

MP McShane Partners

APRIL 2024 INSIGHTS

INVESTMENT OVERVIEW

REVISITING REAL ESTATE AMID ELEVATED INTEREST RATES

Earlier this month, the Investment Team had the opportunity to speak directly with members of the portfolio management team at Nuveen Real Estate, who provided a comprehensive update on the Nuveen Strategic Alternatives Fund I (“Nuveen SAF”), including a review of recent portfolio-level performance and attribution analysis of the underlying real estate investments that currently comprise the Nuveen SAF portfolio, as well as their thoughts and perspective on how economic and financial market conditions (e.g., elevated interest rates) are affecting sector-/industry-level dynamics and corresponding opportunity sets across domestic real estate markets. As a reminder, the Investment Team made the deliberate decision to partner with Nuveen Real Estate and began strategically allocating assets to the Nuveen SAF for applicable client investment portfolios in late-2022, early-2023 after conducting numerous due diligence meetings with the portfolio management and operations teams: for more context or additional information please refer to the [MP September 2023 INSIGHTS](#).

PERFORMANCE REVIEW

As can be seen in the table included in Graphic I on the following page, the to-date performance of the Nuveen SAF through the end of the third quarter of 2023 (“3Q23”) has been extremely strong, with a since inception net internal rate of return (“IRR”) of **+21.0%** (Source: Nuveen Real Estate). This is largely attributable to relatively balanced contribution from the portfolio’s three primary categories: Self-Storage (+7.6%), Medical Office (+7.5%), and Single-Family Rentals (+6.6%).

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WEALTH ADVISORY OVERVIEW

PLAN FOR TAX CHANGES AHEAD (IT’S NOT ALL BAD NEWS)

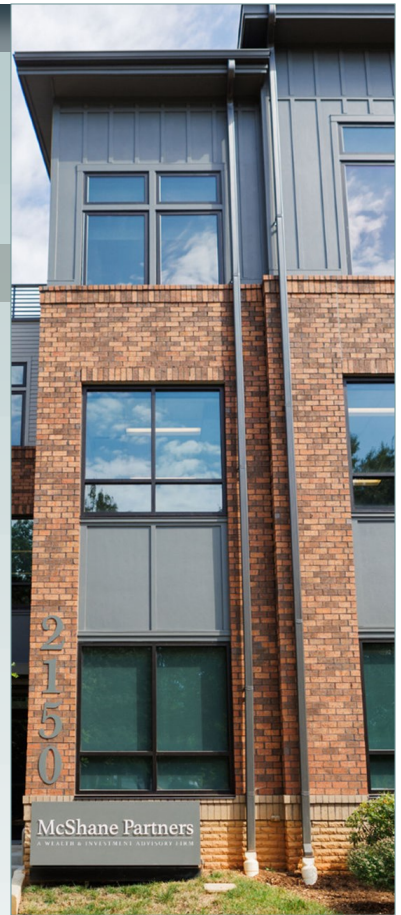
As a refresh, many of the provisions enacted in our last major Tax Bill (AJCA) expire at the end of 2025. In addition to the long road to approval, a Tax Bill is subject to complicated spending restrictions and requirements. One way tax legislation has complied with these restrictions in recent years is to make tax laws “temporary”, with some provisions having to be re-adopted every year and some sunseting after several years.

With the 2017 Tax Act, the projected cost of the law at enactment was a \$1.5 trillion increase to the deficit between 2018 and 2027. The current estimate of extending the expiring provisions is a \$3.5 trillion increase to the deficit over 10 years. The enormous cost and the difficulty in passing major legislation makes it unlikely that all of the provisions will be extended, although there is rumored to be widespread support for extending at least some of the provisions.

MARGINAL RATES

Marginal tax rates are applied to a taxpayer’s taxable income to calculate their income tax liability. The range of income over which a particular rate applies and its associated rate is often called a tax bracket. These income ranges are annually adjusted for inflation. The current marginal rates are 10%, 12%, 22%, 24%, 32%, 35%, and 37%.

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POINTS OF INTEREST

- [Monthly Index Review](#)
- [Stock & Strategy Spotlight](#)
- [Around McShane Partners](#)

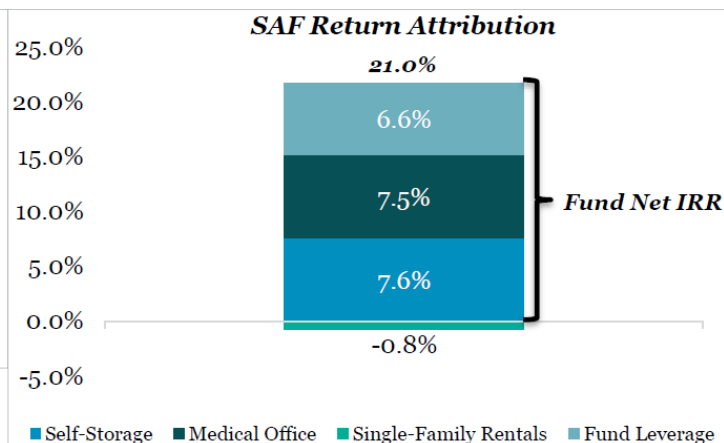
INVESTMENT OVERVIEW

REVISITING REAL ESTATE AMID ELEVATED INTEREST RATES

GRAPHIC I: NUVEEN STRATEGIC ALTERNATIVES FUND I PERFORMANCE

Fund Performance 3Q 2023	Since Inception
IRR (Gross)	24.5%
IRR (Net)	21.0%
LTV (Debt/GAV) ³	55.0%

Fund Overview	
Total Cost Basis (GAV, \$) ²	\$384,587,105
% Capital Called to Date	51.8%
% Capital Deployed to Date ³	70.2%
LTV (Debt/GAV) ⁴	55.0%



As of September 30, 2023

1 Allocations represent appraised value of the Fund's four medical office developments at completion, 21 self storage assets, and 202 single family rental homes.

2 GAV represents at share ownership values, with Medical office assets valued at completion.

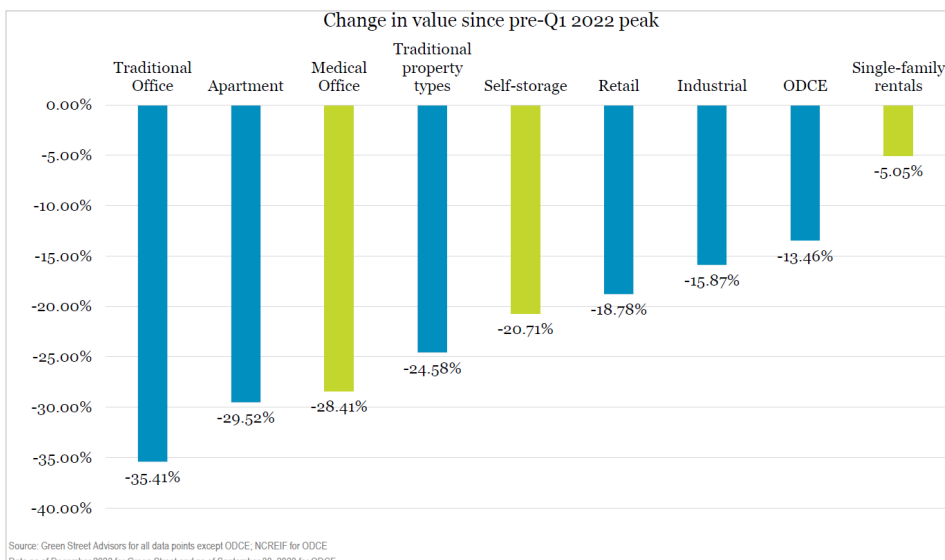
3 Includes all forward medical office development commitments, two storage expansion projects, and one conversion project.

4 Based on leverage and gross asset values at 100%. Includes balances on conventional property-level debt, construction loans, and the fund level subscription line facility, as of 9/30/2023.

Source: Nuveen Real Estate - U.S. Strategic Alternatives Fund I LP Update

Moreover, as is indicated in Chart I, below, the three primary categories that the Nuveen SAF invests in have broadly outperformed other real estate segments/industries.

CHART I: REAL ESTATE INDUSTRY INDEX & BENCHMARK PERFORMANCE



Source: Nuveen Real Estate - U.S. Strategic Alternatives Fund I LP Update

PORTFOLIO UPDATE

While the Nuveen SAF is still in the relatively early stages of its expected lifecycle, the portfolio management team is focused on selectively deploying its remaining dry powder into attractively valued assets across repriced Self-Storage and Medical Office markets, while also exploring potential investment opportunities in Senior Housing Assets, which would represent a new market segment within the Nuveen SAF portfolio. Furthermore, in order to optimize the underlying composition of the Nuveen SAF portfolio and position it for durable, sustainable long-term growth, the team is actively evaluating the potential sale of existing assets that have met or exceeded their respective expected target returns.

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INVESTMENT OVERVIEW

REVISITING REAL ESTATE AMID ELEVATED INTEREST RATES

MONTHLY INDEX REVIEW USD TOTAL RETURN

DATA AS OF MARCH 31 ST 2024	MARCH 2024	2024 YTD	2023	2022
S&P 500 [®] Index	+3.22%	+10.56%	+26.29%	-18.11%
Dow Jones Industrial Average	+2.21%	+6.14%	+16.18%	-6.86%
NASDAQ Composite	+1.85%	+9.31%	+44.64%	-32.54%
Russell 2000	+3.58%	+5.18%	+16.93%	-20.44%
MSCI Emerging Markets	+2.20%	+2.09%	+9.83%	-19.74%
MSCI EAFE	+3.18%	+5.67%	+18.24%	-14.01%
Bloomberg U.S. Aggregate Bond Index	+0.92%	-0.78%	+5.53%	-13.01%

“Landlords grow rich in their sleep without working, risking, or economizing.”

- John Stuart Mill

STOCK & STRATEGY SPOTLIGHT

NAME	TICKER	MARCH 2024	2024 YTD
ANSYS, INC.	ANSS	+3.89%	-4.33%

DESCRIPTION & INVESTMENT THESIS

Earlier this year, on January 16th, SYNOPSIS, INC. (“SNPS”) announced that the company had entered into a definitive agreement to acquire ANSYS, INC. (“ANSS”) in a combined cash and stock deal for a total consideration of approximately **±\$32.11 billion**; per the terms of the transaction, ANSS shareholders will receive a cash payment of **±\$197.00 and ±0.3450** shares of SNPS common stock for each share of ANSS common stock. This announcement confirmed several weeks’ of speculation and debate sparked by an overnight article published by *Bloomberg*, which reported that ANSS was seriously considering a credible takeover offer it had received from a strategic buyer (*Source: Bloomberg*): shares of ANSS jumped **+18.08%** the following trading day.

ANSS has been a high-conviction stock recommendation and a core holding across client investment portfolios, including the McShane Partners Core Contrarian Equity Portfolio Strategy (“the Strategy”), for several years, making news of the impending acquisition bittersweet for us as long-term shareholders. The deal is not expected to close until June 2025 and will be contingent on several conditions (e.g., shareholder votes, regulatory approvals, etc.); as such, any indication of potential obstacles to or incremental uncertainty surrounding the completion of the transaction represent relevant downside risk(s) that could cause the stock price to deviate from and trade below the deal-/transaction-implied value over the coming months.

While the Investment Team believes that the deal between SNPS and ANSS will ultimately be approved and completed, it remains comfortable and confident with continuing to own ANSS across client investment portfolios given the quality of the company’s underlying fundamentals and its established presence in and exposure to economic industries benefitting from significant secular growth drivers. To that end, the Investment Team will continue to monitor shares of ANSS over the next ±12 months and will pay particularly close attention to any dramatic drawdowns in the stock price that might result in shares of ANSS trading at a sufficiently attractive spread to the deal-/transaction-implied value or an irrational discount to the stock’s standalone intrinsic value. In either case, the Investment Team would be inclined to capitalize on and take advantage of the tactical buying opportunity such a high-quality growth stock for client investment portfolios, where prudent and appropriate.

WEALTH ADVISORY OVERVIEW

PLAN FOR TAX CHANGES AHEAD (IT'S NOT ALL BAD NEWS)

After 2025, marginal rates will revert to their permanent pre-2018 levels of 10%, 15%, 25%, 28%, 33%, 35%, and 39.6%. Aside from the first two brackets (10% and 15%) these rates apply over **different ranges of taxable income** than the TCJA rates. These income ranges are annually adjusted for inflation so the 2026 brackets are unknown at this point. I have estimated them below based on the pre-2018 bracket amounts. Note that although the top tax rate increases by 2.6%, the bracket for income taxed at 32% currently applies to income up to \$243,725 and the bracket for income at 33% under the old rules applies to income up to \$517,855 (est). That bracket narrowing in the 2017 Tax Act negated the reduction in the top rate for most U.S. taxpayers.

Taxable income (2024, single taxpayer)	Current marginal rate (2018–2025 per TCJA)	Pre- and post-TCJA marginal rate (scheduled to resume in 2026)
\$11,600 or less	10%	10%
\$11,601 to \$47,150	12%	15%
\$47,151 to \$100,525	22%	N/A
\$47,151 to \$114,172 (est)	N/A	25%
\$100,526 to \$191,950	24%	N/A
\$114,173 to \$238,200 (est)	N/A	28%
\$191,951 to \$243,725	32%	N/A
\$238,201 to \$517,855 (est)	N/A	33%
\$243,726 to \$609,350	35%	N/A
\$517,856 to \$520,019 (est)	N/A	35%
over \$609,350	37%	N/A
over \$520,019 (est)	N/A	39.6%

The modeling I have done at various income levels below shows some effective rate impacts can have some surprising results, as illustrated below. In comparing the effective tax rate for single taxpayers at \$250,000 of taxable income and \$500,000 of taxable income, the rate is higher under the old rules at \$250,000 but lower under the old rules at \$500,000 (it flips back at \$750,000 but by only .85%).

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WEALTH ADVISORY OVERVIEW

PLAN FOR TAX CHANGES AHEAD (IT'S NOT ALL BAD NEWS)

	Taxable income of \$250,000 @ 2024 rates	Taxable income of \$250,000 @ 2026 rates	Taxable income of \$500,000 @ 2024 rates	Taxable income of \$500,000 @ 2026 rates	Taxable income of \$750,000 @ 2024 rates	Taxable income of \$750,000 @ 2026 rates
10%	1,160	1,160	1,160	1,160	1,160	1,160
12%/15%	4,266	5,333	4,266	5,333	4,266	5,333
22%	11,743		11,743		11,743	
25%		16,756		16,756		16,756
24%	21,942		21,942		21,942	
28%		34,728		34,728		34,728
32%	16,568		16,568		16,568	
33%		3,894		86,394		92,286
35%	2,196		89,696		127,969	
35%						757
37%					52,041	
39.6%						91,072
	57,875	61,870	145,375	144,370	235,688	242,092
Effective tax rate	23.15%	24.75%	29.07%	28.87%	31.43%	32.28%

STANDARD DEDUCTION AND PERSONAL EXEMPTIONS

In addition to the bracket changes, the 2017 Tax Act made a number of other changes. Many of these may negate or exacerbate the rate changes above, depending on your situation.

Prior to 2018 taxpayers were permitted a “personal exemption” for every qualifying member of the household. The personal exemptions were phased out for taxpayers with income over certain thresholds. These personal exemptions were eliminated beginning in 2018 but will return in 2026. The projected amount of the personal exemption in 2026 is \$5,300 per person.

To offset the elimination of the personal exemptions and the limitations imposed on itemized deductions, the standard deduction was effectively (almost) doubled. Obviously if you continue to itemize this does not help with the loss of the personal exemptions. The standard deduction is currently \$14,600 for single taxpayers and \$29,200 for married taxpayers. The projected amounts for 2026 are \$8,300 for single taxpayers and \$16,600 for married taxpayers.

I’ll address the changes to itemized deductions and other provisions in my next article.

SENIOR PLANNING: TAX DEDUCTIONS



Lorri Tomlin, FPQP™
Partner | Wealth Advisor

The tax deadline is a few weeks away and, while many of you may have completed this task and put it behind you for another year, others may still be gathering information and trying to figure out what you need to do to reduce your tax liability.

There are basically two ways to reduce your tax bill; Tax Credits and Tax Deductions (tax “write-offs”).

Tax credits give you a dollar-for-dollar reduction on your taxes owed. Tax credits could include the child tax credit, the lifetime learning tax credit and the electric vehicle tax credit. We will not include tax credits here but be sure to consult your tax preparer to see if any of these apply to you.

Tax deductions cut your taxable income and are only useful if you itemize your deductions vs taking the standard deduction. If the total of your itemized deductions is below the standard deduction, you would use the standard deduction amount on your tax return. It’s always a good idea to list and review your deductions to determine which deduction method would be the most beneficial.

Here are the current standard deduction amounts for 2023.

\$27,700 for Married Filing Jointly

\$13,850 for filing Single

\$13,850 for Married Filing Separately

\$20,800 for Head of Household

Tax deductions are divided into two categories. “Above the Line” deductions and “Below the Line” deductions. Above the Line deductions are not listed with itemized deductions. Instead, they are adjustments made to your income to determine your Adjusted Gross Income (AGI). “Below the Line” deductions are itemized on Schedule A.

Above the Line adjustments to income could include student loan interest, IRA contributions (with limits), Health Savings Account contributions, 401(k) contributions, and Qualified Charitable Distributions (QCDs) made directly from an IRA.

Below the Line deductions seem to create the most confusion, so here is a list that may be helpful. While this is by no means an all-inclusive list of tax deductions, these are some of the most common.

1. Unreimbursed Medical expenses that exceed 7.5% of your AGI. (For example, if your AGI is \$100,000, you may only deduct medical expenses above \$7,500)
 - a) Doctor and dentist co-pays and deductible payments
 - b) Prescription drug costs
 - c) Medical equipment that is purchased or rented
 - d) Travel and lodging for medical care
 - e) Hearing aids & exams
 - f) Glasses and contact lenses
 - g) Mental health services
 - h) Medical insurance premiums-including dental and vision (only the out-of-pocket portion of your employer sponsored health plan is deductible) NOTE: self-employed health insurance premiums are deducted as an “Above the Line” deduction
 - i) Medicare insurance premium

SENIOR PLANNING: TAX DEDUCTIONS

- i) LTC insurance premiums
 - j) Some retirement community fees/expenses. These are limited to the part of the cost that is for medical care. The retirement community would provide an annual letter specifying the percentage of expenses that can be used as a medical deduction.
2. Casualty and theft losses
 3. Charitable contributions. Cash and non-cash charitable contributions can be deducted. Cash contributions can only be deducted up to 60% of AGI. NOTE: Do NOT list QCDs with charitable contributions. As mentioned above, QCDs are deducted from income "Above the Line" and are not included in charitable contributions that are itemized.
 4. Mortgage loan interest (with limits)
 5. Property taxes, state income taxes (up to \$10,000 for MFJ)

Some expenses that are NOT deductible include:

1. Over-the-counter drugs
2. Cosmetic surgery
3. Toiletries and cosmetics
4. Health clubs or exercise classes
5. Tax preparation fees
6. Investment advisory fees
7. Funeral or burial expenses

Keep in mind that, when the provisions of the 2017 Tax Cuts and Jobs Act sunset in 2025, some of these deductions may change. Your McShane Partners advisor can help answer any tax-related questions you may have.

NEXTGEN: INVESTMENT PORTAL VS. WEALTH ADVISORY PORTAL



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

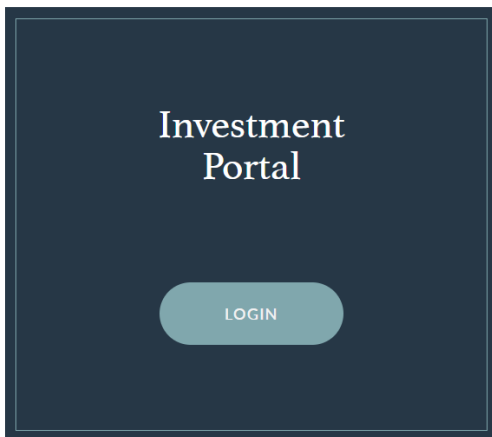
As you may have noticed, McShane Partners has a newly redesigned website! The new and improved website is now more streamlined and easier to navigate. With these updates, we would like to take this opportunity to review the differences between the *Investment Portal* and the *Wealth Advisory Portal*. The combination of the two creates a wholistic picture of a client's Investment and Financial Planning situation.

While it may seem complex, we maintain two distinct sections for client information due to our separate performance reporting software (displayed within the Investment Portal), and our planning software (displayed within the Wealth Advisory Portal). Accessing personalized client specific information



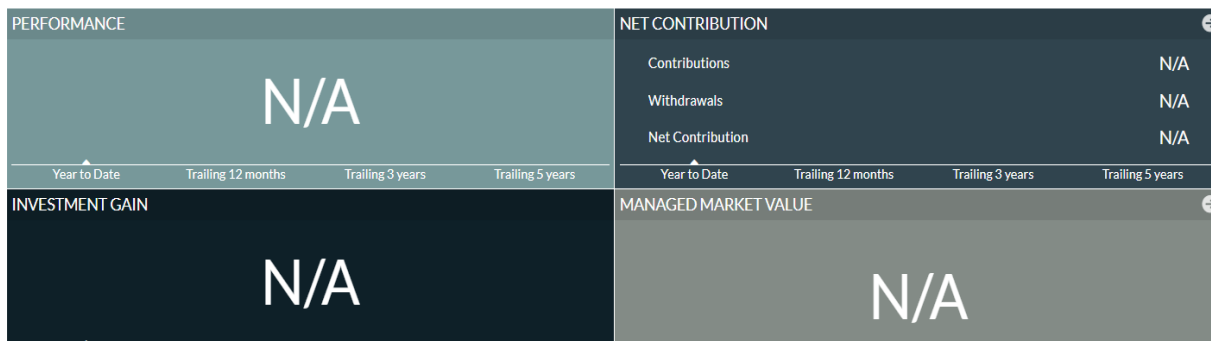
Daniel Hudspeth, CFP®
Wealth Associate

requires separate logins for each section. Listed below are the key features within each login:



The Investment Portal

The Investment Portal showcases comprehensive insights into the McShane Partners managed investment portfolio. The portal displays current Account Performance, Net Contributions/Withdrawals, 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.



In addition to high-level account updates, clients can also take a deeper dive by reviewing the Reports at the top left of the page. These reports offer detailed information on Performance, Holdings, and Transactions. The final section under the Investment Portal contains the Documents section. This tab is utilized to upload Investment Team Communications and Quarterly Reports for client review.

NEXTGEN: INVESTMENT PORTAL VS. WEALTH ADVISORY PORTAL

The Wealth Advisory Portal:

The Wealth Advisory Portal provides clients with access to all aspects of their Financial Plan. Using the Wealth Advisory Portal, clients can link both their managed and unmanaged investment accounts which creates a comprehensive Net Worth Statement in one location. Once outside personal accounts are linked, the Spending feature is unlocked. This section enables clients to track and categorize expenses which empowers them to monitor savings and spending habits.

MP | Home Organizer Spending Vault Reports Help Settings Sign Out

Welcome
John and Jane Sample

Accounts [View All](#)

[+ Add Account](#)

Cash	\$50,000
Credit Cards	\$0
Taxable	\$1,000,000
Tax Advantaged	\$1,570,000
Life Ins Cash Values	\$0
Loans	\$0
Property	\$1,190,000
Stock Options	\$0

Spending [View All](#)

Net Worth
\$3,590,000
as of today

\$0 this month **\$0** year to date

You do not have permission to view this client's spending data.

[+ Add Account](#)

Protection

You do not have any protection accounts.

[+ Add Account](#)

As our client relationship evolves, the Wealth Advisory Portal is also used as a digital filing cabinet (also referred to as the Vault). This provides secure storage for important client documents including Meeting Materials, Estate Planning Documents, Tax Returns, and any important information you would like. The Vault also provides secure document sharing for files such as tax forms or other sensitive documents. Additionally, clients can use the vault for personal files that only they can access. For example, I personally store a copy of my passport in my Vault for easy access. This allows me to access the passport at anytime, anywhere. Utilizing the Vault is a great option to store documents while reducing clutter and paper hard copies.

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

AROUND McSHANE PARTNERS

McSHANE PARTNERS NEW WEBSITE

[Home](#) | [McShane Partners](#)



With the help of Michelle Jones at MJ Creative, McShane Partners launched a new website this month.

The site has a fresh new look that represents where the firm is headed in the future while preserving the history of the firm. Client portals are easily accessible, as well as current newsletters and upcoming financial presentations easier to find.

Please visit our new website today.

[Home](#) | [McShane Partners](#)

Website Design Credit: [Michelle Jones Creative • Charlotte, NC Website + Web Design](#)

Michelle Jones Creative is a Charlotte, NC web design studio specializing in *smart & stylish* website design tailor-made for your business. MJ Creative partners with clients on strategic websites that drive results for your bottom line.

Photo Credit: [Julia Fay Photography Charlotte NC Branding and Headshot Photography](#)

FOR OVER A DECADE, Julia Rohrbach has photographed hundreds of businesses and personal brands.

McSHANE PARTNERS

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

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McSHANE PARTNERS SPONSORS THE 38TH ANNUAL ELIZABETH 8K ROAD RACE

Please join McShane Partners and the Elizabeth Community Association for Charlotte's oldest 8K! Proceeds benefit the beautification of the historic Elizabeth neighborhood, and TreesCharlotte.

McShane Partners has been honored to be a resident of the community for almost 2 years. The building will be on the race path which is along Independence Park.

If you would like to participate as a runner for the 8K or as a casual participant for the 1.5M run/walk, please contact Tracy at tstrickler@mcshanepartners.com. Otherwise please join are cheer station in front of the office to encourage those that are participating.



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.

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