

# MP McShane Partners

## MARCH 2024 INSIGHTS

### INVESTMENT OVERVIEW

#### THE MARKET IS MORE THAN NVIDIA

Although the Investment Team does not believe it “missed” the momentum-driven *artificial intelligence* (“AI”) trade over the past ±12-18 months, as client investment portfolios have considerable exposure to the INFORMATION TECHNOLOGY (“IT”) sector and core positions in several high-quality IT stocks with secondary or indirect economic exposure to the secular growth drivers of AI, the Investment Team acknowledges that it does *not* directly own shares of NVIDIA Corp. (“NVDA”): mea culpa. While the Investment Team has long considered NVDA to be a good company and understood the unique value of the company’s exceptional product portfolio of graphics processing units (“GPUs”) and chipsets used in the gaming industry, it did not anticipate or appreciate the order of magnitude of the server upgrade cycle driven by the adoption of AI applications (e.g., generative AI), which has been extremely impressive and incredibly humbling to observe. Despite a fundamental belief in the inevitability and extensive applicability of AI, the meteoric rise in NVDA shares and the susceptible herd mentality of investor sentiment surrounding this singular stock make the Investment Team incrementally cautious when quantifying the risk-adjusted return potential priced into shares of NVDA at this point in the market cycle.

The Investment Team believes in evaluating worst-case scenarios as part of its fundamental analysis in order to ascertain the drawdown risks of any investment because capital preservation has been a primary tenet of McShane Partners’ investment philosophy for decades. As a result, the Investment Team’s highest

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### WEALTH ADVISORY OVERVIEW

#### SCALING FINANCIAL ADVICE

The long-standing reputation of the wealth and investment advisory industry is that it provides clients with high touch, tailored financial advice and portfolio management based on an individual’s personal financial planning needs and investment profile. Wealth firms are devoting greater resources toward enhancing advisor efficiency, as well as the client journey, and the ability to improve the client experience has been the centerpiece of technology investments over the past few years.

In the context of financial advisors, productivity improvements often revolve around leveraging technology or support personnel to reduce the time it takes each advisor to produce a financial plan or provide ongoing financial advice and service to clients. In a service-based business like financial advice, time is the ultimate constraint. We are all limited by the same number of hours in the day, week, month, and year, and how many of those hours can effectively be spent creating value for clients.

A typical financial advisor will spend more time on back-office tasks than all their client and prospecting meeting time combined. The reality is that financial advisors don’t only meet with clients to offer them financial advice. They also work to analyze a client’s financial situation beforehand to give the best advice, meet with prospective or new clients to earn the right to give them that advice, and help all their clients implement the advice successfully.

Wealth firms are viewing the client facing activities as a competitive differentiator, driving many to outsource back- and middle-office functions to

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#### INVESTMENT TEAM

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Elliott Van Ness, CFA  
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#### WEALTH ADVISORY TEAM

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*Wealth Advisor*  
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*Wealth Advisor*  
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#### POINTS OF INTEREST

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

**INVESTMENT OVERVIEW****THE MARKET IS MORE THAN NVIDIA**

conviction ideas and recommendations have had a *distinct contrarian bent*, such as tactical opportunities in out-of-favor investment strategies and/or high-quality stocks trading at attractive valuations with positive relative upside/(downside) potential, whose risk-reward proposition are primarily contingent on two things: *mean reversion* and *patience*. With the benefit of hindsight, the argument in favor of buying NVDA earlier in the market cycle and enduring the volatility of the past several years seems obvious and indisputable; unfortunately, the Investment Team believes that buying NVDA for clients now as part of their managed investment portfolios would be an imprudent violation of our investment philosophy, although we would welcome the opportunity to revisit shares of NVDA should an attractive buying opportunity present itself over the coming weeks, months, and/or years.

*“It has become appallingly obvious that our technology has exceeded our humanity.”*

*- Albert Einstein*

What’s particularly peculiar about the popularization of NVDA is not necessarily the magnitude of the stock’s outperformance over the past ±12-18 months, as history is replete with numerous instances of similar stock market success stories, including that of CISCO SYSTEMS, INC. (“CSCO”) during the dot-com bubble and APPLE, INC. (“AAPL”) when it first launched/released the iPhone, but rather investors’ myopic fascination with and focus on NVDA at the expense of virtually every other stock and investable asset class across global financial markets. Investors now seem perfectly content to avoid or ignore extremely pertinent economic data (e.g., inflation), while also disregarding the excellent risk-adjusted return potential currently available in certain high-quality, investment-grade fixed income assets (e.g., bonds). Furthermore, investors appear uninterested in the looming U.S. presidential election coming up later this year, despite the significance of the socioeconomic and political ramifications of what’s at stake for the U.S., not to mention the disconcerting developments in and continued escalation of geopolitical conflicts around the world.

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**MONTHLY INDEX REVIEW**  
USD TOTAL RETURN

<b>DATA AS OF FEBRUARY 29<sup>TH</sup> 2024</b>	<b>FEBRUARY 2024</b>	<b>2024 YTD</b>	<b>2023</b>	<b>2022</b>
S&P 500® Index	+5.34%	<b>+7.11%</b>	<b>+26.29%</b>	<b>-18.11%</b>
Dow Jones Industrial Average	+2.50%	+6.22%	+16.18%	<b>-6.86%</b>
NASDAQ Composite	<b>+6.22%</b>	<b>+7.33%</b>	<b>+44.64%</b>	<b>-32.54%</b>
Russell 2000	<b>+5.65%</b>	+1.54%	+16.93%	<b>-20.44%</b>
MSCI Emerging Markets	+4.76%	<b>-0.11%</b>	+9.83%	<b>-19.74%</b>
MSCI EAFE	+1.83%	+2.42%	+18.24%	<b>-14.01%</b>
Bloomberg U.S. Aggregate Bond Index	<b>-1.41%</b>	<b>-1.68%</b>	+5.53%	<b>-13.01%</b>

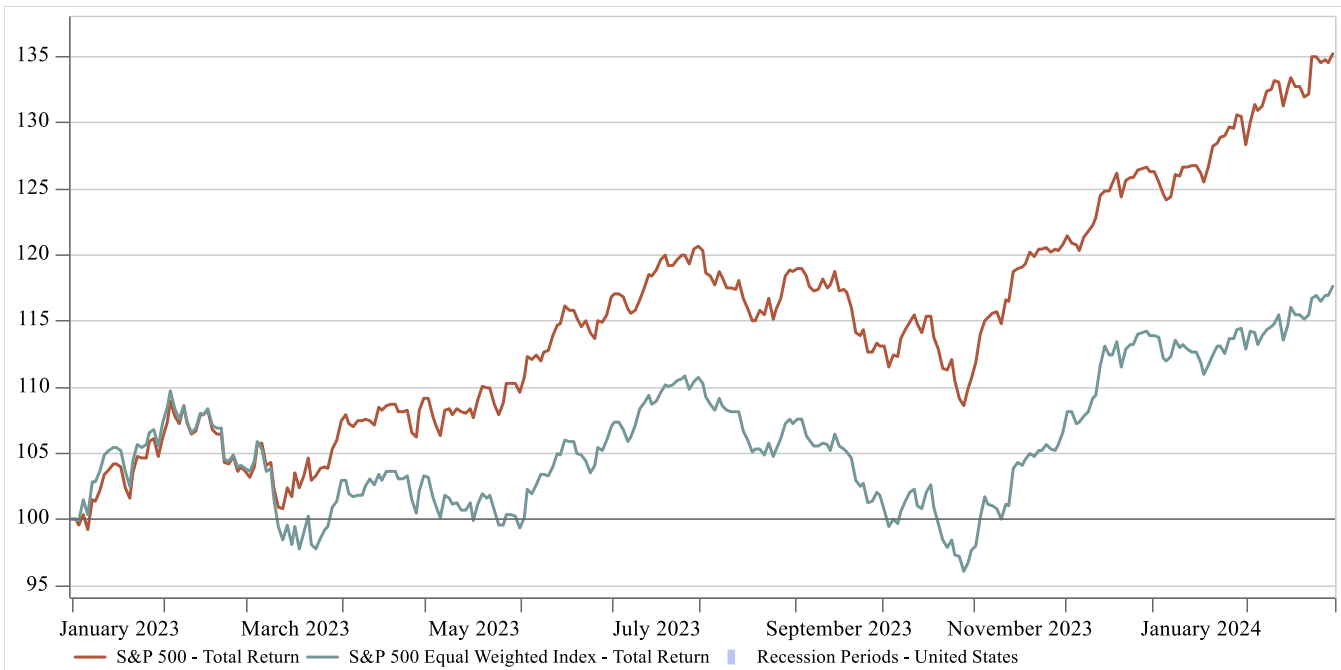
## INVESTMENT OVERVIEW

### THE MARKET IS MORE THAN NVIDIA

The U.S. stock market continues to be driven by a select number of AI-fueled mega-cap IT stocks: Chart I, below, shows the indexed total return performance of the market-cap-weighted **S&P 500® INDEX** (“S&P 500®”) compared to that of the **S&P 500® EQUAL WEIGHTED INDEX** (“S&P 500® EQUAL WEIGHT”) since the end of calendar year 2022 (“CY2022”). Over the past ±14 months, the **S&P 500®** has returned **+35.27%** vs. a comparable return of **+17.64%** in the **S&P 500® EQUAL WEIGHT**: relative outperformance of **±17.63%** that can be primarily attributed to the significant, outsized positive contribution of those aforementioned mega-cap IT stocks to the index-level total returns of the market-cap-weighted **S&P 500®**.

IT sectors stocks have continued to attract investors by exhibiting impressive growth year-to-date (“YTD”), as evidenced by the +10.51% total return in the **S&P 500® INFORMATION TECHNOLOGY SECTOR INDEX** through the first two months of calendar year 2024 (“CY2024”). Investors have remained bullish on tech stocks, buoyed by strong earnings reports and innovative product developments, driving valuations to new highs. Despite concerns over regulatory scrutiny, the IT sector has maintained its upward trajectory, outperforming broader market indices. Looking ahead, continued innovation, regulatory adaptability, and geopolitical dynamics will likely influence the performance of the IT sector and the underlying constituent stocks through year-end and beyond.

**CHART I: S&P 500® INDEX PERFORMANCE → MARKET-CAP-WEIGHTED VS. EQUAL-WEIGHTED**



Source: McShane Partners - FactSet Research Systems, Inc.

## WEALTH ADVISORY OVERVIEW

### SCALING FINANCIAL ADVICE

achieve scale and efficiency, allowing for an enhanced client experience. This is a result of the typical financial advisor spending 60% to 70% of their time on non-advisory activities. This means that only 30% to 40% of their time is devoted to direct client activity, and less than half of that is in the actual process of meeting with clients.

Various studies on the financial planning process found that for the typical financial advisor's day, nearly 15% of their time is spent on prospecting and business development, along with 20% of their time going to various overhead tasks (administrative, management, and professional development), and almost two thirds of their time is spent on client-related activities. However, only about 20% of their time is actually spent in client meetings. In turn, the typical advisor spends almost 36% of their time preparing for client meetings, running financial planning analyses, and handling the client servicing tasks and follow-up that comes from those meetings, plus another 9% of their time on investment-related tasks. Which means in the aggregate, advisors, on average, spend more than 2 hours 'behind the scenes' for every 1 hour they spend in client-facing meetings.

While the data input process has seen large gains in efficiency, (as account aggregation connections upfront reduce the amount of data that must be keyed in manually), the fact that advisors get better financial data upfront using this technology allows them to conduct deeper discovery meetings with clients that result in longer and more time-consuming (but more meaningful and impactful) conversations. Which can lead to enhanced value to clients. However, the improvement in productivity is not because the advisor is faster, but because their planning is better by going deeper in conversation to provide more meaningful advice.

Firms spend millions of dollars every year supporting and attempting to modernize their legacy platforms and home-grown applications. Technology is one of the key differentiators among financial services firms. New dynamic platforms have the ability to cross-manage across multiple advisory tasks, including marketing, compliance, and operations, affording advisors the ability to more efficiently allocate their time, lead their business, and oversee their client assets.

In other words, technology doesn't appear to be impacting the efficiency of the front-office advisor themselves, but it is steadily beginning to automate and improve efficiencies in back-office functions and staff. Research shows that even when advisors outsource back-office functions and leverage more third-party technology tools in their financial planning process, the time to construct a financial plan actually remains the same or even rises. Because in practice, when technology makes the financial planning process more efficient, the typical advisor doesn't use the time savings to do less for the client. Instead, they reinvest the time to do even more for the client, leveraging technology to go deeper, not faster.

## SENIOR PLANNING: SEO SCAM ALERT



Lorri Tomlin, FPQP™  
Partner | Wealth Advisor

To help clients navigate an increasingly digital world more safely, we have previously presented articles to increase awareness of scams and fraudulent activity. We want to alert you to a recent rise in the use of search engine optimization (SEO) to steer internet users to fake websites which ultimately leads to access of client information and assets. Search engine optimization is the process of making a website more “visible” on various search engines such as Google, Safari and Firefox resulting in more “clicks” or visits to the website.

We’ve all done it. When you want to go somewhere, do something, or find a product or information, you “Google it” and various websites are presented as possible links to help you in your search. The websites that successfully use SEO increase the chances of that website rising to the top of list resulting in more people clicking on that website thinking it is the correct or best option. Scammers are creating fraudulent websites for trusted institutions such as airlines and financial companies (Schwab, Fidelity, etc). These fake websites look legitimate and, due to SEO, are often at the top of the search results. Once

the user clicks on the website and tries to log in, they receive an error message directing them to call a phone number for assistance. When called, a very convincing fraudster will explain that your account has been hacked. The fraudster will then attempt to gain access to your account to help fix the problem.

To protect yourself from these types of scams, avoid searching for important websites on Google, Safari, and Firefox. Instead, type the name of the website in the browser or, better yet, save or bookmark the correct links to your important websites in your “favorites” where they are easily accessible. When you do search for information, always look very carefully at the links in the search results before you click on them to make sure they are legitimate. You can “hover” over the presented link with your cursor and the real URL will appear. Also look for grammatical and punctuation errors which can be an indication of a fraudulent website.

Please let your McShane Partners Wealth Advisor know if you have any questions regarding how to protect yourself against potential on-line scams or fraud.

## NEXTGEN: BUDGETING METHODS PART 2



Daniel Hudspeth, CFP®  
Wealth Associate

In last month’s article, we discussed two common budgeting methods: the Zero-Based Budget and this Envelope Budget. This month, we will cover two additional methods: the Pay Yourself First and the 50/20/30 budget.

### Pay Yourself First Budget

With the Pay Yourself First Budget, saving is the ultimate goal. Before any funds are spent, the first transaction is a pre-determined deposit to a savings account. After this deposit, mortgage/rent, utilities, and other non-discretionary expenses. Once these non-discretionary expenses and bills are satisfied, the rest can be spent however you determine. Whether that’s entertainment, a nice dinner, or even saving the additional funds for a large purchase.

### 50/20/30 Budget

The 50/20/30 operates with simple guidelines:

Needs – 50% of net income. Needs may include mortgage/rent, medical, food, daycare, etc.

Savings – 20% of net income. Whether it’s a retirement account, emergency fund, or education fund, its important to maintain a savings plan – the earlier the better!

Wants – 30% of net income. Wants will undoubtedly vary, but may include entertainment, vacations, hobbies, etc.

While these methods are helpful, it’s important to remember that nothing is one size fits all. Whether it’s a combination of methods, or a completely different method, sticking to a budget is a necessity. As always please reach out to your McShane Partners Wealth Advisor if you have any questions regarding your budget.



## NEXTGEN: NEW BABY CHECKLIST



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

Having a new baby is one of the greatest feelings in the world. However, the joy also includes new stress, uncertainty, and tired nights. In addition to daily life changing, here are a few topics that may need to be addressed after the new little one arrives!

### **Budgeting:**

A new baby includes hidden and unexpected costs everywhere – with the additional costs and the addition of diapers, wipes, formula, toys, clothes, etc., it is advisable to revisit your budget and determine if any adjustments need to be made. While conducting the budget review, check if your emergency fund needs to be replenished. Depending on the situation, we recommend having 3-6 months of cash available for any unexpected expenses.

### **Saving for Education:**

Do you want to help save for future education expenses? There are several options to save for education expenses that are available such as the 529 Account, Education Savings Account, or a minor UTMA/UGMA Account. Each option has its pros and cons, but the important thing is to start early! Starting the saving process early allows the funds to continue to grow and compound before they are needed.

### **Insurance:**

The discussion about life insurance is not always enjoyable, but it's important! While it can be hard to think about, the purpose of life insurance is replacing any lost income in the case of a premature death. With an additional dependent to provide for, do you have enough life insurance? Things to keep in mind is having insurance on both parents. This additional income might be needed to help pay for childcare costs or education expenses if one parent was to prematurely pass.

### **Estate Planning:**

Setting up an estate plan and getting the documents drafted can be a daunting task that can quickly fall off the priority list. Having the proper documents in place can ensure that your new child is properly taken care of and that any funds are appropriately distributed from your wishes. Things to think about include do you need a trust? Who do you want to be the guardian of your child if both parents pass? Along with new Estate Planning documents, remember to update beneficiary designations!

These topics are a few things to keep in mind that will need to be addressed as your family expands. While making these updates, it is important to have annual reviews to make sure you are staying on target and able to accomplish your future goals. Your team at McShane Partners can help with these items in a comprehensive Wealth Management Review and Financial Plan.

## AROUND McSHANE PARTNERS

### DANCING WITH THE STARS OF CHARLOTTE



McShane Partners once again supported Dancing with the Stars of Charlotte as a Cha Cha sponsor. Elliott Van Ness also continued his commitment and involvement to the organization as being a judge for the dance competition. The organization pairs local stars with professional dancers to perform ballroom dance numbers that are scored by the judges while audience members vote for their favorite star by making donations which go to help those living with breast cancer in the greater Charlotte Region. This year's beneficiaries are Go Jen Go Foundation, Novant Health's Agnes Binder Weisiger Breast Health Center, and the Katie Blessing Foundation. Each dollar donated is equivalent to one vote. WBTV's Molly Grantham and NFL star Kurt Coleman emceed the show. At the end of the night, a mirror ball trophy is given to the top fundraiser, the biggest crowd please, and the highest scoring dancer. This year over \$760,000 was raised.

### THE LEARNING SOCIETY AT QUEENS UNIVERSITY



McShane Partners once again sponsored the most recent lecture at The Learning Society at Queens University. Unlocking the Secrets of Happiness with Dan Buettner—National Geographic Writer, Renowned Explorer & Author of “Blue Zones”.

Science shows that where we live – not education, marital status or wealth – is the biggest, controllable factor that determines our happiness. So where should we live? A tropical island? Paris? Las Vegas? It's not where you think. Dan Buettner is an explorer, National Geographic Fellow, award-winning journalist and producer, and New York Times bestselling author. He discovered the five places in the world – dubbed blue zones hotspots – where people live the longest, healthiest lives. Working with Gallup, the World Values Survey and the World Data Base on Happiness, Dan Buettner and his team found the three pockets around the world where people report the highest level of well-being – or happiness – and then researched each of these hotspots and distilled down the common denominators in each place. What can governments do to maximize the well-being of their citizens? And more importantly, what can we do as individuals to stack the deck in our favor to maximize happiness?



## AROUND MCSHANE PARTNERS

### FEMALE FINANCIAL EMPOWERMENT SERIES TAX BASICS



On February 6<sup>th</sup>, Becky Hoover presented Tax Basics. This was part of the Female Financial Empowerment series. Becky has a professional background in tax with over 25 years of experience. As you can see, this is one of Becky’s favorite topics to present. Please join us this month for Digital Currency and Blockchain. There is always great wine and a spread of delicious snacks. If you have any ideas for topics that interest you, please let anyone of us at McShane Partners know.



### OFFICE UPDATE

Please note that McShane Partners office will be closed on Friday, March 29<sup>th</sup> to observe Good Friday. Our Normal business hours are:

Monday–Friday 9:00am - 4:00pm

### MCSHANE PARTNERS

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

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### FEMALE FINANCIAL EMPOWERMENT SERIES DIGITAL CURRENCY & BLOCKCHAIN



March 27<sup>th</sup>  
5:00 - 7:00pm

5:00 - 5:30 for Networking & Socializing

5:30 - 6:30 for Presentation & Discussion

6:30 - 7:00 for Q&A

2150 Park Dr.

Charlotte, NC 28204

RSVP: [TSTRICKLER@MCSHANEPARTNERS.COM](mailto:TSTRICKLER@MCSHANEPARTNERS.COM)

We will explore digital currency & blockchain. What it is and how it works. Bring any questions!



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