate (relative to newly issued bonds). These lower-coupon bonds can be sold and the “loss” realized. The proceeds of the sale are then reinvested in different bond issues, and the losses may be used to offset realized gains on other investments. Keep in mind that while you may have a paper loss on a specific bond, because rates have moved higher, the bond yield at time of purchase remains the same if held to maturity. Correspondingly, holding a bond to maturity in a falling-rate environment will allow you to avoid recognizing a taxable gain, while still excluding the interest from tax.

Your tax professional can assist you in comparing the after-tax yield on tax-exempt municipals with that of taxable investments for your specific situation. If a bond is exempt from state tax as well, the tax bracket for comparison would include your state tax rate as well. The table below is a general reflection of the power of investing in a tax-exempt muni.

#### Taxable vs. Tax-Free Yield

	Tax Bracket						
	10%	12%	22%	24%	32%	35%	37%
Tax-Exempt yield	Taxable-Equivalent yields						
2%	2.2%	2.3%	2.6%	2.6%	2.9%	3.1%	3.2%
3%	3.3%	3.4%	3.8%	3.9%	4.4%	4.6%	4.8%
4%	4.4%	4.5%	5.1%	5.3%	5.9%	6.2%	6.3%
5%	5.6%	5.7%	6.4%	6.6%	7.4%	7.7%	7.9%
6%	6.7%	6.8%	7.7%	7.9%	8.8%	9.2%	9.5%

Your wealth and investment advisors can help you maximize your after-tax returns from your investments ensuring that you get the most out of your investment dollars. It’s not necessarily how much you make but how much you keep!



## NEXGEN: MINOR ROTH IRA ACCOUNTS



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

Starting a minor or custodial Roth IRA for your child is often an overlooked opportunity that can jumpstart successful savings habits. Minor IRA accounts have the same rules as typical IRA accounts except they are established in a minor’s name and maintained by a custodian.

### Who Can Participate

Accounts can be established and funded for any individual with earned income, regardless of age. Contributions can be made on behalf of the minor beneficiary up to the amount of earned income for that year (limit is \$6,500 for 2023) and the minor beneficiary will gain control of the account once they reach age 18.

### Benefits of a Minor Roth IRA

The main benefit of a Roth IRA is tax free growth. By starting to invest earlier, the funds have a longer period to compound and grow tax free. With the Roth IRA, investors have the flexibility to invest in more growth-oriented options compared to a bank savings account.

### Distributions Rules for a Minor Roth IRA

Typically the goal for a Roth IRA would be to invest for retirement however, there are a few additional distribution rules that can make the Roth IRA a great option for young investors:

- ◆ Roth IRA contributions can be withdrawn at any time without any income or penalties.
- ◆ Any growth or earnings that are used for qualified education expenses are only taxed as income and avoid the typical 10% early withdrawal penalty.
- ◆ After the account has been funded for 5 years, the sum of \$10,000 can be distributed for a first-time home purchase.

The minor or custodial Roth IRA can be a great option to save for the long term but has multiple opportunities for the minor beneficiary to access future funds, even before retirement.

Your team at McShane Partners can help determine if this is a suitable option and help you get one established!

## NEXTGEN: BUILDING CREDIT - PART ONE



Daniel Hudspeth, CFP®  
Wealth Associate

A credit score is a metric which lenders use to evaluate potential borrowers. These numerical scores generally range from Poor (300) to Excellent (800+). Whether it’s a bank, car dealer, or even utility company, a person’s credit score will impact how much money and at what rate an institution will “credit” them. However, there’s a bit of a catch 22 when dealing with credit – you need to *have credit* in order to *get credit*. In this month’s article, I will cover a few methods which can help establish and bolster credit

### SECURED CREDIT CARDS

This type of card operates much like a traditional credit card and allows the user to purchase an item today and pay for it later. The key difference between the two is that the secured card is essentially pre-paid with a deposit. For example, if a person opens a secured card with a \$500 deposit, they can now spend up to their credit limit of \$500 and repay their balance before the due date. This allows the user to build enough credit for a traditional card while protecting the lender in the event the outstanding balance goes unpaid.

Next Month for Building Credit Part Two, we’ll cover Credit Builder Loans and Good Habits.

## SENIOR PLANNING: STEPS TO TAKE AS YOU APPROACH RETIREMENT



Lorri Tomlin, FPQP™  
Partner | Wealth Advisor

After working your whole life, retirement can be an exciting prospect but are you adequately prepared? Here are some steps you can take as you approach that long-awaited goal. Being prepared can help eliminate worry and enhance enjoyment of this new stage in life.

### **Make Budgeting a Priority Before Retirement**

Track your expenses monthly for a full year or more to get an idea of what you will really need down the road. Are there expenses that can be eliminated or expenses that will need to be added? Having a good idea of what your spending will be in retirement may help eliminate stress and worry related to a new “fixed income” reality.

### **Review Your Retirement Resources**

Will your savings be enough to provide adequate income in retirement. Do you need to reduce spending now to save a little more for later? Are your investments appropriate or are you taking too much risk with the funds you will need in the near future?

### **Pay Down Debt**

While debt is something many take on during a lifetime, carrying debt into retirement can negatively affect your quality-of-life. Once again, review your current budgeting and spending to see if there are adjustments you can make to pay down outstanding debt more aggressively prior to retirement.

### **Consider Downsizing or Moving to a Retirement Community**

Do you need the equity you have built up in your home to fund your retirement? Consider selling your current home and moving to a smaller home or a retirement community. Proceeds from the sale can be added to your current retirement savings. If you want to stay in your current home, a reverse mortgage could make sense and provide additional income in retirement.

### **Plan for Lifestyle Changes**

Will you continue to work in retirement? This could provide extra income or help eliminate boredom. Plus, you will reap the benefits of staying active and social. Are there new hobbies and/or activities you’ve been wanting to explore? Do some research, try out things that interest you in the years leading up to retirement.

Will you be prepared for retirement? Your McShane Partners Wealth Advisor is ready to help with any questions you may have.

## UPCOMING HOLIDAY OFFICE CLOSURES

Monday, Sep. 4	<i>Labor Day</i>
Thursday, Nov. 23 & Friday Nov. 24	<i>Thanksgiving</i>
Monday, Dec. 25	<i>Christmas Day</i>

## AROUND McSHANE PARTNERS

### FINANCE FOR ALL



Daniele was honored to be a speaker for the Finance for all Event at UNC Chapel Hill. This was an interactive session on understanding financial career paths. Practitioners demystified the structure, roles, daily life and inner workings of large, complex, global financial institutions and corporations. These sessions benefited students interested in finance including but not limited to Corporate Finance, Investment Banking, Investment Management, Private Wealth Management, Private Equity and Venture Capital. Daniele is a graduate of UNC Chapel Hill and was excited to give back to her alma mater.

### WOMEN EXECUTIVES



Daniele hosted a small group of members from “WE” at McShane Partners office. “WE” is Women Executives which is a diverse group of accomplished women who support and nurture each other’s personal and career growth. WE provides a forum for professional interactions, sponsors programs for professional growth, and encourages its members to develop their leadership potential and serve the community. Daniele has been a member of this great organization for over 10 years.

### FEMALE FINANCIAL EMPOWERMENT



Becky presented the second topic in the Female Financial Empowerment Series this week at the McShane Partners office. The topic was Estate Basics which covered typical estate documents and the purpose of each. It also covered the mechanics of trusts. The event was attended by clients, friends of the firm and local estate attorneys. The presentation is one hour with 30 minutes afterwards for questions. Please consider joining us for our upcoming events. RSVP to [tstrickler@mcshanepartners.com](mailto:tstrickler@mcshanepartners.com)

**Wednesday, Oct. 11th:** *Personal Cybersecurity*

**Wednesday, Nov. 29th:** *Virtual Currency*

**Wednesday, Jan. 17th:** *Tax Basics*

### BACK TO SCHOOL



September means back to the books in Charlotte. Both Hudson and Rowan started classes this week. Both are pictured on their first day of school. After a busy summer of interning, Hudson is in his senior year at NC School of Science and Math. After a busy summer of swim and tennis camps, Rowan is in 7<sup>th</sup> grade at Metrolina Regional Scholars Academy.



## AROUND McSHANE PARTNERS

### CHARLOTTE DWTS



**dwts\_of\_clt**

Midtown Ballroom Charlotte

🎵 Chela Rivas · Disco Love (Instrumental)



Liked by evanness87 and 95 others

dwts\_of\_clt Year 8 here we come! We're thrilled to kick off the 2024 season 🥰 stay tuned to meet... r

[View all 3 comments](#)

Dancing with the Stars of Charlotte is kicking off their 8<sup>th</sup> year of dancing and fundraising. The date of the event is Friday, January 2<sup>nd</sup>. For additional information about this event and the fundraising beneficiaries please email: [info@dancingwiththestarsofcharlotte.org](mailto:info@dancingwiththestarsofcharlotte.org) or follow them on Instagram.

### A VISIT TO AN ANCIENT CITY



Sandy Carlson and her husband Justin took a very exciting trip to Greece in August/September. Sandy and Justin are pictured in Athens at the hotel Grand Bretagne with the Acropolis in the background. This is a dream vacation for Sandy and Justin.

#### McSHANE PARTNERS

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

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