



OSBORNE PARTNERS

Capital Management, LLC

Quarterly Wealth Report

July 2023, Issue 92



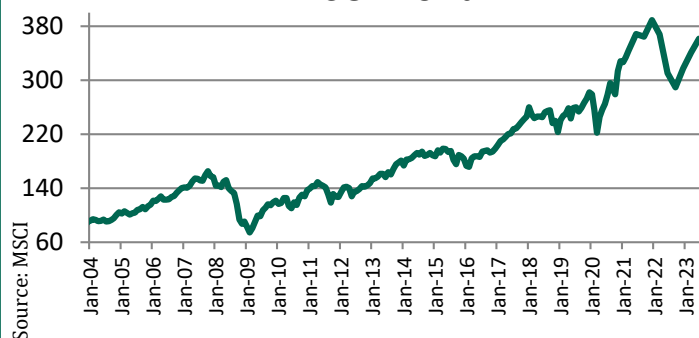
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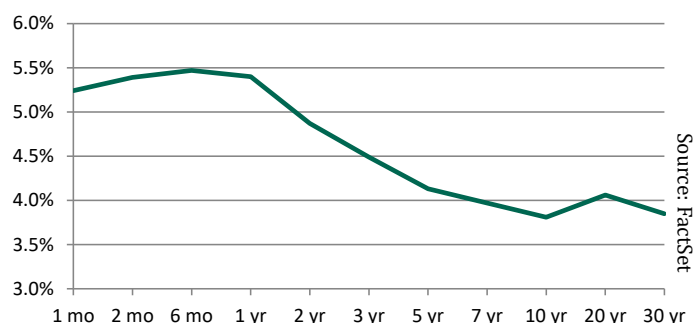
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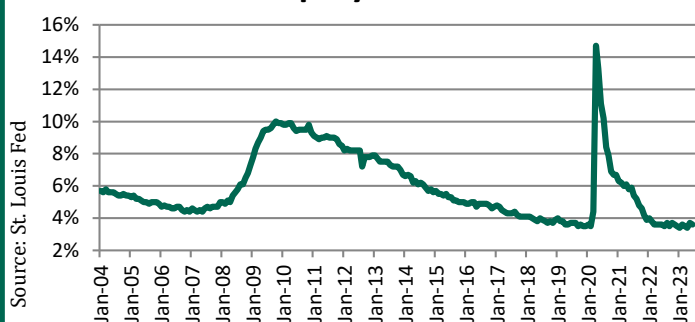


Treasury Yield Curve

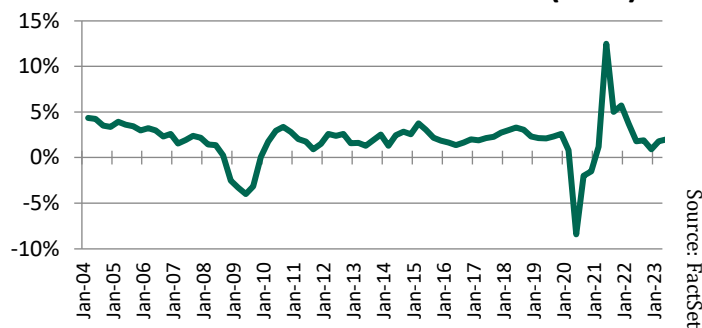


Both equities and interest rates continue to climb.

Unemployment Rate



Real Gross Domestic Product (GDP)



Employment has been relatively unaffected by The Fed's tightening cycle while GDP bounces off of 0% growth.

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Mid-Year Asset Class Stoplight

By: Justin W. McNichols, CFA

How has Osborne Partners' asset-class positioning changed since the October 2022 lows?



Markets surprised the consensus view in the first half of 2023. Entering the year, the common view for 2023 sounded something like this – “The Federal Reserve will continue to raise short-term interest rates to fight stubbornly high inflation. High interest rates will buckle the consumer, while corporate earnings will post negative earnings growth throughout the year. This combination will cause equities to fall, leading to a recession and possible echo bear market in 2023.”

The result for the first half of the year was far different than expected. While the Fed raised short-term interest rates three more times, they have, at least temporarily, stopped at 5.25%, matching the 2006 cycle high. Inflation has fallen faster than expected, even with the headwind of stubbornly high housing costs. Contrary to expectations, the higher rates have not crushed the consumer as interest rate sensitive home and auto sales rebounded. Corporate earnings have been particularly resilient, as 2023 earnings expectations, which some market strategists predicted would fall 10% or more, could finish 2023 unchanged versus 2022.

We made several broad portfolio changes toward the end of the second quarter: transitioning from overweight most asset classes during the October 2022 lows, to a more defensive positioning today where we are underweight real estate and natural resources and neutral on domestic equities. In this piece, we will discuss some of our recent macro portfolio changes, along with our second-half outlook.

Our “Asset Class Stoplight”:



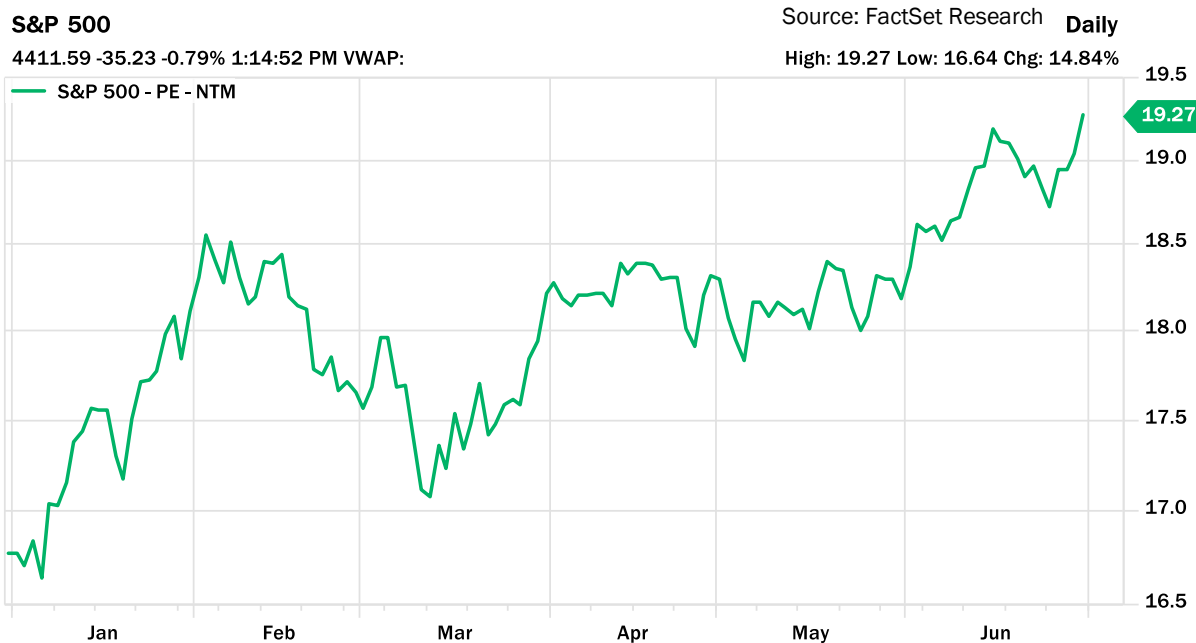
* Green = Overweight. White = Neutral. Red = Underweight

Source: Osborne Partners

Mid-Year Asset Class Stoplight

In domestic equities, the median S&P 500 company has gained approximately 5% year-to-date. Given the low median company return, it may be surprising to hear the S&P 500 Index as a whole was up nearly 17%. How was this S&P 500 return derived? Where are domestic equities valuations heading into the second half? Where are valuations compared to the rest of the world?

The overall return of the S&P 500 is simply the change in earnings plus the change in P/E multiple plus the dividend yield (earnings growth + multiple expansion + dividends). The chart below shows the year-to-date change in P/E, starting at 16.7x forward EPS and ending above 19x for an increase of 15%. With earnings growth hovering around 0%, the entire return of the S&P 500 was due to multiple expansion (over 15%) and dividends (about 1%).



The 50-year average P/E for the S&P 500 is approximately 16.3x. With the S&P 500 trading at 19.3x earnings or nearly 20% above the long-term average, does that mean domestic equities are overvalued and headed for another bear market?

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Mid-Year Asset Class Stoplight

Source: FactSet Research



While the S&P 500 appears expensive on the surface, appearances can be deceiving. High valuations in the largest companies are masking what are reasonable valuations for most companies. Below we show the S&P 500 valuation four different ways.

	<u>PRICE</u>	<u>PE NTM</u>	<u>WTG</u>
S&P 500	4450	19.3	100.0%
SPX Ex-Top 5		17.1	22.7%
SPX Ex-Top 10		16.7	30.0%
SPX Ex-Top 10 + 5 largest		16.3	33.7%
Consumer Staples companies			

Source: Osborne Partners

The entire S&P 500 (100% weight) trades at 19.3x. However, if you exclude the five largest companies (Apple, Microsoft, Alphabet, Amazon, and Nvidia) the valuation of the S&P 495 falls to a P/E of 17.1x. Next, if you exclude the ten largest companies, which comprise 30% of the index, the valuation of the S&P 490 falls further to 16.7x. Finally, if you exclude the top-ten plus the five largest consumer staples companies which investors, fearing a recession, have used as a hiding place, the remaining S&P 485 trades at a P/E of 16.3x – exactly at the long-term average.

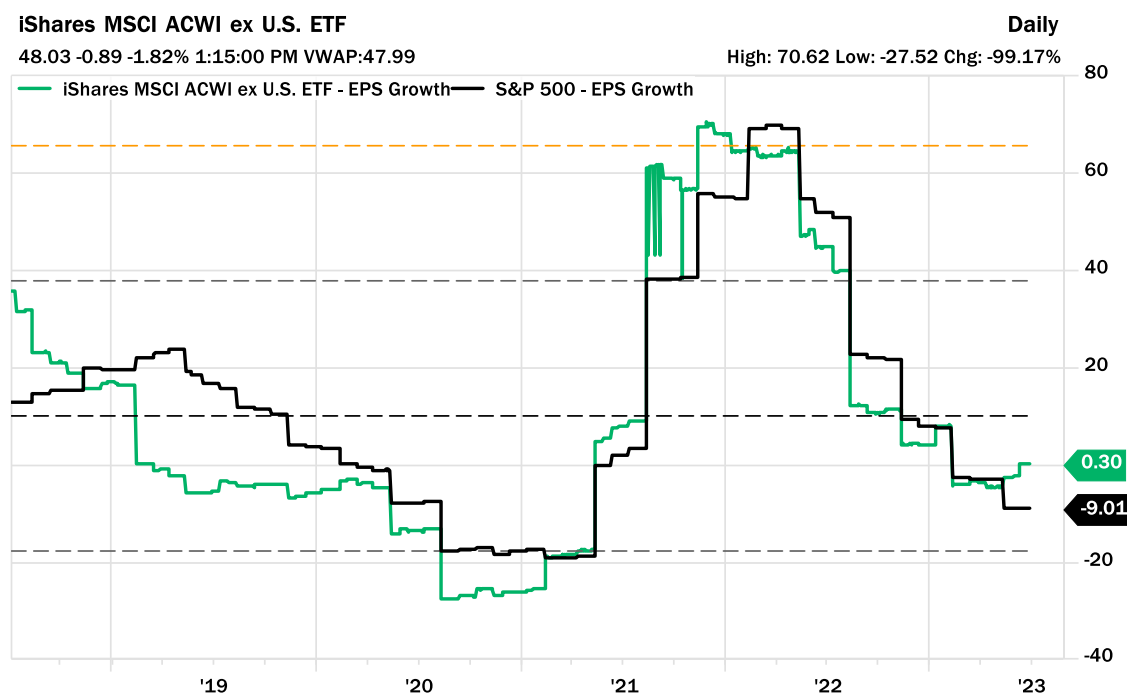
Our average clients' domestic equity exposure is underweight both the consumer staples sector and the mega-cap top-ten as a result of their elevated valuations. As the market has marched higher, our reward-to-risk ratios (RR's) have steadily fallen. As a result, we have reduced both the number of holdings in domestic equities and our overall exposure in domestic equities to a more neutral positioning. At the time of this writing, the

Mid-Year Asset Class Stoplight

median RR for our domestic equities holdings is 1.0, meaning equal reward versus risk. This ratio was well over 2.0 in October 2022.

In the foreign equities asset class, there is a massive valuation discount relative to U.S. equities, providing a margin of safety that enables us to be slightly overweight the asset class. Not only are foreign equities trading at a 33% discount to the U.S. (U.S. 19.3x and ACWX 12.9x — see chart), but earnings growth has started to inflect positively prior to the U.S. earnings trough.

Source: FactSet Research



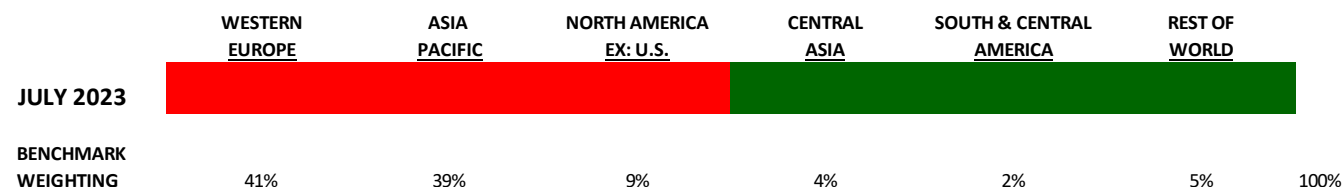
Source: FactSet Research

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Mid-Year Asset Class Stoplight

With earnings growth and valuations as potential tailwinds to foreign equities, where are we positioned from a country standpoint versus the benchmark?

Our Osborne Partners Country Weighting Stoplight:

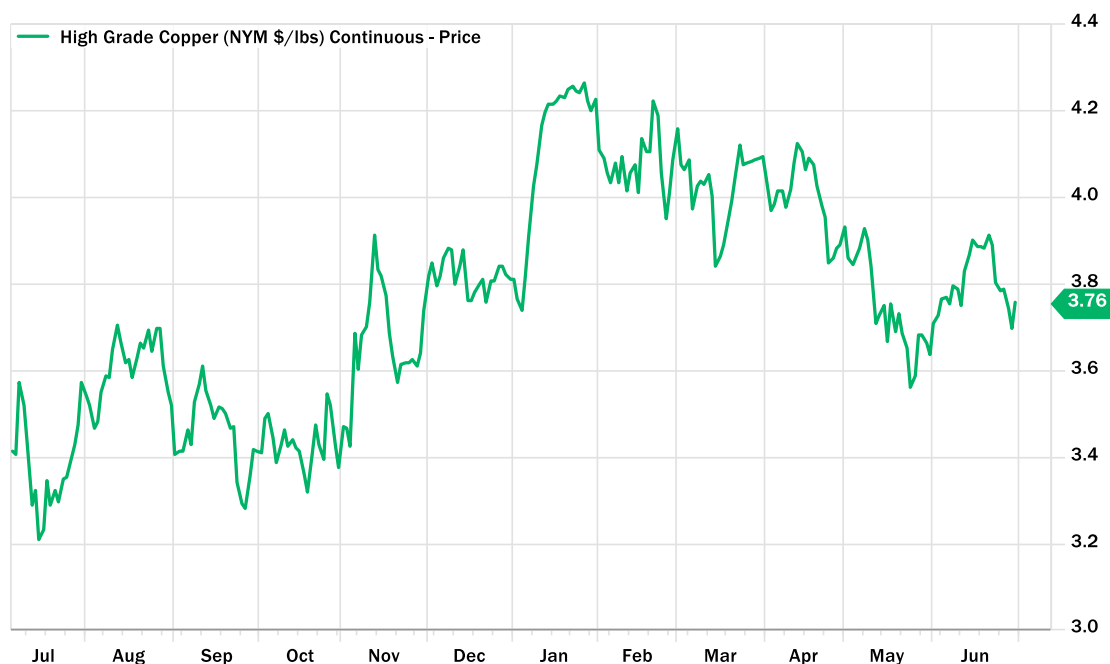


Source: Osborne Partners, MSCI

On a country specific basis, we continue to favor Germany and Netherlands in Europe. India, Japan, and China in Asia, along with Brazil and Mexico in Central & South America. Across sectors, we favor consumer discretionary companies exposed to the strong middle-class growth seen in specific emerging countries.

Shifting to natural resources, after a three-year run of overweight positioning that moved to neutral mid-2022 through a sale of soft commodities and natural gas, we moved underweight earlier this year by reducing copper exposure. The weakening of inflation has caused the asset class to fall about 9% in 2023. Many of the previously tenuous supply issues have reversed as economic growth has slowed. The charts below show examples of our portfolio sales.

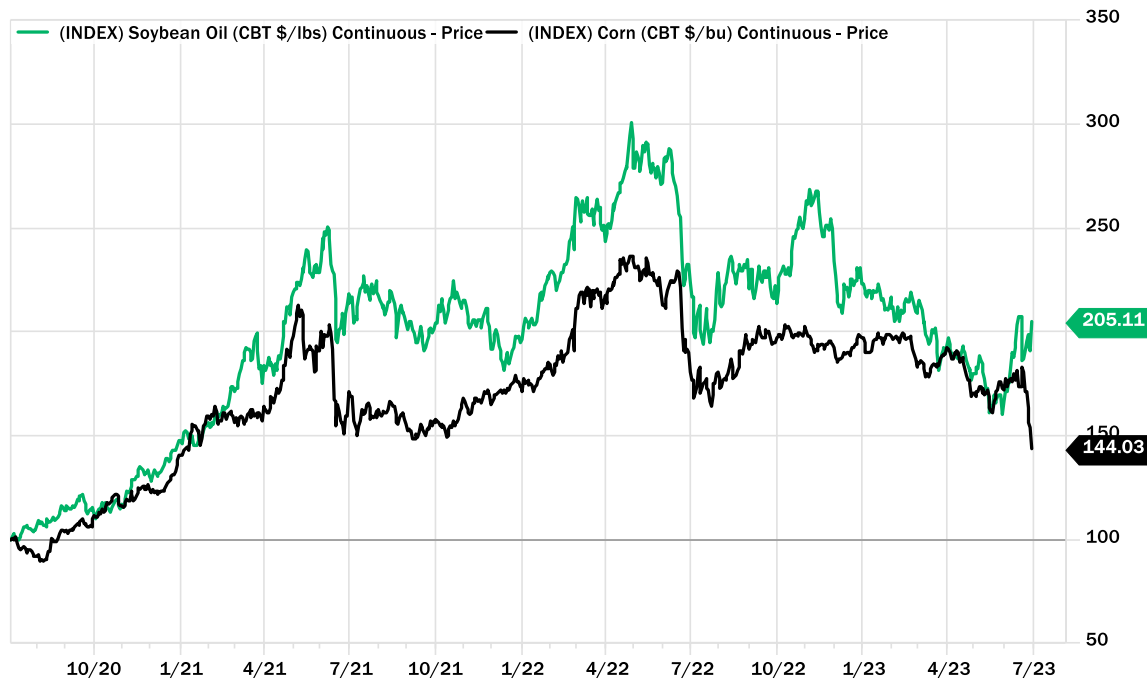
Copper peaked in January after a strong move from summer 2022.



Source: FactSet Research

Mid-Year Asset Class Stoplight

Soybeans and corn reached cycle highs in early summer 2022 and late 2022.



Source: FactSet Research

In the real estate asset class, spiking interest rates have been a major headwind for REITs. Domestic REITs peaked a few months prior to the start of the Fed hiking cycle (red line) and are now 30% off their pre-hiking high.

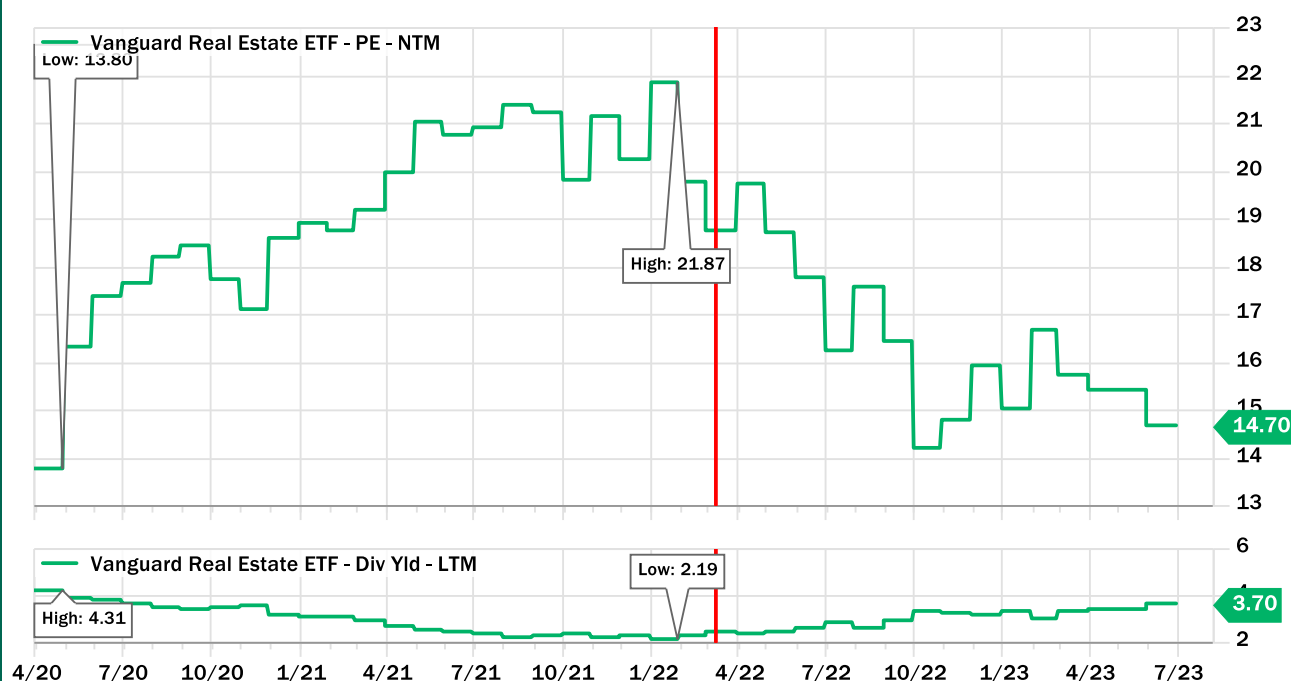


Source: FactSet Research

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Mid-Year Asset Class Stoplight

Unfortunately, REITs had generally high valuations and lower yields entering the Fed's interest rate hiking cycle. Domestic REITs were trading at a P/E of over 20x, while barely yielding 2.5% before the Fed started tightening.

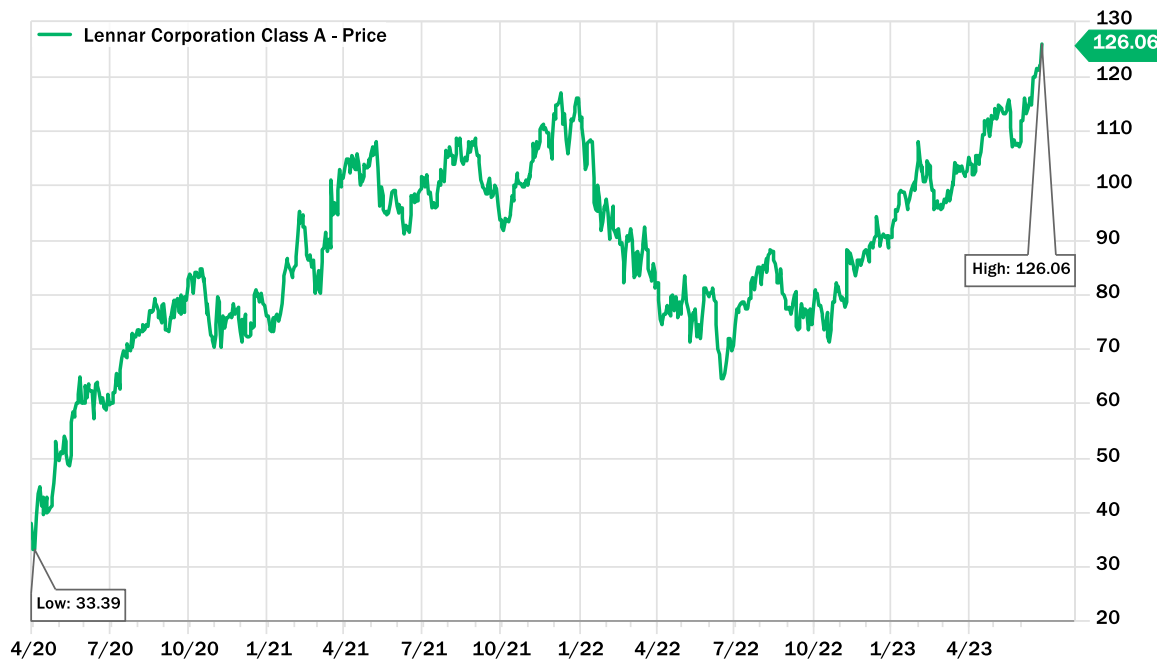


Source: FactSet Research

We continue to believe that at an asset class level, the reward-to-risk for REITs does not provide a sufficient relative yield with an appropriately low valuation profile to broadly increase our exposure.

Our real estate asset class universe includes commercial real estate exposure, via REITs and service companies, and residential exposure, mainly via homebuilders. The commercial real estate exposure is increasingly in select REIT situations and services instead of solely in broad REIT exposure. On the residential side, we have zero exposure for the first time in three years after eliminating our exposure late in the second quarter.

Mid-Year Asset Class Stoplight



Source: FactSet Research

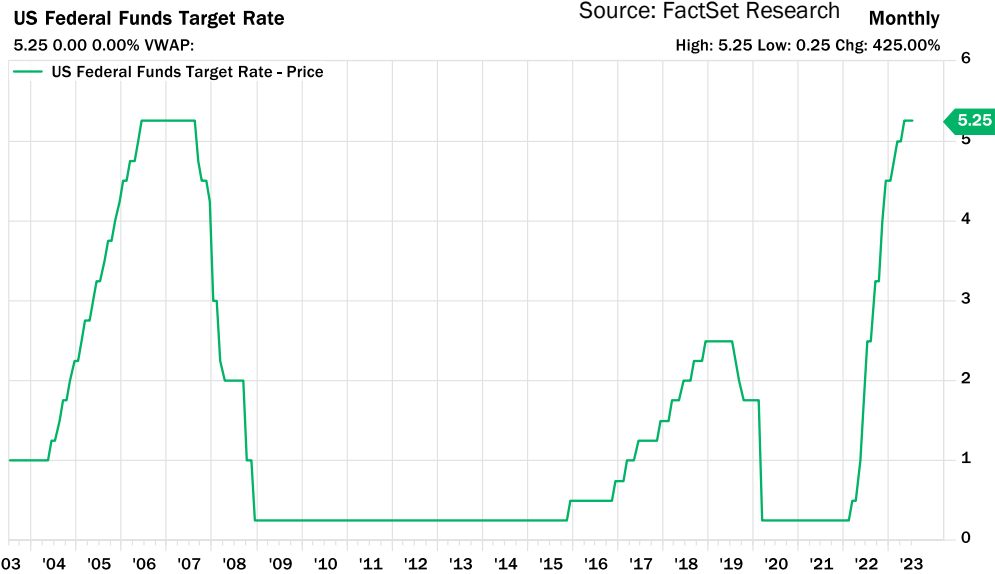
The Investment Team uses the alternative investments asset class to hedge segments of the portfolio or for appreciation by owning sub-asset classes like private equity or distressed companies. In late 2022, we began to shift the asset class from mostly hedging, toward an appreciation bias. On the hedging side, we unwound our interest rate hedge which benefitted from rising rates and reduced the long U.S. dollar exposure. We later used the proceeds to build positions in publicly traded private equity companies that we feel will have ample future opportunities to purchase distressed assets and distressed debt at inexpensive multiples.

Finally, in the fixed income asset class, we shifted to an overweight position in 2023 for the first time in nearly 15 years. We are purchasing high quality investment grade corporate and municipal bonds and are slowly lengthening maturities as the Federal Reserve approaches the end of the tightening cycle.

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Mid-Year Asset Class Stoplight

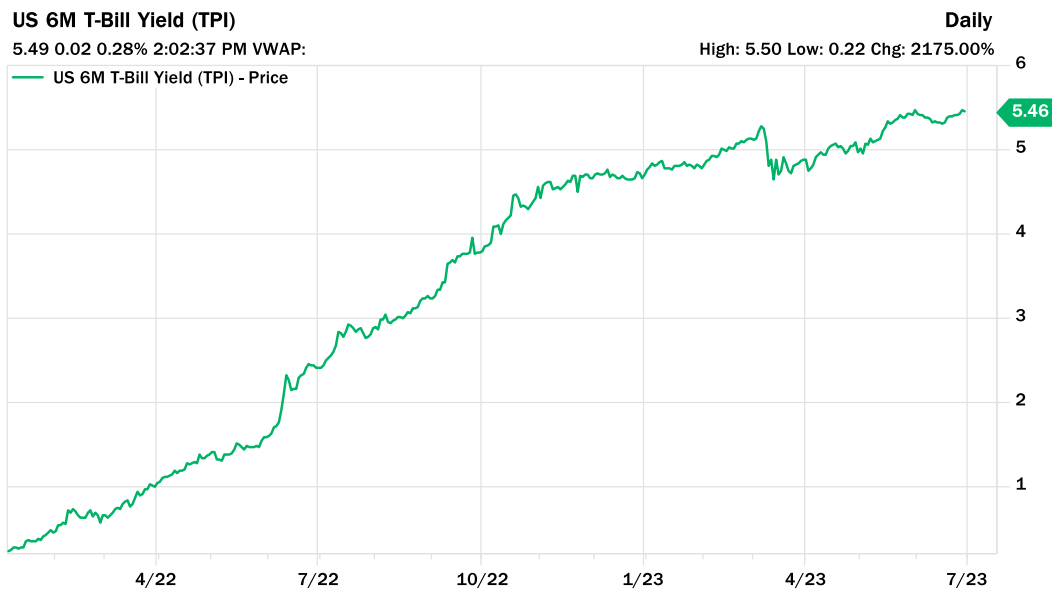
The chart shows the present Fed Funds target rate now matches the 2006/2007 high.



We are pleased that the fixed income asset class has, once again, become more compelling after a long hiatus. This asset class will be a meaningful generator of portfolio yield, income, and lower risk returns that will contribute to a portfolio's total return while reducing risk. We have been methodical in managing this asset class and will continue to do so as we push maturities out while buying high quality bonds.

We are also taking advantage of high short-term interest rates by investing excess cash from recent domestic equities sales into safe, short-term securities yielding around 5%.

6-month U.S. T-Bills yielded nearly 0% entering 2022. They now yield nearly 5.5%



Source: FactSet Research

Mid-Year Asset Class Stoplight

For the past ten years or so, markets, styles, and asset classes have been fluid, cycling in and out of favor based on volatile macro-economic variables caused by everything from a credit crisis, to a debt crisis, to a trade war, to a global pandemic. As these styles and asset classes continue to experience higher volatility, we believe our style-agnostic discipline and strict adherence to buying the best investments at appropriately high reward-to-risk ratios will enable the Investment Team to continue to deliver returns without subjecting you to high risk. We look forward to seeing what asset classes have in store for us in the second half of 2023. ■



All Doom and Gloom?

By: Ben Viemeister, CFA

Risks and opportunities in commercial real estate.

Empty buildings overgrown with weeds. Zombies walking halls. The media has recently evoked this imagery when discussing commercial real estate (CRE). There are clear risks within CRE, but painting with a broad brush can obscure opportunities to create value in portfolios.

CRE, to put it mildly, is large. The FTSE EPRA NAREIT Global Index had a net market cap of \$1.6 trillion at the end of May, with U.S. property owners comprising almost \$1 trillion. Within CRE, there is a wide range of property types, from apartments and data centers to towers and warehouses. Each has its own unique supply-demand dynamics.

When inflection points in supply-demand are identified, a key question is whether it is cyclical or structural. Cyclical inflections are temporary and shorter term, while structural are often permanent and longer term. As the market is seeing with CRE today, answering correctly matters when trying to create value.

Structural Demand Changes...

Pre-pandemic, e-commerce increasingly disrupted retail properties. If one thought e-commerce was not a serious structural threat to brick-and-mortar retailer earnings, then inexpensive valuations may have led some to buy retail real estate. After all, as the following table shows, retail had outpaced the FTSE EPRA NAREIT Global Index from 2005 – 2013 as e-commerce emerged. Yet e-commerce inflecting from 2013 – 2019, more than doubling its share of retail sales from 6% to 14%, led to higher vacancies, weaker rental pricing, and higher capital intensity as properties attempted to reposition for a new era. Retail defaults

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and property closures increased. Post-pandemic, the structural shift to e-commerce accelerated, exacerbating pre-pandemic pressures.

Impact of Structural Demand Change on CRE Property Types

<i>E-Commerce</i>	Pre-Pandemic		Post-Pandemic
	<i>Emerging</i>	<i>Inflecting</i>	<i>Accelerating</i>
	12/31/2005	12/31/2013	12/31/2019
<u><i>Annualized Total Returns</i></u>	12/31/2013	12/31/2019	6/30/2023
S&P Global REIT - Industrial	-3%	18%	9%
S&P Global REIT - Retail	4%	6%	-4%
FTSE EPRA NAREIT Global Index	3%	12%	-3%

REIT = Real Estate Investment Trust

Source: FactSet, OPCM

Notably, the pressure on one CRE property type, retail, created opportunity for another CRE property type, industrial. Extrapolating historic returns from 2005 – 2013, when industrial soundly lagged retail, falling -3% vs retail's rising +4% per year, would have meant missing an important inflection. The structural demand improvement for industrial from e-commerce (via warehouses, distribution centers) combined with favorable starting valuations enabled it to reverse its fortunes vs retail from 2013 through June 30, 2023.

Today's CRE fears often revolve around another property type that faces a structural demand shift: office. And there are plenty of stats to feed the media's zombie narrative. Kastle Systems, an office security company, tracks office usage by employees in the ten largest U.S. metros. As of June 26, the number of employees that came into offices was 50% of March 4, 2020, levels, reflecting a structural change in demand driven by work from home. Offices are increasingly not just used less but not at all. The national office vacancy rate was 18% in 1Q23 vs around 11% at the end of 2019 per CBRE.

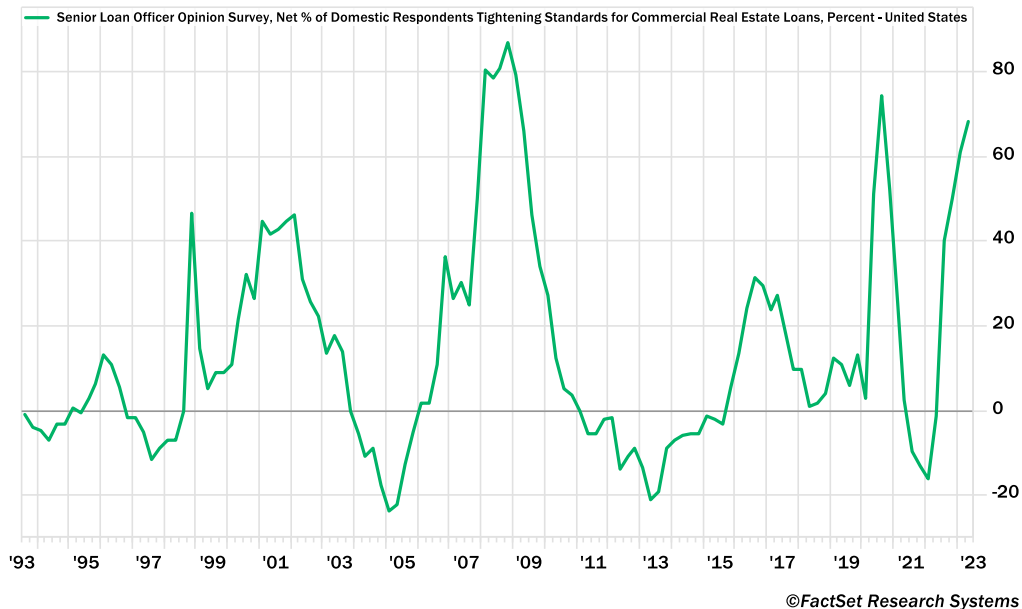
This pre-pandemic vs post-pandemic structural shift is reflected in returns. From 2005 – 2019, the S&P Global REIT Office Index returned almost +7% per year; since then, it has declined almost -13% per year.

...Meet Liquidity Concerns

This structural demand pressure is happening in an environment with tighter financial conditions and significant loan maturities. Almost one-third of the \$4.5 trillion outstanding CRE loans will mature by the end of 2025, according to Morgan Stanley. CommercialEdge, a CRE data provider, estimates around 16% of total office outstanding loans will mature by 2025. Meanwhile the net percentage of banks tightening CRE loan standards is close to historic highs.

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Banks Tighten CRE Lending Standards



Funding gaps can emerge as banks tighten since banks comprise approximately 60% of office and 65% of retail CRE loans, per RCA, a CRE data provider. Defaults result. Especially for older, poorly located buildings without amenities where repositioning the property is uneconomical, floating rate debt was used, the loan-to-value was above 65-70% (many analysts estimate private market values for office properties could decline over 30%, making high loan-to-value loans difficult to refinance), and structural demand is pressured.

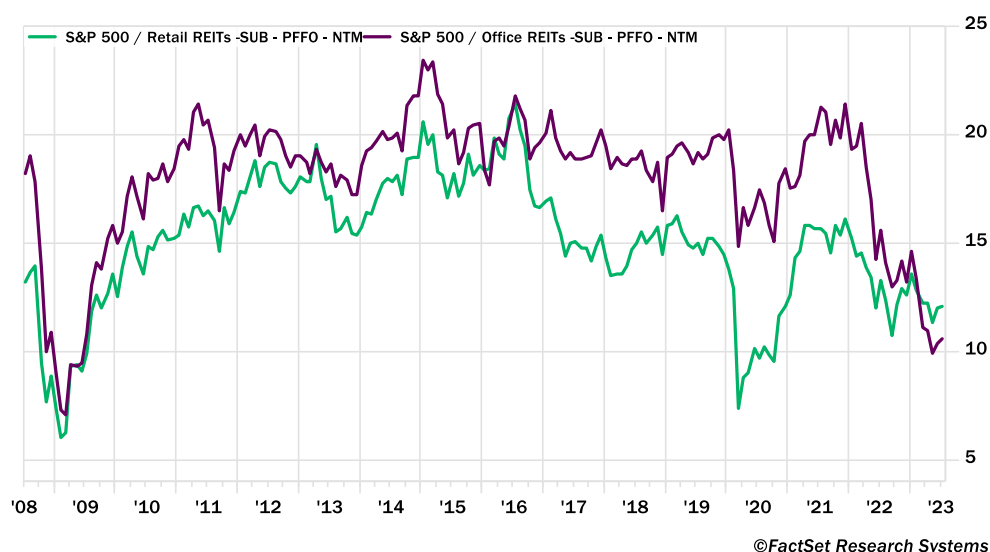
Creating Opportunity?

Naturally, structural demand pressure and tougher liquidity conditions have cut public market valuations for public market office and retail REITs by over 40%. Retail REITs have gone from trading at 21x funds from operations (REIT earnings) in 2015, when e-commerce was 7% of U.S. retail sales, to 12x today, with e-commerce's share of U.S. retail sales at over 15%. Office REITs have gone from trading at 20x pre-pandemic in January 2020 to around 10x.

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All Doom and Gloom?

Office and Retail Valuations Pressured



A cheap valuation compared to history is a sign to buy, right? Not so fast.

A change in valuation is just one of three key components of total return. Osborne Partners normally invests with a multi-year horizon. And over that period, profit growth and dividends are usually larger components of total return. A healthy supply-demand dynamic is critical for both. Without it, cheap assets can get even cheaper.

So where can opportunities emerge?

Fears around CRE as a general category can mean indiscriminate negativity. Select property owners with favorable supply-demand dynamics can trade to levels where all three key components – 1) cheap valuation with catalysts to drive multiple expansion; 2) solid earnings growth; and 3) sustainable dividend income – combine to create an attractive upside vs downside. CRE, after all, is a diverse asset class, where pureplay office and retail assets are only 20% of the FTSE EPRA NAREIT Global Index. There is a wide range of fundamental environments across the remaining property types. Stress in one property type can create opportunity in another, like retail and industrial in the past. Generalized anxiety can create ripe investment targets in areas where there is restrained supply plus cyclical and structural demand tailwinds like outpatient healthcare and manufactured housing parks.

Beyond property owners, service businesses and asset managers can benefit from CRE fears. Service companies, for example, can help property owners reduce costs via outsourcing and execute projects to repurpose properties to better use, improving long-term economics for occupiers. Asset managers, within the real estate and alternative investment

All Doom and Gloom?

asset classes, can selectively fill the funding gap created by banks tightening lending by providing liquidity, plus invest opportunistically in attractive assets at discounted prices.

So, while there are clear risks to key parts of the CRE market, namely retail and office, opportunities will continue to emerge. The Osborne Partners Investment Team will strive to execute its disciplined approach to capitalize on these opportunities to create value over the long-term. ■



Fixed Income and Credit: The Fed Goes Marching On

By: Jack Fagan, CFA

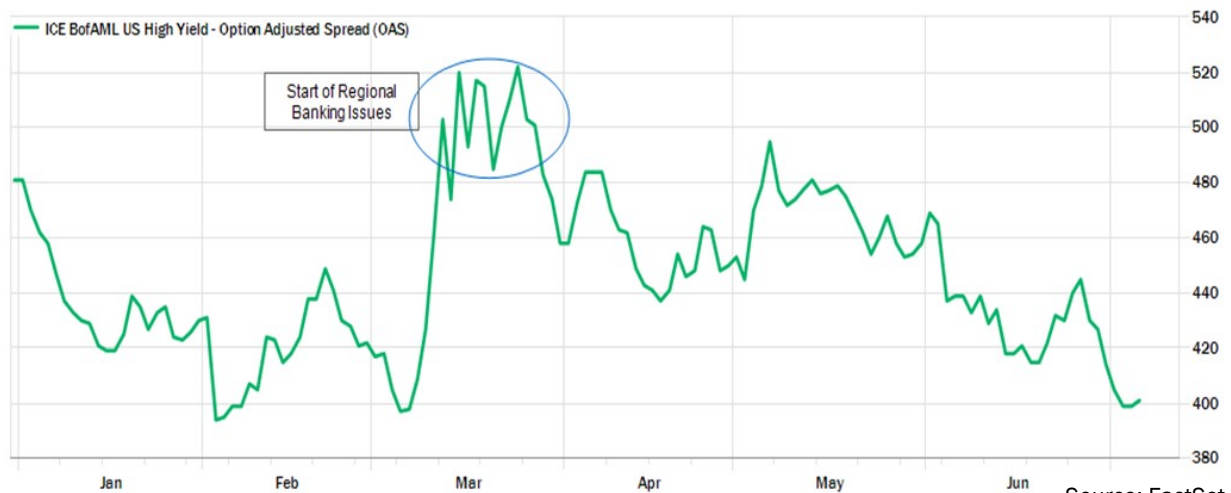
The bond market settled down even as the Fed continues its fight against inflation.

After a rather unpleasant five quarters of frenzy in the fixed income market, a vague sense of 'normalcy' started to emerge in the second quarter of 2023. The quarter began with investors and regulators alike sorting through the wreckage of a regional banking crisis that saw three significant bank failures occur within weeks. Through that experience, markets were forced to quickly adjust to elevated credit risk in the financial sector amidst an already difficult environment including tightening financial conditions and the prospect of an impending recession. Fortunately, any contagion risk within regional banks appears to have been quelled nearly as fast as the crisis started. Since the local peak on March 16th, volatility in near-term Treasury bonds returned to pre-Silicon Valley Bank failure levels by mid-April (ICE MOVE Index). Following a similar pattern, credit spreads initially widened by over 1.20% but gradually tightened back to pre-crisis levels by mid-June (U.S. High Yield - Option Adjusted Spread). Overall, the second quarter ended approximately where March began.



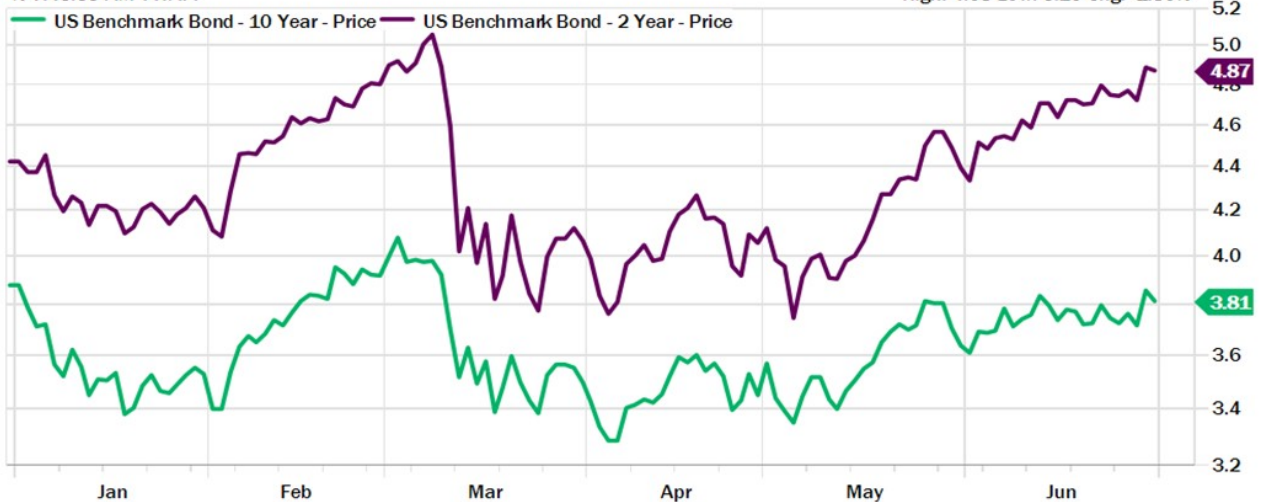
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US Benchmark Bond - 10 Year

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What Changed Fundamentally?

Despite various claims of cracks in the labor market, a dearth of credit availability, tighter lending standards, and calls for an impending recession, the economy kept rolling along. Sequential and year-over-year (YoY) data generally held up well or even improved in the second quarter:

- **Non-Farm Payrolls:** Both April (+294k) and May (+339k) posted very strong job growth despite the Unemployment Rate remaining in the mid-3%'s. The May data sparked a bond selloff as the labor market continues to tighten, creating worry that overly strong wages will aid inflation.
- **Wage Growth:** April (+4.4%) and May (+4.3%) YoY wage growth remained elevated but in-line with expectations and continued the gradual slowdown toward levels

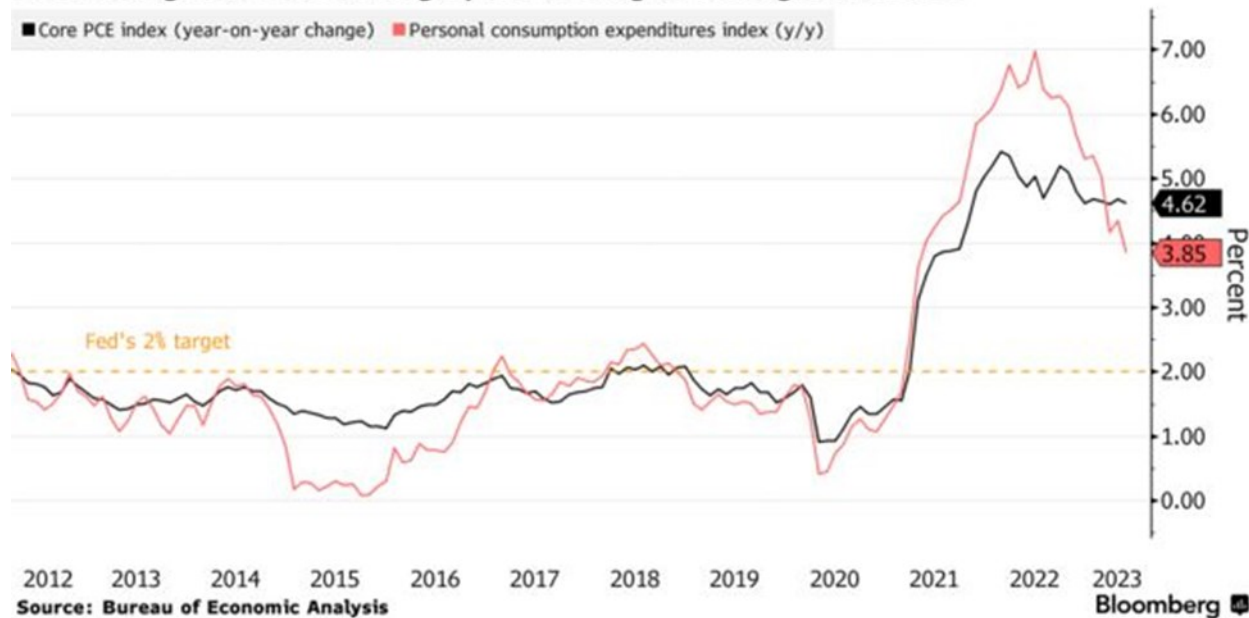
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consistent with the Fed's 2% inflation target. 2022 averaged over 5.1% YoY wage growth.

- **Jobless Claims:** The last June data print broke a five-week stretch of rising initial claims and was the biggest week-over-week decline since October 2021.
- **PCE Inflation:** The Core Personal Consumption Expenditures Index (Core PCE) remained stubbornly high in 2Q'23, but didn't worsen either. The Index rose 4.7% YoY in April and 4.6% in May, both levels effectively unchanged since the start of the year.

US Inflation Remains Too Hot for the Fed

Price changes are above target, but moving in the right direction



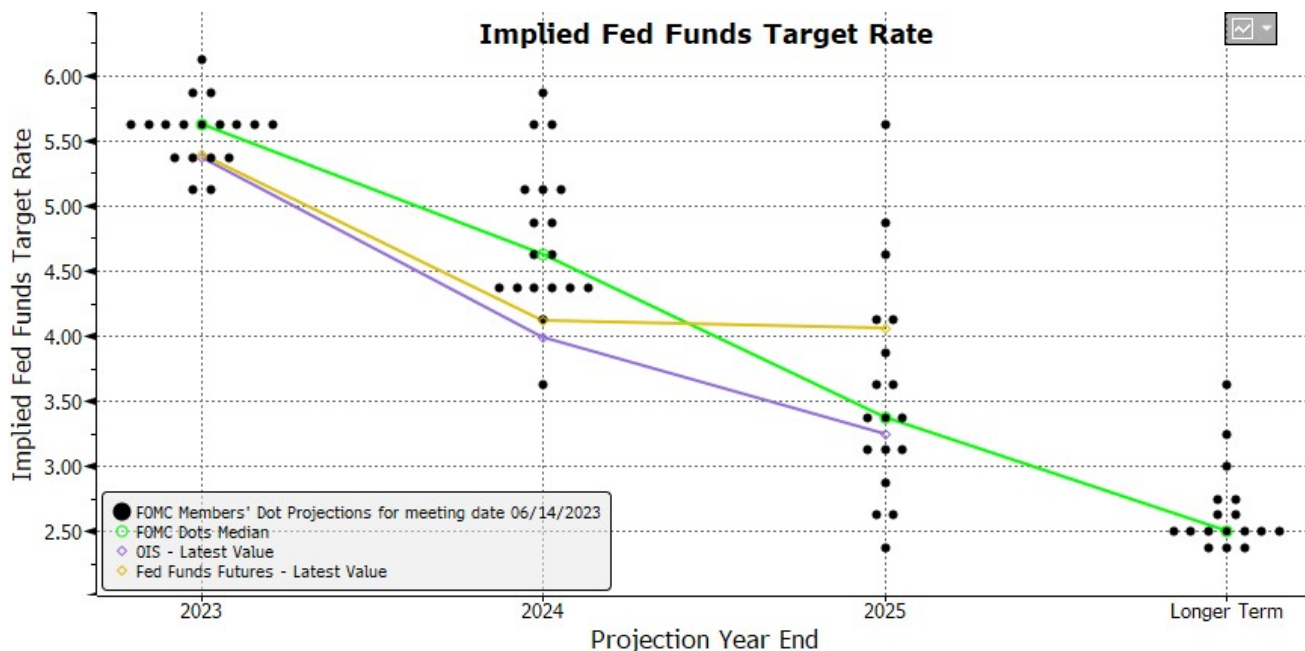
The Fed Goes Marching On, but Took a Quick Breather

As solid economic data continued to surface, the Fed kept on their path toward higher rates. The Fed's 0.25% hike in May was completely overshadowed by the more consequential 'pause' at the June meeting. In the wake of banking issues, which were inextricably tied to the rapid pace of rate hikes, the Fed decided to hold the Federal Funds rate steady in June. This allowed for more time to pass so prior hikes could work their way through the economy and banks could regain their footing. Many expected the pause to mark the beginning of the end of the hike cycle with Fed Funds futures going as far as to price in several interest rate cuts by year end. The Fed, however, signaled they'll march on. The latest June "Dot Plot," a summary of where Fed Presidents expect the Federal Funds rate at different points in time, indicated a peak Fed Funds rate of 5.75% by year-end (up 0.50% from March) and a terminal rate of 2.50% (unchanged from March). The divergence between market expectations for near-term rate cuts and the Fed's suggestion of higher

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rates for longer forced a significant repricing of yields off the April lows. The 2-year Treasury yield rose 1.11%, from 3.76% to 4.87%, by June 30th. Solidifying Fed Chairman Jerome Powell's comments at the June Meeting, the FOMC Minutes confirmed that some officials "could have supported" a 0.25% hike in June and "almost all" participants judged that additional increases would be needed before the fight against inflation is complete.



Source: Federal Reserve

Impact to Portfolios

Although no major changes were made to fixed income allocations during the quarter, recent events in the financial sector and the generally late-rate-cycle period are good reasons to reevaluate positioning. Within financials, the Investment Team is skewing new purchases toward highly regulated GSIB banks (Global Systemically Important Banks) and toward highly rated issues with advantageous security positions. What we are not doing is avoiding U.S. banks simply because of bad headlines and perceived risk. This strategy is 'a day late and a dollar short' and deprives clients the opportunity to selectively add much higher yielding securities of still highly rated banks. To that end, recent events are a good reminder that diversification remains paramount and, as always, the Investment Team continues to monitor concentration risk. The same concept applies to the headline-risk prone real estate sector, where we remain cautious but continue to monitor for opportunities in beaten down but structurally attractive subsectors if the opportunity presents itself. Finally, we believe that increasing duration of fixed income portfolios is becoming more appealing at this stage of the rate cycle. As 7- and 10-year Treasury yields

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float around the 4% level, and inflation moderates, we see value in longer duration assets with nominal yields at decade-plus highs. ■



Effective Strategies to Protect Your Finances in a Growing Age of Scams and Fraud

By: Tom Piro CFP®, Enrolled Agent

As financial scams become more sophisticated and believable, it is increasingly important to educate yourself and protect your finances.

Have you ever received a suspicious email, text, or phone call from someone saying they're calling from the Postal Service, another government agency, or a financial institution, asking you to provide confidential information or complete a survey? You're not alone. These are imposter scams designed to take money from you.

Imposter scams come in many varieties but work the same way. And unfortunately, these scams are becoming more sophisticated and believable. Scammers use high-pressure tactics to persuade unsuspecting people that they need to pay up or hand over personal information to quickly resolve an issue. Now with artificial intelligence, scams and fraudsters can take their scams to new levels.

For instance, a recent attempted scam made headlines in April. The scammer used a technique called "caller-ID spoofing." The scammer called a mother, claiming to have kidnapped her daughter. The scammer used artificial intelligence "voice cloning" to mimic the sound of her seemingly distraught daughter's voice. The scammer then demanded a \$1,000,000 ransom in exchange for her daughter's safety.

Thankfully, the daughter was always safe, and the event was nothing more than an attempted scam. However, it reinforces the importance of being aware of scams like these and taking action to protect yourself. This is especially true, as the probability of your bank refunding your money is far from guaranteed. For instance, had the mother wired money to the scammer, it is unlikely her bank would have refunded her (even though she was under duress and a victim of a scam).

I believe the best protection against frauds and scams is to educate yourself. In this article, I'll share general best practices, along with the more important strategies and tactics that my family and I use to protect ourselves from scammers and fraudsters.

What I recommend, after reading the general rules, is starting and completing the "Simple Actions," which as the name implies, are quite simple. Then, move onto the "More

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Involved Actions.” These are important steps to protect yourself but are still pretty easy. The “Advanced” section of recommended actions are things I do personally, but I recommend completing everything in the other sections before advancing to these.

General rules to protect yourself:

- **Be skeptical:** Be skeptical of too-good-to-be-true offers, or urgent situations, that just need some of your information. Verify that the entity contacting you is legitimate before giving out information. A quick web search of the agency or individual will go a long way. Same goes for emails.
- **Don't trust your Caller ID:** Scammers are pros at manipulating Caller ID systems to show the caller information they want displayed. Even if the Caller ID shows the name of an official organization, it does not guarantee that the person on the other end works for them.
- **Don't engage:** If you receive a call from someone urgently requesting security passcodes, account/personal information, or money, this is a red flag. Don't spend any time asking questions. Hang up.
- **Never pay for a prize:** If someone informs you that you've won a prize, you should not have to pay any taxes, delivery fees, or insurance payments to collect it.
- **Call someone directly and have a family safe word:** If scammers have claimed to have kidnapped a loved one, call that person directly and have a family safe word.
- **Don't send a wire transfer or gift card:** These are all ways that scammers ask to be paid with urgency. And remember, if you are the person who clicks on “confirm wire transfer,” it is unlikely your bank will reimburse you for money wired out of your account (even if you were under duress).

Simple Actions:

- **“Tap to pay” instead of swiping:**
 - ⇒ At the checkout counter, instead of swiping your credit card, place your card within a few inches of the payment terminal to initiate payment.
 - ⇒ Most credit cards use Near Field Communication (“NFC”), which is a short-range wireless technology that allows devices to communicate and exchange data by simply bringing them close together. NFC has a number of applications and is commonly used for contactless payments.
 - ⇒ This technique is currently among the safest forms of payment. Compared to magnetic strips that are more easily duplicated by hackers or thieves, it's incredibly difficult for a hacker to recreate the one-time code that contactless

Effective Strategies to Protect Your Finances in a Growing Age of Scams and Fraud

credit cards create for each transaction. This makes contactless credit cards much more secure.

- **Protect & update your devices:**

⇒ Keep your computer, smartphone, and other devices updated with the latest security patches and antivirus software. Enable automatic updates whenever possible.

- **Use only trusted networks:**

⇒ Be cautious when using public Wi-Fi networks, like at an airport, coffee shop or hotel, as they can be vulnerable to hacking. Avoid accessing sensitive information or making online transactions while connected to public Wi-Fi unless you're using a secure virtual private network (VPN).

⇒ An alternative to using public Wi-Fi networks is using your mobile phone as a hotspot. To do so, turn on your personal hotspot (usually found under your phone's settings), then connect your laptop/device to your phone's hotspot, and enjoy your secure internet connection!

More Involved Actions:

- **Get a credit freeze at the major credit bureaus:**

⇒ One of my biggest concerns is the risk of someone opening a credit card or taking out a loan in my name.

⇒ To prevent this, credit bureaus (Experian, TransUnion and Equifax) offer a credit freeze or a fraud alert to be applied by creating an account with them. This prevents someone from fraudulently opening a credit card or taking out a loan in your name, and you finding out too late.

⇒ A credit freeze or a fraud alert does not affect your credit, and there is no fee associated with either option.

- **Use a password manager:**

⇒ Password managers provide secure and encrypted storage for all your passwords, reducing the risk of unauthorized access and potential data breaches. By generating and storing complex, unique passwords for each of your accounts, you minimize the likelihood of successful hacking attempts or credential theft.

⇒ Password managers also streamline the process of managing your passwords. They automatically fill in login credentials, eliminating the need to remember multiple passwords or repeatedly input them. This saves time, reduces

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frustration, and encourages the use of strong, unique passwords across different platforms and websites.

- **Use Multi-Factor Authentication (MFA):**

- ⇒ To further enhance your online security, I recommend protecting your account with a strong secondary measure, typically a single-use code. This is referred to as “multi-factor authentication,” or MFA.
- ⇒ Multi-factor authentication adds an extra layer of security by requiring a second (or even a third!) verification step, such as a unique code sent to your phone, in addition to your password. In fact, all of our systems at Osborne utilize MFAs.

- ◆ See next section for taking MFA to an even higher level of security.

- **Secure your physical mailbox:**

- ⇒ Always retrieve your mail promptly. Personally, I use a locked mailbox.
- ⇒ Shred or destroy any documents containing personal or financial information before disposing of them.

- ◆ At home, I have a simple \$40 paper shredder, which is all I need to shred old financial statements or other documents with sensitive information.

Advanced Actions:

- **Use *Physical* Two Factor Authentication:**

- ⇒ I personally use physical MFA. This offers the highest level of online security protection.
- ⇒ It is different than the above MFA examples (which use text messages or applications), as it is a physical security key. Physical MFA can be a little dongle that you plug into a USB port or tap on your phone during account logins, as an enhanced level of security.
- ⇒ Why are they so effective? Security keys protect you in two ways: First, there’s no electronic authentication code for a hacker to steal. Second, physical MFA uses a security protocol to verify the website’s domain during login, so they won’t work on fake sites.
- ⇒ Physical MFA keys typically cost between \$25 - \$50. I simply attach it to my key chain (it is about the same size as a thumb drive) and carry it with me.

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- **Research before making online purchases from new vendors and sellers:**
 - ⇒ Before making purchases from unfamiliar websites or sellers, research their reputation and read reviews from other customers. Stick to reputable online marketplaces and ensure that the payment process is secure.
 - ⇒ If something gets bad reviews, or doesn't feel right, walk away. (Remember earlier advice, "be skeptical").

I recognize there are other actions you can take to protect yourself from scams. However, for your time and money, these are steps I recommend and personally follow. Please feel free to reach out to us should you have any questions or would like to talk through the subject in greater detail. ■

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