



## Nancy Buck Ransom Foundation

Recipient:  
The Nancy Buck Ransom Foundation  
PO Box 5067  
Carmel, CA 93921

### First Quarter 2017

Many of the investments that were perceived to be positive benefactors of a Trump presidency reversed in the latter half of the first quarter, while some late-2016 underperformers led the way in the first quarter. U.S. equities were up a strong 6% for the quarter. Within U.S. equities, the “Trump sectors” such as financials and energy underperformed, while healthcare and technology outpaced the overall market. Outside the U.S., foreign equities were up over 7%, aided by a strong March. Natural resources performed well at the start of the quarter, but faltered in the second half, finishing with a loss of over 2%. Real estate was stuck in a trading range for most of the quarter until the Federal Reserve raised interest rates, which, somewhat surprisingly, resulted in a bond market rally, and a rally in higher dividend paying REITs. Finally in fixed income, excluding the Fed Funds rate, interest rates were relatively stable, resulting in a return of under 1% for the quarter.

As investors continue to be bullish on President Trump’s potential corporate and personal tax reform, deregulation agenda, and future infrastructure plans, valuations are beginning to make actual fundamentals increasingly important. It will be interesting to hear commentary from companies as they release first quarter earnings, since most of the Presidential agenda hopes have not come to fruition. Portfolio cash levels crept higher during the quarter as a few holdings achieved our fundamental and valuation targets. However, we presently have a lengthy list of potential new portfolio holdings that will be purchased at slightly better valuations.

- OPCM Portfolio Management Team

Information provided reflects Osborne’s views as of the date of this report. Such views are subject to change at any point without notice and may not come to pass. Osborne obtained the information provided above from third party sources believed to be reliable but it is not guaranteed. Osborne does not warrant or guarantee the accuracy or completeness of the information presented. Information contained herein is for informational purposes only and should not be considered a recommendation to buy or sell any securities.

## Portfolio Valuation

There may be certain assets listed herein, such as certain private funds, which reflect values that are estimates only and based on good faith valuations determined by either Osborne, the applicable issuer or sponsor, or a third party firm. Osborne believes these valuations are current as of the date of the report, but all such values are unaudited. Actual values may be higher or lower than the amounts shown, and as a result the performance may also be affected.

Additionally, some of these private investments may not be held by your custodian and as such will not appear on your custodian statement but will be included in this report. OPCM urges you to compare account statements that you received from our firm with account statements received from your custodian on a quarterly basis. Please contact OPCM if you are not receiving account statements from your custodian on a regular basis or if you have any questions.

## Realized Gain and Loss Report

The realized gain and loss report is provided for informational purposes only and should be used only as an estimate. The information contained in our report may differ from the custodian's 1099 report due to the sale of uncovered positions, the sale of unsupervised assets, settlement dates and the selected accounting methodology. Please use your custodial 1099 year-end report for tax purposes.

## Performance Reporting

Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance is calculated net of advisory fees, net of transaction costs and includes the reinvestment of dividends and other income. Gross of fee performance is calculated gross of advisory fees, but net of transaction costs and includes the reinvestment of dividends and other income. The "Quarter to Date" and "Year to Date" performance is not annualized. Past performance is not indicative of future results. Inherent in any investment is the possibility of loss.

Please refer to the Benchmark Descriptions page at the end of your report for index descriptions.

## Contributions and Withdrawals

Reported contributions and withdrawals may be affected by corporate actions and internal accounting procedures. Please compare your reports to the custodian statement.

## Fractional Shares

Fractional shares less than 0.500 will be reflected with a quantity of 0. Fractional shares above 0.500 shares will be reflected with a quantity of 1. The report rounds the shares values for reporting purposes only.

## Management Fees

It is the responsibility of the client to verify the accuracy of the investment management fees billed by Osborne Partners. The custodian does not verify the accuracy of the management fees before payment to Osborne Partners.

## Portfolio Review

If your investment objectives and/or financial circumstances have changed, please give us a call to schedule an appointment.

## Firm Brochure

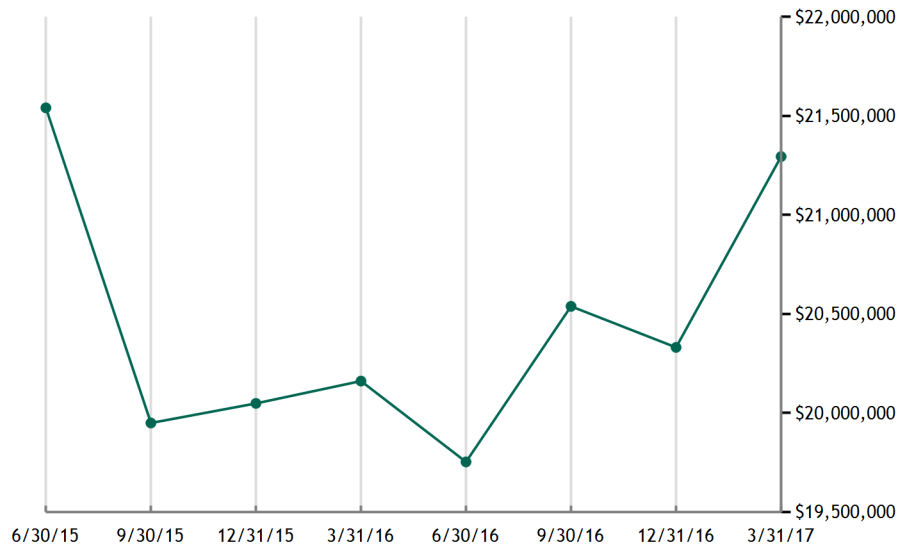
For a copy of our current Disclosure Brochure that includes a description of Osborne's services provided, fees charged and other important information, please call us at (800) 362-7734.

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## Portfolio Summary

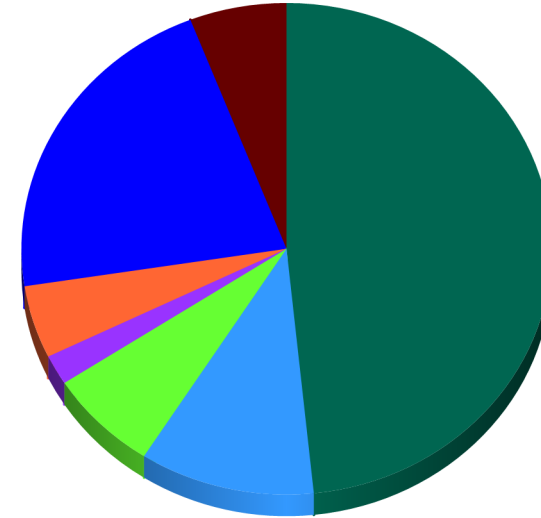
	Quarter to Date	Year to Date
Beginning Value	20,331,064	20,331,064
Ending Value	21,294,738	21,294,738
Change in Account Value	963,674	963,674
Realized Capital Gains/Losses	145,554	145,554
Management Fees Paid	-30,497	-30,497

## Change in Portfolio Value



Includes all withdrawals/contributions and market activity.

## Portfolio Allocation as of 3/31/2017



Asset Class	Market Value	% Assets	Curr. Yield
Domestic Equities	10,297,678	48.4	1.8
Foreign Equities	2,272,965	10.7	2.1
Natural Resources	1,443,895	6.8	1.8
Real Estate	418,934	2.0	4.5
Alternative Assets	1,018,310	4.8	1.8
Fixed Income	4,584,686	21.5	3.5
Cash & Equiv.	1,258,269	5.9	0.0
<b>Total</b>	<b>21,294,738</b>	<b>100.0</b>	<b>2.1</b>

## Nancy Buck Ransom Foundation

March 31, 2017

Security Type	Total Cost	Market Value	Pct. Assets	Cur. Yield	Est. Annual Income
<b>Domestic Equities</b>					
Domestic Equities					
Materials	405,138	575,528	2.7	2.6	14,856
Industrials	766,440	1,090,672	5.1	1.4	15,092
Energy	642,878	837,043	3.9	2.4	20,256
Consumer Staples	454,639	764,230	3.6	2.5	19,312
Consumer Discretionary	459,140	884,551	4.2	2.1	18,417
Financial	1,151,346	1,556,025	7.3	3.3	50,586
Health Care	1,392,342	2,035,205	9.6	1.0	20,135
Technology	1,314,372	2,554,424	12.0	1.1	27,166
Domestic Equities	6,586,295	10,297,678	48.4	1.8	185,820
	6,586,295	10,297,678	48.4	1.8	185,820
<b>Foreign Equities</b>					
Foreign Stock	2,194,414	2,272,965	10.7	2.1	47,676
Closed-end/ETF					
	2,194,414	2,272,965	10.7	2.1	47,676
<b>Natural Resources</b>					
Natural Resource ETF	859,639	940,494	4.4	1.8	17,089
Natural Resource Equities	473,507	503,401	2.4	1.8	9,310
	1,333,146	1,443,895	6.8	1.8	26,399
<b>Real Estate</b>					
Real Estate - Closed-end/ETF	285,505	373,707	1.8	5.0	18,857
Real Estate Diversified	31,993	45,227	0.2	0.0	0
	317,498	418,934	2.0	4.5	18,857
<b>Alternative Assets</b>					
Alternative Investments	947,533	1,018,310	4.8	1.8	17,878
	947,533	1,018,310	4.8	1.8	17,878

**Nancy Buck Ransom Foundation**

March 31, 2017

<u>Security Type</u>	<u>Total Cost</u>	<u>Market Value</u>	<u>Pct. Assets</u>	<u>Cur. Yield</u>	<u>Est. Annual Income</u>
<b>Fixed Income</b>					
Corporate Bonds	3,625,506	3,596,668	16.9	3.4	123,875
Fixed Income - Closed End/ETF	968,711	966,322	4.5	3.6	34,443
Accrued Interest		21,696	0.1		
	<u>4,594,218</u>	<u>4,584,686</u>	<u>21.5</u>	<u>3.5</u>	<u>158,318</u>
<b>Cash &amp; Equiv.</b>					
Cash and Equivalents	1,258,269	1,258,269	5.9	0.0	11
	<u>1,258,269</u>	<u>1,258,269</u>	<u>5.9</u>	<u>0.0</u>	<u>11</u>
<b>TOTAL PORTFOLIO</b>	<b>17,231,373</b>	<b>21,294,738</b>	<b>100.0</b>	<b>2.1</b>	<b>454,960</b>

Quantity	Security	Symbol	Date	Unit Cost	Total Cost	Price	Market Value	Unrealized Gain/Loss	Annual Income	Current Yield	Percent Assets
<b>DOMESTIC EQUITIES</b>											
<b>Domestic Equities</b>											
<b>Materials</b>											
4,000	CF Industries Holdings Inc	cf	11/14/2016	27.80	111,201	29.35	117,400	6,199	4,800	4.1	0.6
2,200	Ecolab Inc	ecl	7/8/2010	53.25	117,156	125.34	275,748	158,592	3,256	1.2	1.3
2,000	LyondellBasell Industries NV	lyb	10/16/2014	88.39	176,780	91.19	182,380	5,600	6,800	3.7	0.9
					<b>405,138</b>		<b>575,528</b>	<b>170,390</b>	<b>14,856</b>	<b>2.6</b>	<b>2.7</b>
<b>Industrials</b>											
4,900	Quanta Services Inc	pwr	2/25/2015	23.62	115,718	37.11	181,839	66,121	0	0.0	0.9
3,100	Stericycle Inc.	srcl	8/25/2011	80.66	250,049	82.89	256,959	6,910	0	0.0	1.2
3,400	Union Pacific Corp.	unp	2/28/2012	60.75	206,543	105.92	360,128	153,585	8,228	2.3	1.7
2,600	United Technologies Corp	utx	6/21/2010	74.67	194,130	112.21	291,746	97,616	6,864	2.4	1.4
					<b>766,440</b>		<b>1,090,672</b>	<b>324,232</b>	<b>15,092</b>	<b>1.4</b>	<b>5.1</b>
<b>Energy</b>											
3,300	Cheniere Energy, Inc.	lng	8/27/2015	53.74	177,332	47.27	155,991	-21,341	0	0.0	0.7
1,600	Exxon Mobil Corp	xom	12/31/1931	22.74	36,381	82.01	131,216	94,835	4,800	3.7	0.6
2,800	Phillips 66	psx	12/10/2013	75.83	212,311	79.22	221,816	9,506	7,056	3.2	1.0
4,200	Schlumberger Ltd	slb	1/9/2009	51.63	216,855	78.10	328,020	111,165	8,400	2.6	1.5
					<b>642,878</b>		<b>837,043</b>	<b>194,165</b>	<b>20,256</b>	<b>2.4</b>	<b>3.9</b>
<b>Consumer Staples</b>											
1,600	Bunge Limited	bg	11/14/2016	65.54	104,867	79.26	126,816	21,949	2,688	2.1	0.6
4,700	CVS Caremark Corporation	cvs	6/21/2010	37.78	177,582	78.50	368,950	191,368	9,400	2.5	1.7
2,400	Pepsico Inc	pep	7/8/2010	71.75	172,190	111.86	268,464	96,274	7,224	2.7	1.3
					<b>454,639</b>		<b>764,230</b>	<b>309,591</b>	<b>19,312</b>	<b>2.5</b>	<b>3.6</b>
<b>Consumer Discretionary</b>											
4,500	Lowes Companies, Inc	low	7/8/2010	21.28	95,766	82.21	369,945	274,179	6,300	1.7	1.7
2,730	Target Corp	tgt	7/8/2010	52.53	143,396	55.19	150,669	7,273	6,552	4.3	0.7
2,100	Time Warner, Inc.	twx	1/27/2016	72.26	151,753	97.71	205,191	53,438	3,381	1.6	1.0



Quantity	Security	Symbol	Date	Unit Cost	Total Cost	Price	Market Value	Unrealized Gain/Loss	Annual Income	Current Yield	Percent Assets
1,400	Walt Disney Co	dis	1/9/2009	48.73	68,226	113.39	158,746	90,520	2,184	1.4	0.7
					<b>459,140</b>		<b>884,551</b>	<b>425,410</b>	<b>18,417</b>	<b>2.1</b>	<b>4.2</b>

**Financial**

5,000	Artisan Partners Asset Management	apam	3/26/2015	41.06	205,315	27.60	138,000	-67,315	12,000	8.7	0.6
4,600	JPMorgan Chase & Co	jpm	12/3/2008	35.23	162,065	87.84	404,064	241,999	9,200	2.3	1.9
4,700	Lazard Ltd.	laz	10/16/2014	43.28	203,414	45.99	216,153	12,739	7,144	3.3	1.0
2,600	Marsh & McLennan Cos Inc	mmc	9/10/2014	52.70	137,028	73.89	192,114	55,086	3,536	1.8	0.9
3,800	Oaktree Capital Group, LLC	oak	12/21/2016	38.45	146,100	45.30	172,140	26,040	9,158	5.3	0.8
5,500	Synchrony Financial	syf	4/12/2016	26.52	145,848	34.30	188,650	42,802	2,860	1.5	0.9
4,400	Wells Fargo & Co	wfc	8/2/2012	34.45	151,576	55.66	244,904	93,328	6,688	2.7	1.2
					<b>1,151,346</b>		<b>1,556,025</b>	<b>404,679</b>	<b>50,586</b>	<b>3.3</b>	<b>7.3</b>

**Health Care**

4,600	Abbott Labs	abt	12/17/1940	5.11	23,508	44.41	204,286	180,778	4,876	2.4	1.0
4,800	Centene Corp	cnc	10/28/2015	60.84	292,015	71.26	342,048	50,033	0	0.0	1.6
3,300	Danaher Corp	dhr	6/21/2010	29.59	97,637	85.53	282,249	184,612	1,848	0.7	1.3
2,404	Envision Healthcare Holdings	evhc	3/26/2015	96.93	233,031	61.32	147,413	-85,618	0	0.0	0.7
1,700	Mckesson Corp	mck	2/29/2016	149.57	254,267	148.26	252,042	-2,225	1,904	0.8	1.2
4,000	Novartis A G Sponsored ADR	nvs	10/10/2005	55.53	222,102	74.27	297,080	74,978	9,308	3.1	1.4
900	Shire PLC	shpg	12/21/2016	169.26	152,332	174.23	156,807	4,475	819	0.5	0.7
2,300	Thermo Fisher Scientific	tmo	7/8/2010	51.07	117,451	153.60	353,280	235,829	1,380	0.4	1.7
					<b>1,392,342</b>		<b>2,035,205</b>	<b>642,863</b>	<b>20,135</b>	<b>1.0</b>	<b>9.6</b>

**Technology**

1,500	Accenture PLC	acn	7/10/2013	74.23	111,349	119.88	179,820	68,471	3,630	2.0	0.8
2,100	Alibaba Group Holding Ltd	baba	3/26/2015	81.31	170,747	107.83	226,443	55,696	0	0.0	1.1
300	Alphabet Inc Class A	googl	9/9/2009	394.54	118,362	847.80	254,340	135,978	0	0.0	1.2
190	Alphabet Inc Class C	goog	9/9/2009	226.38	43,013	829.56	157,616	114,603	0	0.0	0.7
4,400	Apple Inc	aapl	9/9/2009	48.22	212,148	143.66	632,104	419,956	10,032	1.6	3.0

Quantity	Security	Symbol	Date	Unit Cost	Total Cost	Price	Market Value	Unrealized Gain/Loss	Annual Income	Current Yield	Percent Assets
10,000	eBay Inc	ebay	7/8/2010	23.21	232,141	33.57	335,700	103,559	0	0.0	1.6
3,900	Microsoft Corp	msft	1/9/2009	19.70	76,830	65.86	256,854	180,024	6,084	2.4	1.2
1,500	NXP Semiconductors	3900972	1/27/2016	71.69	107,538	103.99	155,985	48,447	0	0.0	0.7
3,600	Paypal Holdings Inc	pypl	7/8/2010	21.86	78,701	43.02	154,872	76,171	0	0.0	0.7
3,500	Qualcomm Inc	qcom	1/9/2009	46.73	163,542	57.34	200,690	37,148	7,420	3.7	0.9
					<b>1,314,372</b>		<b>2,554,424</b>	<b>1,240,052</b>	<b>27,166</b>	<b>1.1</b>	<b>12.0</b>

<b>Domestic Equities Total</b>					<b>6,586,295</b>		<b>10,297,678</b>	<b>3,711,383</b>	<b>185,820</b>	<b>1.8</b>	<b>48.4</b>
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<b>DOMESTIC EQUITIES Total</b>					<b>6,586,295</b>		<b>10,297,678</b>	<b>3,711,383</b>	<b>185,820</b>	<b>1.8</b>	<b>48.4</b>
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**FOREIGN EQUITIES**

**Foreign Stock Closed-end/ETF**

6,200	Columbia Emerging Market Consumer ETF	econ	4/3/2014	27.00	167,399	24.82	153,884	-13,515	1,488	1.0	0.7
4,400	Columbia India Consumer ETF	inco	8/27/2015	31.88	140,262	38.60	169,840	29,578	0	0.0	0.8
5,700	iShares MSCI Germany Index	ewg	9/10/2014	29.10	165,873	28.75	163,875	-1,998	3,443	2.1	0.8
2,850	iShares MSCI Japan Index	ewj	1/27/2016	45.42	129,456	51.50	146,775	17,319	122	0.1	0.7
2,800	SPDR Index Shares S&P China	gxc	11/20/2013	78.73	220,443	82.05	229,740	9,297	1,967	0.9	1.1
9,600	Vanguard FTSE Emerging Markets	vwo	8/26/2010	41.90	402,199	39.72	381,312	-20,887	8,791	2.3	1.8
16,200	Vanguard Intl Equity Fd Allwrlld Ex US	veu	8/26/2010	45.23	732,786	47.83	774,846	42,060	22,516	2.9	3.6
4,900	Vanguard MSCI Europe	vgk	9/26/2012	48.16	235,996	51.57	252,693	16,697	9,349	3.7	1.2
<b>Foreign Stock Closed-end/ETF Total</b>					<b>2,194,414</b>		<b>2,272,965</b>	<b>78,551</b>	<b>47,676</b>	<b>2.1</b>	<b>10.7</b>

<b>FOREIGN EQUITIES Total</b>					<b>2,194,414</b>		<b>2,272,965</b>	<b>78,551</b>	<b>47,676</b>	<b>2.1</b>	<b>10.7</b>
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**NATURAL RESOURCES**

**Natural Resource ETF**

17,800	iShares Comex Gold Tr	iau	8/26/2010	11.92	212,101	12.01	213,778	1,677	0	0.0	1.0
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Quantity	Security	Symbol	Date	Unit Cost	Total Cost	Price	Market Value	Unrealized Gain/Loss	Annual Income	Current Yield	Percent Assets
7,900	JPMorgan Alerian MLP Index ETN	amj	4/20/2011	36.65	289,528	32.30	255,170	-34,358	14,004	5.5	1.2
9,000	PowerShares ETF Trust Water Resource	pho	9/26/2012	19.28	173,476	26.03	234,270	60,794	1,047	0.4	1.1
7,800	SPDR S&P Metals and Mining	xme	12/18/2013	23.66	184,533	30.42	237,276	52,743	2,038	0.9	1.1
<b>Natural Resource ETF Total</b>					<b>859,639</b>		<b>940,494</b>	<b>80,855</b>	<b>17,089</b>	<b>1.8</b>	<b>4.4</b>

**Natural Resource Equities**

3,500	Antero Resources	ar	12/21/2016	24.65	86,278	22.81	79,835	-6,443	0	0.0	0.4
3,000	Cabot Oil & Gas	cog	1/27/2016	19.94	59,826	23.91	71,730	11,904	240	0.3	0.3
1,000	EQT Corporation	eqt	1/27/2016	62.34	62,337	61.10	61,100	-1,237	120	0.2	0.3
4,900	Kinder Morgan Inc	kmi	1/27/2016	15.35	75,226	21.74	106,526	31,300	2,450	2.3	0.5
6,500	Rayonier Inc	ryn	4/20/2011	29.21	189,841	28.34	184,210	-5,631	6,500	3.5	0.9
<b>Natural Resource Equities Total</b>					<b>473,507</b>		<b>503,401</b>	<b>29,894</b>	<b>9,310</b>	<b>1.8</b>	<b>2.4</b>

<b>NATURAL RESOURCES Total</b>					<b>1,333,146</b>		<b>1,443,895</b>	<b>110,749</b>	<b>26,399</b>	<b>1.8</b>	<b>6.8</b>
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**REAL ESTATE**

**Real Estate - Closed-end/ETF**

1,700	SPDR Homebuilders	xhb	2/2/2012	19.44	33,056	37.23	63,291	30,235	522	0.8	0.3
3,000	SPDR Index Shs Fds DJ Intl Real ETF	rxw	4/20/2011	39.36	118,087	37.40	112,200	-5,887	9,570	8.5	0.5
2,400	Vanguard Index Fds REIT ETF	vnq	9/23/2010	55.98	134,363	82.59	198,216	63,853	8,765	4.4	0.9
<b>Real Estate - Closed-end/ETF Total</b>					<b>285,505</b>		<b>373,707</b>	<b>88,202</b>	<b>18,857</b>	<b>5.0</b>	<b>1.8</b>

**Real Estate Diversified**

1,300	CB Richard Ellis Group Inc	cbg	7/10/2013	24.61	31,993	34.79	45,227	13,234	0	0.0	0.2
<b>Real Estate Diversified Total</b>					<b>31,993</b>		<b>45,227</b>	<b>13,234</b>	<b>0</b>	<b>0.0</b>	<b>0.2</b>

<b>REAL ESTATE Total</b>					<b>317,498</b>		<b>418,934</b>	<b>101,436</b>	<b>18,857</b>	<b>4.5</b>	<b>2.0</b>
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Quantity	Security	Symbol	Date	Unit Cost	Total Cost	Price	Market Value	Unrealized Gain/Loss	Annual Income	Current Yield	Percent Assets
<b>ALTERNATIVE ASSETS</b>											
<b>Alternative Investments</b>											
18,400	PowerShares DB US Dollar Index Bullish	uup	4/20/2011	22.66	417,028	25.95	477,480	60,452	153	0.0	2.2
27,400	PowerShares Private Equity ETF	psp	4/11/2012	9.64	264,244	11.69	320,306	56,062	17,725	5.5	1.5
9,400	ProShares Short 20+ Year Treasury	tbf	4/11/2013	28.33	266,261	23.46	220,524	-45,737	0	0.0	1.0
<b>Alternative Investments Total</b>					<b>947,533</b>		<b>1,018,310</b>	<b>70,777</b>	<b>17,878</b>	<b>1.8</b>	<b>4.8</b>
<b>ALTERNATIVE ASSETS Total</b>					<b>947,533</b>		<b>1,018,310</b>	<b>70,777</b>	<b>17,878</b>	<b>1.8</b>	<b>4.8</b>
<b>FIXED INCOME</b>											
<b>Corporate Bonds</b>											
200,000	Campbell Soup Co 3% due 07/15/17 3.050% Due 07-15-17	134429AV1	7/26/2010	101.36	202,728	100.47	200,939	-1,789	6,100	3.0	0.9
250,000	BP Cap Mkts Amer Inc 4.2% 06/15/18 4.200% Due 06-15-18	10373QAA8	12/11/2013	108.98	272,458	102.94	257,362	-15,096	10,500	4.1	1.2
200,000	Vodafone Group PLC 4.625% Due 07-15-18	92857WAE0	9/20/2010	108.67	217,330	103.14	206,278	-11,052	9,250	4.5	1.0
200,000	Anheuser-Busch Inbev 2.15% 02/01/2019 2.150% Due 02-01-19	035242AE6	6/2/2014	101.05	202,100	100.62	201,249	-851	4,300	2.1	0.9
200,000	Air Prods & Chems Inc 4.375% Due 08-21-19	009158AP1	9/13/2010	106.04	212,081	106.06	212,125	45	8,750	4.1	1.0
100,000	Morgan Stanley 2.65% 1/27/20 2.650% Due 01-27-20	61747YDW2	8/17/2016	102.69	102,691	100.96	100,959	-1,732	2,650	2.6	0.5
200,000	McDonalds Corp 3.5% 7/15/20 3.500% Due 07-15-20	58013MEJ9	8/27/2010	102.68	205,368	104.30	208,592	3,224	7,000	3.4	1.0
200,000	Johnson & Johnson 2.950% Due 09-01- 20 2.950% Due 09-01-20	478160AW4	8/27/2010	100.44	200,870	103.66	207,326	6,456	5,900	2.8	1.0
100,000	PPG Industries 3.6% 11/15/20 3.600% Due 11-15-20	693506BD8	3/18/2016	104.94	104,938	104.67	104,672	-266	3,600	3.4	0.5
250,000	Wells Fargo & Co 3% 1/22/21 3.000% Due 01-22-21	94974BFR6	10/29/2015	102.38	255,943	101.83	254,571	-1,372	7,500	2.9	1.2
200,000	JPMorgan Chase 4.35% 08/15/21 4.350% Due 08-15-21	46625HJC5	8/18/2015	107.26	214,512	106.99	213,981	-531	8,700	4.1	1.0
250,000	Simon Property Grp 3.375% 3/15/22 3.375% Due 03-15-22	828807CK1	10/29/2015	103.12	257,793	103.00	257,505	-288	8,438	3.3	1.2
200,000	HSBC 4% 3/30/22 4.000% Due 03-30-22	40428HPQ9	3/26/2015	100.11	200,226	100.07	200,145	-81	8,000	4.0	0.9
200,000	Anheuser Busch InBev 3.3% 2/1/23 3.300% Due 02-01-23	035242AL0	4/28/2016	104.47	208,940	101.85	203,695	-5,245	6,600	3.2	1.0
200,000	IBM 3.375% 8/1/23 3.375% Due 08-01-23	459200HP9	8/18/2015	100.73	201,462	103.77	207,536	6,074	6,750	3.3	1.0
100,000	Gilead Science 3.7% 4/1/24 3.700% Due 04-01-24	375558AW3	8/2/2016	108.77	108,767	102.69	102,690	-6,077	3,700	3.6	0.5

Quantity	Security	Symbol	Date	Unit Cost	Total Cost	Price	Market Value	Unrealized Gain/Loss	Annual Income	Current Yield	Percent Assets
200,000	Goldman Sachs 3.85% 7/8/24 3.850% Due 07-08-24	38141EC23	4/18/2016	103.85	207,706	102.25	204,491	-3,215	7,700	3.8	1.0
250,000	Comcast Corp 3.375% 2/15/25 3.375% Due 02-15-25 Accrued Interest	20030NBL4	1/26/2017	99.84	249,595	101.02	252,555 21,696	2,960	8,438	3.3	1.2 0.1
<b>Corporate Bonds Total</b>					<b>3,625,506</b>		<b>3,618,364</b>	<b>-28,839</b>	<b>123,875</b>	<b>3.4</b>	<b>17.0</b>
<b>Fixed Income - Closed End/ETF</b>											
3,400	PowerShares ETF Trust II Senior Ln Port	bklm	7/10/2013	24.70	83,974	23.26	79,084	-4,890	4,072	5.1	0.4
3,000	SPDR Barclays Capital Short Term High Yield Bond ETF	sjnk	12/7/2012	30.35	91,054	27.96	83,880	-7,174	6,210	7.4	0.4
4,500	Vanguard Funds Intermediate-Term Corp	vcit	3/24/2011	83.99	377,971	86.38	388,710	10,739	14,895	3.8	1.8
5,200	Vanguard Short-Term Corporate Bond Idx	vcsh	9/10/2014	79.94	415,713	79.74	414,648	-1,065	9,266	2.2	1.9
<b>Fixed Income - Closed End/ETF Total</b>					<b>968,711</b>		<b>966,322</b>	<b>-2,389</b>	<b>34,443</b>	<b>3.6</b>	<b>4.5</b>
<b>FIXED INCOME Total</b>					<b>4,594,218</b>		<b>4,584,686</b>	<b>-31,228</b>	<b>158,318</b>	<b>3.5</b>	<b>21.5</b>
<b>CASH &amp; EQUIV.</b>											
<b>Cash and Equivalents</b>											
	Non-Taxable Money Market Fund	cash04			1,258,269		1,258,269		11	0.0	5.9
<b>Cash and Equivalents Total</b>					<b>1,258,269</b>		<b>1,258,269</b>		<b>11</b>	<b>0.0</b>	<b>5.9</b>
<b>CASH &amp; EQUIV. Total</b>					<b>1,258,269</b>		<b>1,258,269</b>		<b>11</b>	<b>0.0</b>	<b>5.9</b>
<b>Total Portfolio</b>					<b>17,231,373</b>		<b>21,294,738</b>	<b>4,041,668</b>	<b>454,960</b>	<b>2.1</b>	<b>100.0</b>

## Performance History - Annualized

Asset Class	Year To Date	Latest 1 Year	Latest 3 Years	Latest 5 Years	Latest 7 Years	Latest 10 Years	Inception 06/30/2010 To Date
<b>Domestic Equities</b>	<b>6.88</b>	<b>16.74</b>	<b>6.61</b>	<b>11.54</b>	-	-	<b>13.83</b>
S & P 500	6.07	17.17	10.37	13.30	-	-	15.50
<b>Foreign Equities</b>	<b>10.24</b>	<b>15.34</b>	<b>1.44</b>	<b>3.21</b>	-	-	<b>4.42</b>
MSCI ACWI ex US	7.86	13.13	0.56	4.36	-	-	6.03
<b>Natural Resources</b>	<b>3.73</b>	<b>20.37</b>	<b>-5.51</b>	<b>-1.18</b>	-	-	<b>1.81</b>
Bloomberg Commodity Total Return Index	-2.33	8.71	-13.91	-9.54	-	-	-5.46
<b>Real Estate</b>	<b>4.59</b>	<b>2.61</b>	<b>8.24</b>	<b>9.51</b>	-	-	<b>9.96</b>
NAREIT Global Index	3.40	2.94	5.93	7.66	-	-	9.94
<b>Alternative Assets</b>	<b>0.56</b>	<b>9.01</b>	<b>1.88</b>	<b>4.60</b>	-	-	<b>3.83</b>
Alternative Assets - Non Billable	-	-	-	-	-	-	-
HFRI Fund Composite	2.35	8.59	2.82	4.07	-	-	3.96
<b>Fixed Income</b>	<b>1.13</b>	<b>1.94</b>	<b>1.95</b>	<b>2.21</b>	-	-	<b>2.65</b>
Barclays US Gov/Credit Interm Bond	0.78	0.42	2.01	1.88	-	-	2.53
<b>TOTAL PORTFOLIO - GROSS OF FEES</b>	<b>5.06</b>	<b>12.12</b>	<b>4.05</b>	<b>6.96</b>	-	-	<b>8.51</b>
<b>TOTAL PORTFOLIO - NET OF FEES</b>	<b>4.90</b>	<b>11.46</b>	<b>3.43</b>	<b>6.31</b>	-	-	<b>7.88</b>

Total Portfolio Long-Term Net Annual Return Objective: 5-7%

## Purchases

Trade Date	Settle Date	Quantity	Security	Unit Cost	Total Cost
1/26/2017	1/31/2017	250,000	Comcast Corp 3.375% 2/15/25 3.375% Due 02-15-25	99.84	249,595.00
<b>Total Purchases</b>					<b>249,595.00</b>

## Sales

Trade Date	Settle Date	Quantity	Security	Unit Cost	Total Cost	Unit Price	Proceeds	Gain/Loss
1/20/2017	1/25/2017	6,400	Twitter Inc	22.75	145,603.86	16.51	105,642.51	-39,961.35
2/14/2017	2/17/2017	6,233	Arconic Inc	17.70	110,317.14	30.00	187,012.00	76,694.86
2/14/2017	2/17/2017	1,500	Walt Disney Co	22.36	33,539.18	109.84	164,753.21	131,214.04
<b>Total Sales</b>					<b>289,460.18</b>		<b>457,407.72</b>	<b>167,947.55</b>

## Dividends

Ex-Date	Pay-Date	Security	Amount
1/3/2017	1/3/2017	Mckesson Corp	252.00
1/6/2017	1/6/2017	Pepsico Inc	1,806.00
1/6/2017	1/6/2017	SPDR Barclays Capital Short Term High Yield Bond ETF	406.16
1/11/2017	1/11/2017	Walt Disney Co	2,262.00
1/13/2017	1/13/2017	Schlumberger Ltd	2,100.00
1/17/2017	1/17/2017	Ecolab Inc	814.00
1/17/2017	1/17/2017	Thermo Fisher Scientific	345.00
1/27/2017	1/27/2017	Danaher Corp	412.50
1/31/2017	1/31/2017	JPMorgan Chase & Co	2,208.00
1/31/2017	1/31/2017	PowerShares ETF Trust II Senior Ln Port	238.00
2/2/2017	2/2/2017	CVS Caremark Corporation	2,350.00
2/7/2017	2/7/2017	Vanguard Funds Intermediate-Term Corp	895.50
2/7/2017	2/7/2017	Vanguard Short-Term Corporate Bond Idx	618.80
2/8/2017	2/8/2017	Lowes Companies, Inc	1,575.00
2/9/2017	2/9/2017	Cabot Oil & Gas	60.00
2/9/2017	2/9/2017	SPDR Barclays Capital Short Term High Yield Bond ETF	403.49

## Dividends

Ex-Date	Pay-Date	Security	Amount
2/15/2017	2/15/2017	Abbott Labs	1,219.00
2/15/2017	2/15/2017	Kinder Morgan Inc	612.50
2/15/2017	2/15/2017	Marsh & McLennan Cos Inc	884.00
2/16/2017	2/16/2017	Apple Inc	2,508.00
2/16/2017	2/16/2017	Synchrony Financial	715.00
2/24/2017	2/24/2017	Lazard Ltd.	1,786.00
2/24/2017	2/24/2017	Lazard Ltd.	5,640.00
2/24/2017	2/24/2017	Oaktree Capital Group, LLC	2,394.00
2/27/2017	2/27/2017	Arconic Inc	373.98
2/28/2017	2/28/2017	Artisan Partners Asset Management	3,000.00
2/28/2017	2/28/2017	Artisan Partners Asset Management	1,800.00
2/28/2017	2/28/2017	CF Industries Holdings Inc	1,200.00
2/28/2017	2/28/2017	PowerShares ETF Trust II Senior Ln Port	229.50
3/1/2017	3/1/2017	EQT Corporation	30.00
3/1/2017	3/1/2017	Phillips 66	1,764.00
3/1/2017	3/1/2017	Wells Fargo & Co	1,672.00
3/2/2017	3/2/2017	Bunge Limited	672.00
3/7/2017	3/7/2017	Vanguard Funds Intermediate-Term Corp	1,053.00
3/7/2017	3/7/2017	Vanguard Short-Term Corporate Bond Idx	728.00
3/9/2017	3/9/2017	JPMorgan Alerian MLP Index ETN	3,637.95
3/9/2017	3/9/2017	Microsoft Corp	1,521.00
3/9/2017	3/9/2017	SPDR Barclays Capital Short Term High Yield Bond ETF	409.58
3/10/2017	3/10/2017	Exxon Mobil Corp	1,200.00
3/10/2017	3/10/2017	Target Corp	1,638.00
3/10/2017	3/10/2017	United Technologies Corp	1,716.00
3/13/2017	3/13/2017	LyondellBasell Industries NV	1,700.00
3/15/2017	3/15/2017	Time Warner, Inc.	845.25
3/22/2017	3/22/2017	Qualcomm Inc	1,855.00
3/27/2017	3/27/2017	SPDR Homebuilders	112.70
3/27/2017	3/27/2017	SPDR S&P Metals and Mining	309.83
3/28/2017	3/28/2017	Vanguard FTSE Emerging Markets	681.60



## Dividends

Ex-Date	Pay-Date	Security	Amount
3/28/2017	3/28/2017	Vanguard Index Fds REIT ETF	1,428.00
3/28/2017	3/28/2017	Vanguard Intl Equity Fd Allwrlld Ex US	2,478.60
3/28/2017	3/28/2017	Vanguard MSCI Europe	1,357.30
3/29/2017	3/29/2017	SPDR Index Shs Fds DJ Intl Real ETF	595.31
3/31/2017	3/31/2017	Pepsico Inc	1,806.00
3/31/2017	3/31/2017	PowerShares ETF Trust II Senior Ln Port	221.00
3/31/2017	3/31/2017	PowerShares Private Equity ETF	3,200.59
3/31/2017	3/31/2017	Rayonier Inc	1,625.00
3/31/2017	3/31/2017	Union Pacific Corp.	2,057.00
<b>Total Dividends</b>			<b>75,423.14</b>

## Interest

Trade Date	Settle Date	Security	Amount
1/9/2017	1/9/2017	Goldman Sachs 3.85% 7/8/24 3.850% Due 07-08-24	3,850.00
1/17/2017	1/17/2017	Campbell Soup Co 3% due 07/15/17 3.050% Due 07-15-17	3,050.00
1/17/2017	1/17/2017	McDonalds Corp 3.5% 7/15/20 3.500% Due 07-15-20	3,500.00
1/17/2017	1/17/2017	Non-Taxable Money Market Fund	2.38
1/17/2017	1/17/2017	Vodafone Group PLC 4.625% Due 07-15-18	4,625.00
1/19/2017	1/19/2017	Rabobank Nederland 3.375% 01/19/2017 3.375% Due 01-19-17	4,218.75
1/23/2017	1/23/2017	Wells Fargo & Co 3% 1/22/21 3.000% Due 01-22-21	3,750.00
1/27/2017	1/27/2017	Morgan Stanley 2.65% 1/27/20 2.650% Due 01-27-20	1,325.00
2/1/2017	2/1/2017	Anheuser Busch InBev 3.3% 2/1/23 3.300% Due 02-01-23	3,300.00

## Interest

Trade Date	Settle Date	Security	Amount
2/1/2017	2/1/2017	Anheuser-Busch Inbev 2.15% 02/01/2019 2.150% Due 02-01-19	2,150.00
2/1/2017	2/1/2017	IBM 3.375% 8/1/23 3.375% Due 08-01-23	3,375.00
2/15/2017	2/15/2017	Comcast Corp 3.375% 2/15/25 3.375% Due 02-15-25	4,218.75
2/15/2017	2/15/2017	JPMorgan Chase 4.35% 08/15/21 4.350% Due 08-15-21	4,350.00
2/15/2017	2/15/2017	Non-Taxable Money Market Fund	5.53
2/21/2017	2/21/2017	Air Prods & Chems Inc 4.375% Due 08-21-19	4,375.00
3/1/2017	3/1/2017	Johnson & Johnson 2.950% Due 09-01- 20 2.950% Due 09-01-20	2,950.00
3/6/2017	3/6/2017	HSBC 4% 3/30/22 4.000% Due 03-30-22	1,700.00
3/15/2017	3/15/2017	Bank of America Corporation 5.420% Due 03-15-17	5,420.00
3/15/2017	3/15/2017	Non-Taxable Money Market Fund	7.39
3/15/2017	3/15/2017	Simon Property Grp 3.375% 3/15/22 3.375% Due 03-15-22	4,218.75
<b>Total Interest</b>			<b>60,391.55</b>

## Maturities

Trade Date	Settle Date	Quantity	Security	Unit Cost	Total Cost	Unit Price	Proceeds	Gain/Loss
1/19/2017	1/19/2017	250,000	Rabobank Nederland 3.375% 01/19/2017 3.375% Due 01-19-17	106.04	265,100.00	100.00	250,000.00	-15,100.00
3/15/2017	3/15/2017	200,000	Bank of America Corporation 5.420% Due 03-15-17	103.65	207,294.00	100.00	200,000.00	-7,294.00
<b>Total Maturities</b>					<b>472,394.00</b>		<b>450,000.00</b>	<b>-22,394.00</b>

## Expenses

Trade Date	Settle Date	Security	Amount
1/11/2017	1/11/2017	Investment Management Fees	30,497.00
3/14/2017	3/14/2017	Schwab Miscellaneous Fees	25.00
3/14/2017	3/14/2017	Schwab Miscellaneous Fees	-25.00
<b>Total Expenses</b>			<b>30,497.00</b>

### Cash Contributions

Trade Date	Settle Date	Security	Amount
			0.00
<b>Total Cash Contributions</b>			<b>0.00</b>

### Cash Withdrawals

Trade Date	Settle Date	Security	Amount
03/14/2017	03/14/2017	Non-Taxable Money Market Fund	20,000.00
<b>Total Cash Withdrawals</b>			<b>20,000.00</b>
<b>NET CASH ACTIVITY</b>			<b>-20,000.00</b>



**OSBORNE PARTNERS**  
Capital Management, LLC

Ransom Foundation Relationship  
Invoice Billed Directly to Charles Schwab Institutional  
P.O. Box 982603  
El Paso, TX 79998

## Quarterly Management Fees

April 21, 2017

For the period 1/1/2017 through 3/31/2017

**Valuation** \$21,294,738  
**Valuation Date** 3/31/2017  
**Total Fee** \$31,942

Acct #	Account Name	Valuation Billed	Fee	% of Household	Account Charged
4659-1314	Nancy Buck Ransom Foundation	\$21,294,738	\$31,942	100%	4659-1314

### Applicable Fee Types

First \$25,000,000 ..... 0.60%  
Next \$25,000,000 ..... 0.50%  
Above \$50,000,000 ..... 0.40%

### Notice to the client

Valuation includes accrued interest.

It is the responsibility of the client to verify the accuracy of the investment management fees billed by Osborne Partners. The custodian does not verify the accuracy of the management fees before payment to Osborne Partners.

### S&P 500<sup>®</sup> Index

The S&P 500 is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. Companies included in the index are selected by the S&P Index Committee, a team of analysts and economists at Standard & Poor's. The S&P 500 is a market value weighted index - each stock's weight is proportionate to its market value.

### MSCI World Index ex US

A market-capitalization-weighted index maintained by Morgan Stanley Capital International (MSCI) and designed to provide a broad measure of stock performance throughout the world, with the exception of U.S.-based companies. The MSCI All Country World Index Ex-U.S. includes both developed and emerging markets.

### Barclays Capital U.S. Gov/Credit Intermediate Term Bond Index

The index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

### Bloomberg Commodity Total Return Index

The Bloomberg Commodity Total Return Index aims to provide broadly diversified representation of commodity markets as an asset class. The index is made up of exchange-traded futures on physical commodities. The index currently represents 20 commodities, which are weighted to account for economic significance and market liquidity.

### NAREIT Global Index

The FTSE EPRA/NAREIT Global Index is designed to track the performance of listed real estate companies and REITS in both developed and emerging markets. By making the index constituents free-float adjusted, liquidity, size and revenue screened, the series is suitable for use as the basis for investment products, such as derivatives and Exchange Traded Funds (ETFs).

### HFRI Fund Weighted Composite Index

The HFRI Fund Weighted Composite Index is a global, equal weighted index of over 2,000 single-manager funds that report to HFR Database. Constituent funds report monthly net of all fees, performance in U.S. Dollar and have a minimum of \$50 million under management or a twelve (12) month track record of active performance. The HFRI Fund Weighted Composite Index does not include Funds of Hedge Funds.

*Past performance is not indicative of future results. Inherent in any investment is the possibility of loss. Please Note: An investor cannot invest directly in an index.*

celebrating **80** years

# OSBORNE PARTNERS

Capital Management, LLC

## Economic Memorandum

April 2017, Issue 67



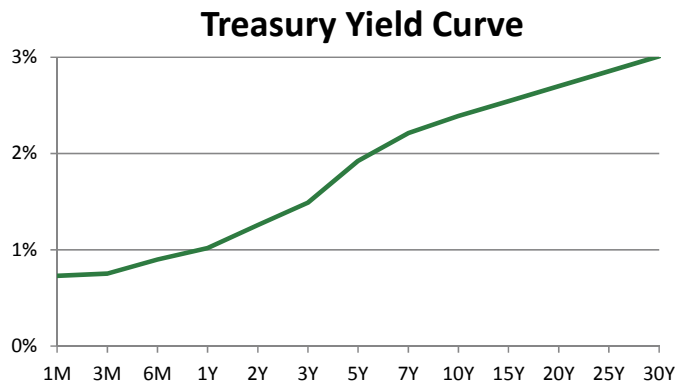
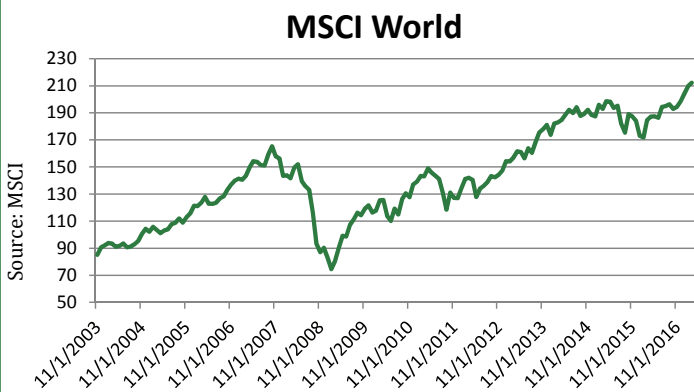
**Wealth Effect** (p2) Consumer confidence is rising, but whether it will propel spending is a question.

**Inflated Expectations?** (p3) Three reasons why the consensus could be wrong about inflation and interest rate increases.

**What's a Dollar Worth?** (p5) In this article we look at the complex role the U.S. Dollar plays in a diversified portfolio.

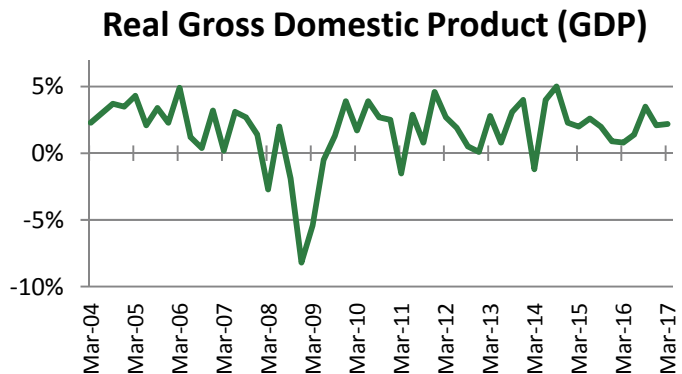
**Fixed Income Round-Up** (p7) Despite a rate hike, it was a quiet quarter for credit markets.

**How To Save For College Expenses** (p9) Ease the burden of paying for college by planning early and funding a college savings plan.



Source: Baseline and St. Louis Fed

Global stocks unabated rise continues as interest rates are steady.



Source: St. Louis Fed

The unemployment rate is matching the 2007 low, while GDP's sluggish growth continues.

# Economic Memorandum



## Wealth Effect

**By: Charles D. Osborne**

*In this article: Consumer confidence is rising, but whether it will propel spending is a question.*

The first quarter started off with a bang...a new president with new policies and a raise in the interest rates with promises of more to come. On top of that we had the continuation of the “Trump rally” which has pulled the stock market up 14% since the election. Driving the market was talk of a tax cut and increasing spending on infrastructure. Whether this will actually happen is a question that will soon be answered. In any case, a volatile but key component to our economy has increased sharply in recent months.

Consumer confidence has been rising in fits and spurts since the bottom in 2009. In March of that year, the Consumer Confidence Index® hit a low of 23. By the end of 2013, it had risen to over 70 and now stands at 125. Over time, confidence has a high correlation to spending. Confidence comes from various sources but is most heavily influenced by the stock market, housing and employment, in that order. There used to be a higher correlation to housing prices than the stock market, but the collapse of the housing market is still fresh in everyone’s mind.

While confidence has doubled in the last five years, spending has lagged behind, stuck at around 3% growth, barely above inflation. Some of the issue has to do with demographics. Baby boomers own more stocks than other age groups and as they mature they spend less. The stock market makes them and others happy, but the perceived volatility in the markets restricts the confidence required to spend.

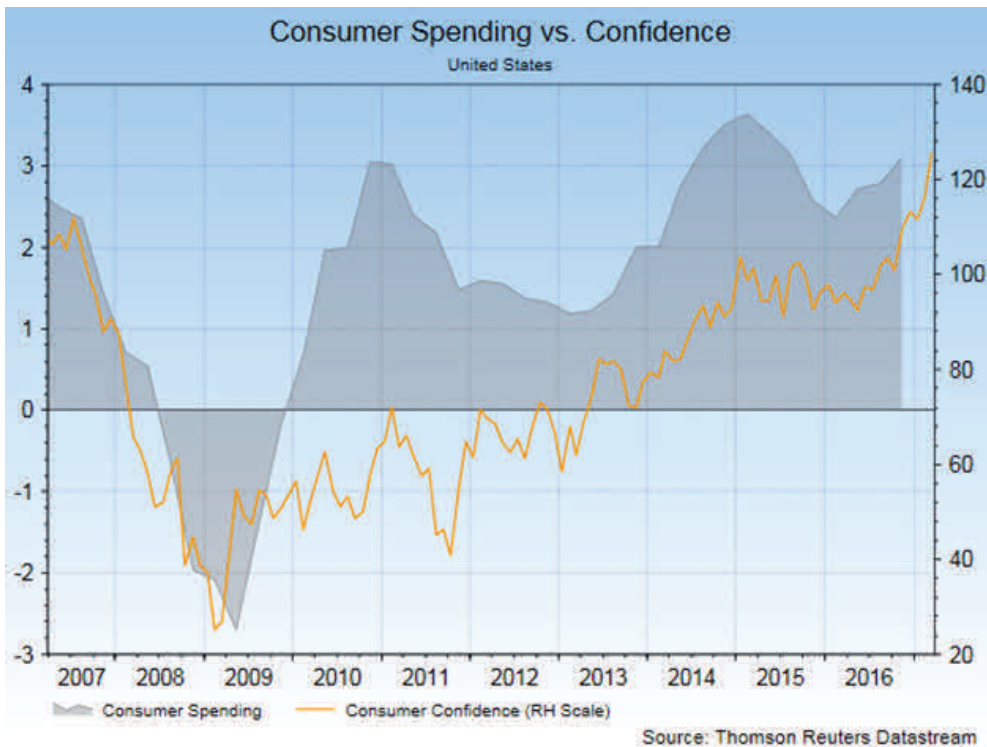
Housing on the other hand is less volatile and retains a high relationship with spending. The problem this time is that although home prices have been rising, the inventory has not been growing. Builders and lenders are cautious. Lenders also have a host of new rules and regulations to wade through that slow the process. Buyers are not looking at homes as investments as much as they have in the past. The debacle of 2008 changed attitudes towards homes as piggy banks for the foreseeable future. However, as home prices climb and millennials discover the joy of home ownership, the pressure will be on to increase the housing stock.

The current economic situation is quite positive and is still improving. Wage growth, employment, home prices and inflation are all on the right track. As the new administration determines and implements policies, we assume some of the uncertainty will be cleared up. We believe the “wealth effect” is still a factor in consumer spending, but you need housing as well as stocks to be on the same path. This has been true in terms of prices but not the number of units. The number of home



## Wealth Effect Cont.'d

sales in the U.S. is critical to growth and spending. The tipping point for this will be an increase in housing inventory with easier access to funds. This could happen sooner than we expect. ■



### Inflated Expectations?

By: Justin W. McNichols, CFA

*In this article: Three reasons why the consensus could be wrong about inflation and interest rate increases.*

After the recent stronger economic data and subsequent Federal Reserve interest rate hike, the consensus generally believes the Federal Reserve will continue interest rate increases into the foreseeable future, totaling three or four increases in 2017 alone. The thesis is fairly simple – the economy, especially employment, is strengthening, and after falling for three years from 2007-2010, inflation is poised to normalize at a higher level. Because of these reasons, the Fed will need to raise interest rates numerous times in 2017.

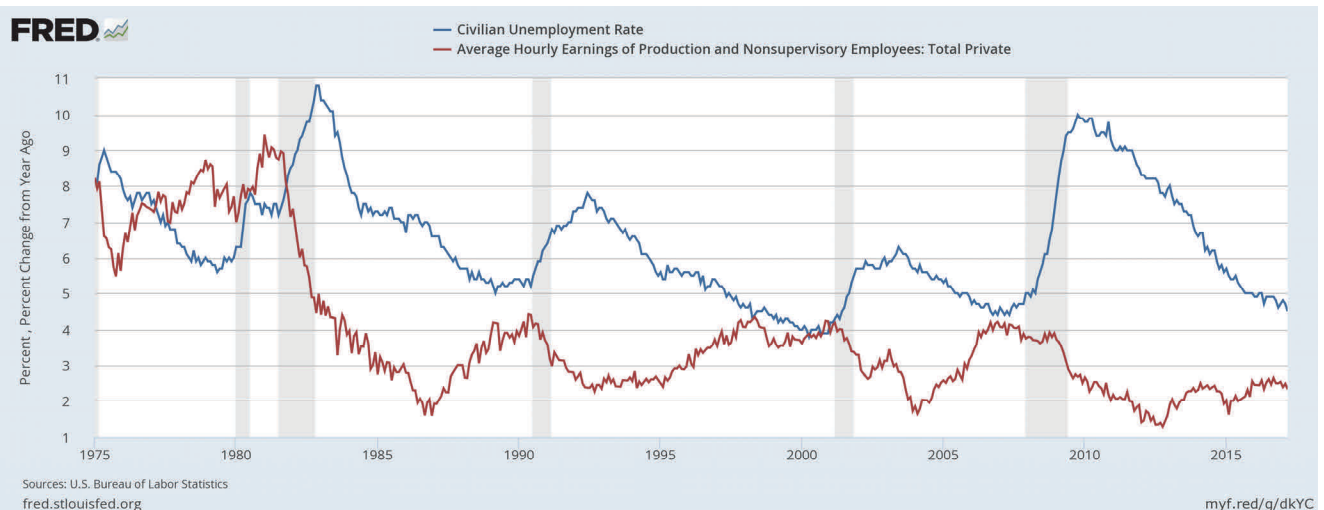
The current consensus amongst economists is that inflation will be 2.5% in 2017, about double the level we saw in 2016 and the highest since 2011. Economists also believe that inflation will stay above 2.0% for the next three years despite the fact that it has been over 2% only once in the past

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## Inflated Expectations? Cont.'d

eight years. However, what if actual inflation does not spike, or even continue to increase? Could slower inflation actually cause the Fed to stunt their interest rate increase cycle? Let us examine three reasons why inflation could post growth rates below expectations, and what that means for interest rates and your portfolio.

First, wage growth. After bottoming in late 2012 at a year over year growth rate of about 1.25%, wage growth has increased, and hit nearly 2.70% in the fall of 2016. As shown in the chart below, typically when the unemployment rate drops to a cycle low below 5%, wage growth peaks.



One difference today is wage growth has not risen above 2.70%, while other cycles have seen wage growth hit 4% growth (red line).

Second, rent comparisons. A metric called Owner's Equivalent Rent (basically, how much do home renters pay), is actually over 30% of the Consumer Price Index (CPI) calculation. After briefly dipping into negative year-over-year territory after the recession, rents have been on a tear, and were recently up 3.6%. History indicates rent increases usually slow once growth rates hit 4%. Not only is the growth rate closing in on 4%, but there are several indications that rental housing supply is set to increase for possibly the next few years. We may be close to a plateau in this inflation indicator.

Third, oil prices. After reaching around \$110 per barrel, the price of oil started a precipitate drop, achieving a low of \$27 per barrel in early 2016. By the time those early 2016 prices were lapped in 2017, oil was up nearly 100% (although down 50% from the highs). A 100% increase can certainly be pegged as inflationary. However, in 2016, after reaching \$27, oil prices spiked off the bottom,

## Inflated Expectations? Cont.'d

and reached \$50 by June 2016. The closer we inch toward June 2017, the closer the year-over-year growth slows to practically 0% growth.

If each of these metrics slow, and inflation becomes far less of a worry to the Federal Reserve, they may raise interest rates less than the consensus believes. If this occurs, it sets in motion a chain of events that may be more supportive of U.S. equities, while reducing the probability of negative fixed income returns (since interest rates will not rise as much as previously thought).

Entering 2017, our OPCM Valuation Stoplight, shown below, was pointing to overvaluation in all of our absolute and relative valuation metrics for the S&P 500. However, as long as interest rates and inflation were tame, U.S. stocks had moderate upside.

VALUATION METRIC	TYPE	2006	2007	3Q 2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
PE / Ten-Yr Earnings	Absolute	Red	Red	Red	Green	Green	Green	Green	Green	Yellow	Yellow	Yellow	Red
Price / Book Value	Absolute	Red	Red	Red	Green	Green	Green	Green	Green	Yellow	Red	Red	Red
Price / Sales	Absolute	Red	Yellow	Red	Green	Green	Green	Green	Green	Yellow	Red	Red	Red
Price / GDP	Relative	Red	Red	Red	Green	Green	Green	Green	Yellow	Red	Red	Red	Red
Price / Foreign Equities	Relative	Green	Yellow	Yellow	Green	Green	Green	Green	Yellow	Yellow	Red	Red	Red
Interest Rate Adjusted PE	Correlating	Green	Yellow	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green
Inflation Adjusted PE	Correlating	Yellow	Yellow	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green

\* End of year valuations used

Source: OPCM

If inflation fears do not come to fruition, and interest rates do not excessively climb, both U.S. equities and U.S. bonds may outperform the more pessimistic consensus. The next two to four months holds the key to whether the consensus is correct or overly fearful of inflation and interest rate increases. ■



### What's a Dollar Worth?

By: Jay M. Skaalen, CFA

*In this article: We look at the complex role the U.S. Dollar plays in a diversified portfolio.*

Over the past few years, the U.S. dollar has marched higher driven by several factors including a recovering U.S. economy, expectations for tighter monetary policy, and sluggish growth prospects outside of the U.S. These were among the reasons we initially added our long U.S. dollar position, in addition to our belief that having exposure to the dollar would accomplish one other objective: to hedge the currency risk in our portfolio. But after several years of steady performance and many people starting to express doubt that the dollar rally can continue much longer – does it still make

## Economic Memorandum

### What's a Dollar Worth? Cont.'d

sense to own the greenback? In this piece, we will take a look at this question, and explain how we view the role of the U.S. dollar in a diversified portfolio.

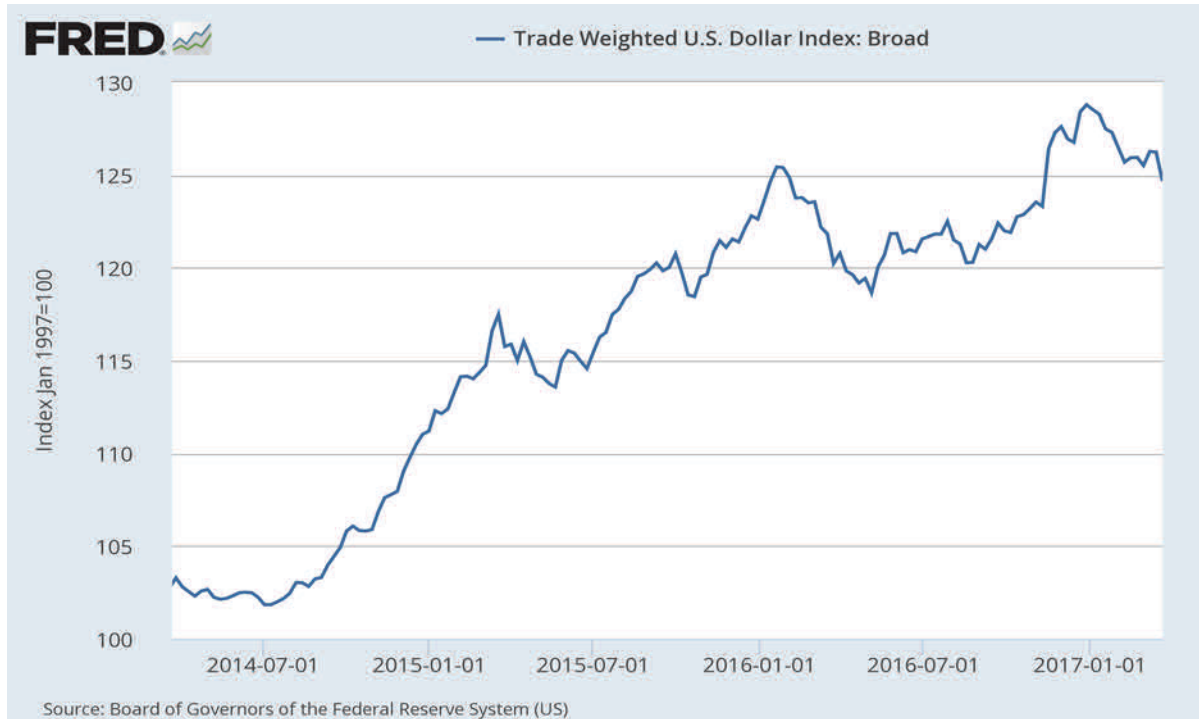
Our position in the dollar is one of several that make up our alternatives asset class. In general, the primary role of this asset class is to hedge against a variety of risks including interest rate risk or currency risk. As mentioned above, our position in the dollar helps to hedge the currency risk in your portfolios. For those wondering what currency risk is – it can be broadly defined as losses brought on by adverse movements in one or more currencies. As an example, if you live in the U.S. and purchase a one-year bond issued by Mexico paying 2% and the peso subsequently falls by 5%, you will lose money when your funds are converted back to U.S. dollars. Currency movements affect each and every asset class, but have historically had a more profound impact on international assets and natural resources.

To help demonstrate how U.S. dollar exposure acts as a hedge to other parts of your portfolio, consider the table below which shows the correlations between the dollar and other asset classes over the past 20 years. Correlations span from -1.0 to +1.0 with -1.0 meaning two assets move completely opposite of one another and +1.0 meaning they move in complete unison.

Asset Class <sup>1</sup>	Correlation With USD
U.S. Equities	-0.35
International Equities	-0.52
Fixed Income	-0.14
Real Estate	-0.35
Natural Resources	-0.40
<small>1. U.S. Equities: S&amp;P 500, International Equities: MSCI All Country Ex-U.S. Index,            Fixed Income: Barclays Aggregate Bond Index, Real Estate: FTSE/NAREIT All Equity REIT Index,            Natural Resources: Bloomberg Commodity Index</small>	
<small>Source: OPCM</small>	

As you can see from the table, the dollar has had a negative relationship with every major asset class over the past two decades. Over shorter time frames like the past 3-5 years, these correlations may not always hold, however periods like these have proven to be anomalous over the course of time. The negative correlation that the dollar has displayed is the hallmark of diversification and should reduce the overall volatility and risk in your portfolio. We saw this benefit first hand when international equities sold off by over 20% from summer 2014 until early January 2016 - a period in which the dollar was up over 20%. Additionally, the efficacy of the dollar as a hedge has notably increased during periods of significant volatility in equity markets, like the last two U.S. recessions in 2001 and 2008-2009, exactly when you need diversification the most.

## What's a Dollar Worth? Cont.'d



Over the past three years the dollar has rallied over 20%. Our investment team is skeptical that the dollar can replicate the rally seen in recent years for reasons including the maturity of the U.S. economic recovery, foreign economies closing the growth gap vs. the U.S. and other prominent central banks taking initial steps to shift away from ultra-accommodative (and typically currency damaging) monetary policies. Despite this outlook, we value our position in the dollar as a currency hedge and believe it will continue to effectively lower the overall risk in your portfolio. ■



### Fixed Income Round-Up

By: Charles J. Else

*In this article: Despite a rate hike, it was a quiet quarter for credit markets.*

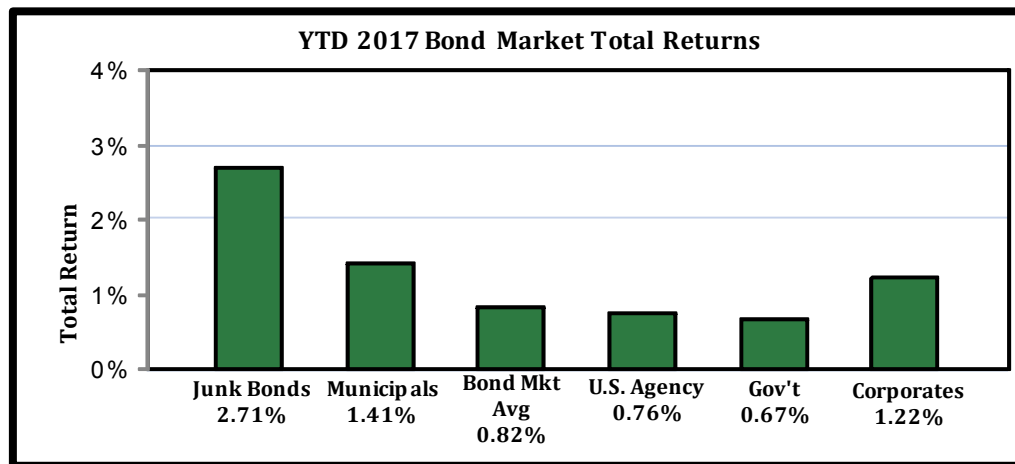
Despite the U.S. Federal Reserve raising interest rates at their March meeting, it was a pretty quiet quarter for credit markets. Interest rates fell slightly for the quarter while credit spreads also narrowed marginally.

The best-performing issues were junk bonds, which enjoyed a 2.70% return for the quarter. The average return for all bond issues was up 0.8% for the quarter. The benchmark 10-year U.S. Treasury ended the quarter at 2.35% (still a substantial move up from a year ago).

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## Fixed Income Round-Up Cont.'d

We continue to believe the Fed will likely raise rates at least one more time this year. As a result, we continue to maintain a defensive stance with our bond allocations, targeting the 3-8 year maturity range. As rates continue to move up, we believe we're well positioned to have our clients' bonds maturing at a time when we should be able to lock in substantially higher yields. ■



Source: Wall Street Journal

**Bond Market Yields 3/31/2017**

Average Money Market Fund	0.11%	10 Yr. AAA Muni Bond	2.07%
5 Yr. AAA Muni Bond	1.23%	10 Yr. AA Corporate Bond—Long Term	2.95%
5 Yr. AA Corporate Bond—Intermediate	2.14%	10 Yr. U.S. Treasury	2.35%
		30 Yr. Fixed Rate Mortgage (Conforming)	4.30%

Source: Yahoo!Finance and Bankrate.com



## How To Save For College Expenses

By: Judy N. Hirota, CFP®, ChFC®, CWS®

*In this article: Ease the burden of paying for college by planning early and funding a college savings plan.*

It's not always easy to plan for large expenses. Paying for college expenses is certainly one of them. Unfortunately, college tuition and fees have risen quicker than the average rate of inflation.

Between 2006-2007 and 2016-2017 (over a 10 year period) a public 4 year college's in-state tuition and fees increased on average by about 3.5% per year beyond inflation<sup>1</sup>. It may not sound like much, but it is significant if we consider that the median family income in the U.S. grew an average of 0.4% per year (after adjusting for inflation) between 2005 and 2015<sup>2</sup>.

Although there are various tax-advantaged accounts that can help save for college expenses, the most popular are 529 plans (also known as qualified tuition programs). 529 plans were created in 1996 specifically to help pay for higher education expenses. There are two different types of 529 plans, college saving plans and prepaid tuition plans. Prepaid tuition plans are not offered in California and contributions into a California 529 Plan offer no tax incentives for CA residents (unlike some states that do) so it makes sense to choose a 529 plan based on its own merit.

Unlike UTMA/UGMA (Uniform Transfers/Gifts to Minors Act) accounts, 529 plans are not subject to the annual kiddie tax and offer tax free growth if used for qualified higher education expenses. Qualified expenses amongst other things include tuition, fees, books and room and board. 529 plans also allow the owner to keep control over the assets whereas UTMA/UGMA accounts eventually transfers the control to the beneficiary at the age of majority (18 or 21 depending on state). In addition, UTMA/UGMA account assets are irrevocable gifts made to the child and are not transferrable while assets in a 529 plan are transferrable to another qualifying family member.

UTMA/UGMA accounts on the other hand, do offer more investment options and assets can be used for the child's benefit; not limited to paying for higher education expenses. If funds are withdrawn from a 529 plan for non-qualifying expenses, the portion of earnings (not principal) will incur a 10% penalty and will also be subject to federal and state taxes.

College students seeking financial aid through grants, work-study, loans or applying for scholarships will need to complete a FASFA (Free Application for Federal Student Aid) application form. Assets in a 529 plan whether student or parent owned are not counted as the student's assets but rather the parent's assets in the Expected Family Contribution (EFC) calculation. Student's assets represent 20% in the EFC calculation, however, parent assets represent a maximum of 5.64%.<sup>3</sup> Dividends and

# Economic Memorandum

## How To Save For College Expenses Cont.'d

interest from a 529 plan are also not reported as the child's income which is normally assessed at 50% of the EFC. If the 529 is owned by a non-parent such as grandparents, withdrawals from the 529 plan are considered as the child's income which could count against the student's EFC the following year.<sup>3</sup> One way to work around this is to use the 529 plan owned by the non-parent during the beneficiary's junior year in college (assuming 4 years of college). Starting in 2017, students are able to submit a FASFA earlier (October 1st rather than January 1st of the following year) therefore report earlier income information.<sup>4</sup>

To take advantage of compounding growth it is better to start investing in a college savings plan sooner rather than later. For those who want to make a large initial contribution into a 529 plan, a lump-sum 5 year equivalent gift can be made to any single beneficiary. In 2017, a single donor can make up to a \$70,000 contribution or a married couple can make a combined gift totaling up to \$140,000 without having it count against their lifetime gift exclusion (\$14,000 annual gift exclusion x 5 years = \$70,000 x 2 = \$140,000). This gift assumes that no other gifts are made over the 5 year period to the beneficiary.

Each 529 plan has lifetime maximum contributions. Investments within a 529 plan can be changed twice a year and can be rolled over into a different 529 plan once every 12 months. Depending upon gifting strategy, a Form 709 may need to be filed with your taxes.

Feel free to reach out to your primary relationship manager at OPCM to further discuss plans on funding your family's education goals. ■

For more details regarding qualified tuition programs, go to Publication 970 on the IRS website at <https://www.irs.gov/publications/p970/ch08.html>.

1.&2. <https://trends.collegeboard.org/college-pricing/figures-tables/average-rates-growth-published-charges-decade#Key Points>

3. [http://www.savingforcollege.com/intro\\_to\\_529s/does-a-529-plan-affect-financial-aid.php](http://www.savingforcollege.com/intro_to_529s/does-a-529-plan-affect-financial-aid.php)

4. <https://studentaid.ed.gov/sa/about/announcements/fafsa-changes>





### **OPCM Profile: Karen J. McMillan, CFP® — Portfolio Counselor**

Karen began her financial advisory career in Vancouver, Canada, in 1994. She obtained numerous financial planning designations, including the Registered Financial Planner (RPF), Certified Life Underwriter (CLU), Certified Financial Planner (CFP®), and Canadian Investment Manager (CIM). She was very active in the financial planning community, serving on the board of the BC Chapter of the Canadian Association of Financial Planners, teaching Successful Money Management courses, and was a frequent guest on Money Talks, a radio and television program. In addition she was the financial planning spokesperson on the Channel 4 TV Sunday Morning News.

Family reasons took Karen to Maine in 2001. She immediately set out to acquaint herself with American taxation laws. Her first job in the U.S. was preparing tax returns for H&R Block clients. After tax season, she started working as a Financial Advisor with Bangor Savings Bank in the Bank's Trust and Investment Management Department. In 2006, she accepted an offer to be part of a Private Banking team for high net worth clients of Key Bank, and during this time she continued her commitment to financial planning and became an accredited Certified Financial Planner (CFP®) in the U.S. In 2007, Key Bank sold their investment division to UBS, and Karen transferred to the West Coast. In San Francisco, she had the opportunity to develop an expertise in equity compensation, and joined Merrill Lynch to focus on providing strategic liquidity planning advice to executives and insiders receiving equity awards, and she completed the Certified Equity Professional (CEP) Level 1. She spent 7 years at Merrill Lynch before joining OPCM in 2017.

Applying her 20 years of diverse experience and her specialized Certified Financial Planner® knowledge, Karen focuses on using financial planning tools and comprehensive wealth management practices (such as stock option, tax, and estate planning), to provide OPCM clients with personalized strategies and recommendations designed to most effectively meeting objectives.

Karen serves on the board of the Friends of the Commission on the Status of Women, and actively supports equal opportunity for women and girls in the community. She and her husband recently celebrated their 5th wedding anniversary, and Karen is resolutely attempting to learn Spanish so that she can communicate with her husband's family in Argentina. An avid reader and an enthusiastic traveler, Karen most appreciates having time with family and friends, and feels very fortunate to be able to call San Francisco home. ■

# Economic Memorandum

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