



**Knightsbridge**

WEALTH MANAGEMENT

# "Ask First!"

This form is to be filled out by any person who is offering legal, financial, retirement, insurance, accounting, estate, long-term care or similar planning services. Respond to ALL categories completely; sign and date at the bottom of the page.

**① MY EDUCATION-** I have achieved the following level of education (check HIGHEST level achieved):

<input type="checkbox"/> Some High School	<input type="checkbox"/> High School Diploma	<input type="checkbox"/> Bachelors Degree
<input type="checkbox"/> GED	<input type="checkbox"/> Some College	<input checked="" type="checkbox"/> Masters or other Advanced Degree

**② MY CREDENTIAL(S)-** I have the following specialized credential(s) and training (examples: CFP, ChFC, CLU, CPA, JD, MBA, years of relevant experience):

CHARTERED FINANCIAL ANALYST (CFA)
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**③ MY RELEVANT LICENSE(S)-** I have the following license(s) giving me the legal authority to provide the services I am offering to you (examples: bar license (attorney); securities license; insurance license):

License Type	Covers What Activities	Issued By	License No.

**④ LEGAL SERVICES-** (Check ONE):

- I DO NOT practice law, and the services I am offering to you do not involve practicing law.  
 I DO practice law, and have an active license to practice law in California.  
 I DO practice law, but DO NOT have an active license to practice law in California. I am, however, under the supervision of the following attorney who has an active license to practice law in California:

Name of attorney:	Telephone:
Address:	

**⑤ OUR BUSINESS RELATIONSHIP-** Check TRUE or FALSE:

- True /  False: In our business relationship, I will at all times serve as a fiduciary and put your interests before my interests and those of my employer.

**⑥ MY COMPENSATION-** I will be paid in the following way (commission, fee, salary, etc.), by the named person or company, in connection with the services I am offering to you:

Way(s) I'll Be Paid	Payment Will Be Made By (name each person or company)
A DECLINING ANNUAL MANAGEMENT FEE (%)	CLIENT

**⑦ FINANCIAL PRODUCTS / AFFILIATED ORGANIZATIONS-** Check TRUE or FALSE:

- True /  False: I offer or sell annuities, insurance, mutual funds or other financial products; or I am, or my employer is, affiliated with a person or organization that offers or sells annuities, insurance, mutual funds or other financial products.

**⑧ I certify under penalty of perjury that the responses herein are true to the best of my knowledge.**

Date: 10/22/2020	Business Name: KNIGHTSBRIDGE WEALTH MANAGEMENT
Signature: <i>[Signature]</i>	Address: 450 NEWPORT CENTER DR. # 630 NB. 92660
Print Name: JOHN PRICHARD, CFA	Telephone: (949) 644-4444

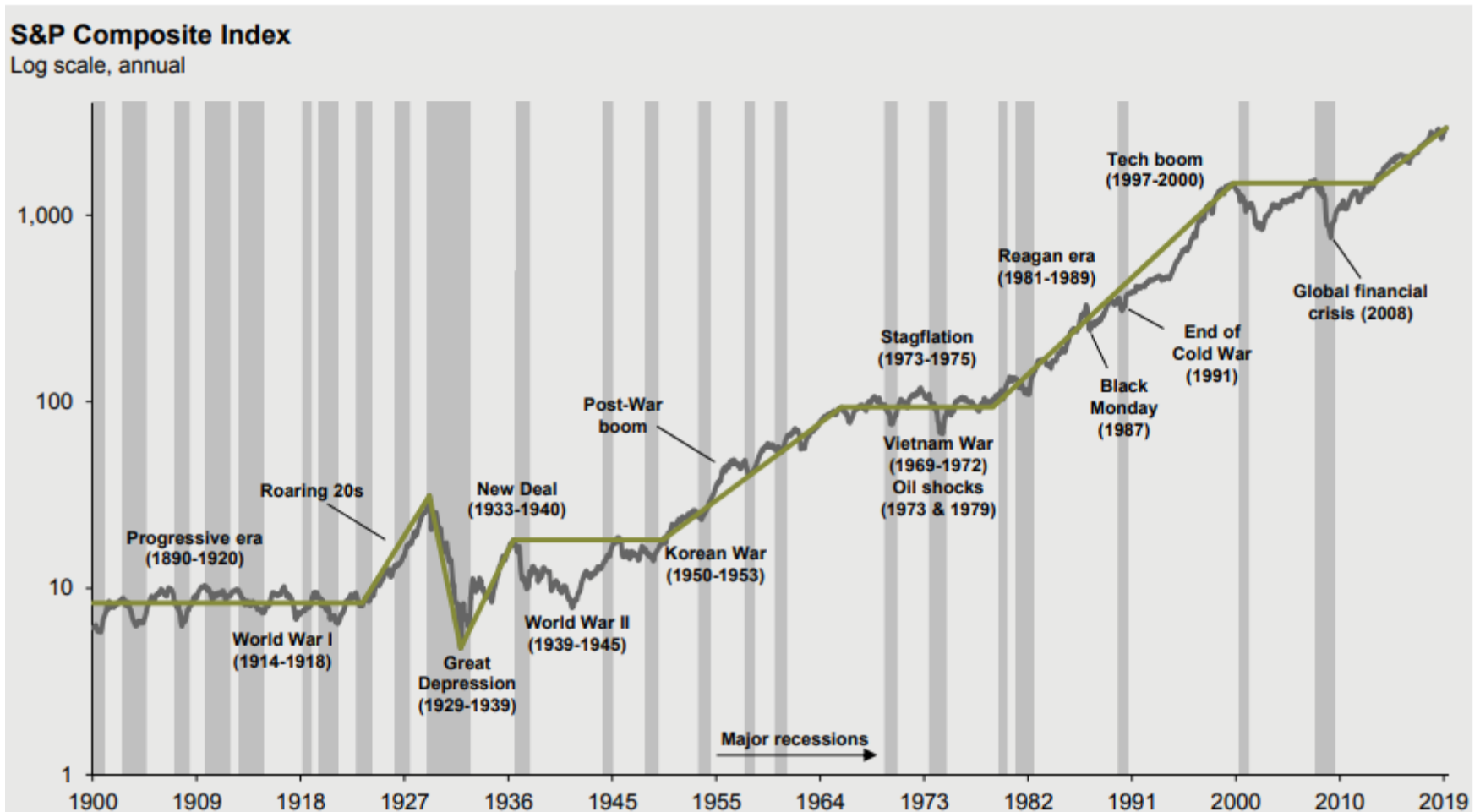
# Agenda

1. What is a stock?
2. Role of stocks in your portfolio
3. Know your investment vehicle
4. How to research and invest
5. Hidden risks in your portfolio
6. How to prosper in the market
7. What will determine your outcome
8. How investment advisors fail to earn their fee

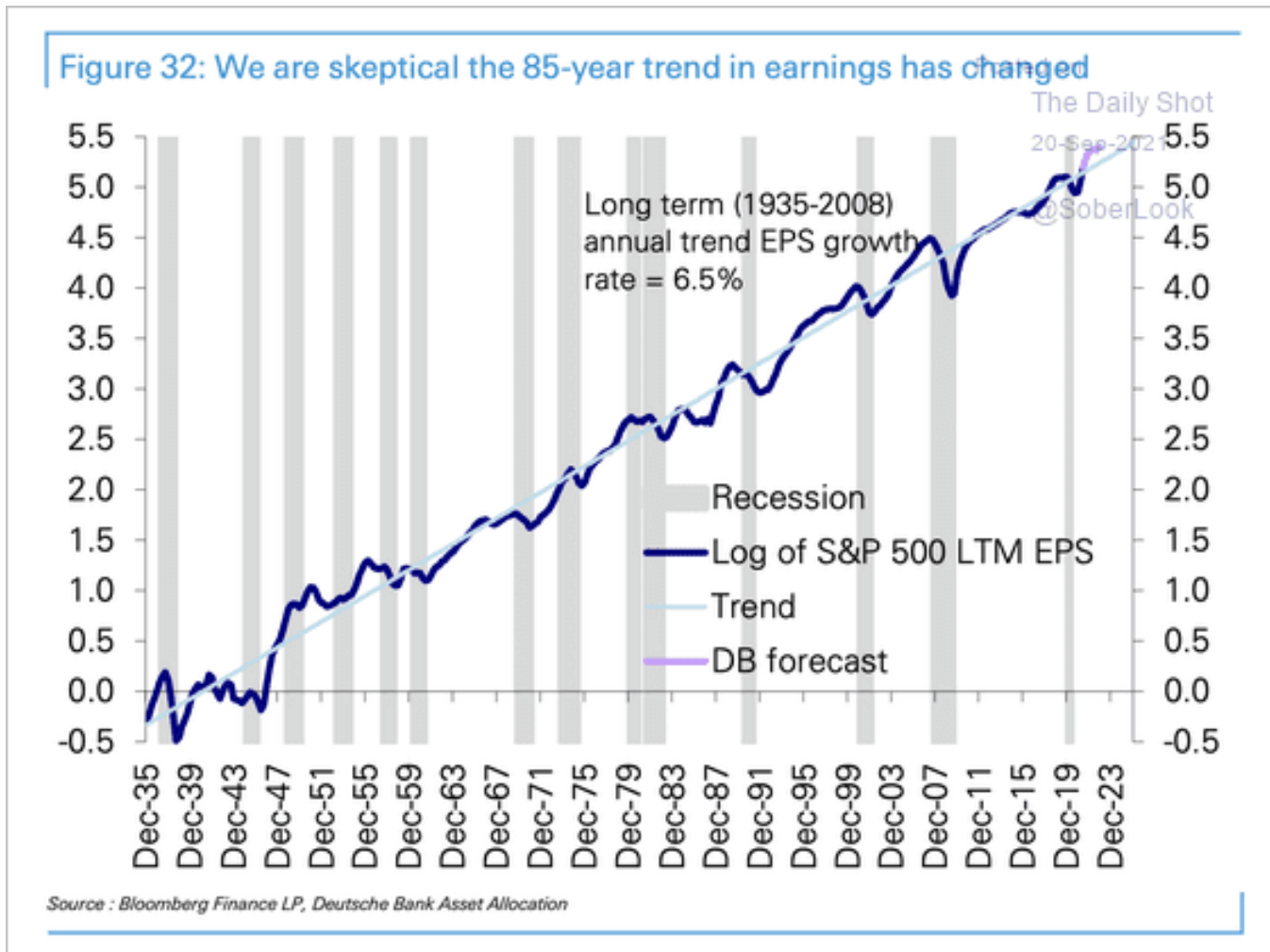
# What is a Stock?

- A share of ownership in a **business**
- Synonymous with the term “equity”
- There are two types of stocks
  - Common Stock
  - Preferred Stock

# Why Invest in the Stock Market?



# Corporate Earnings Drive Stocks Higher



# Role of Stocks in Your Portfolio

- Growth
- Income
- Liquidity
- Potential Inflation hedge
- Net of taxes & inflation, stocks represent the best way to grow your purchasing power
- Viewed through this lens, investing in bonds is *risky*

# Different Ways to Invest in the Stock Market

- Individual stocks
- Mutual funds
- Exchange-traded funds (ETFs)
- Brokerage firms
- Investment Advisors
- Variable annuities DO NOT COUNT



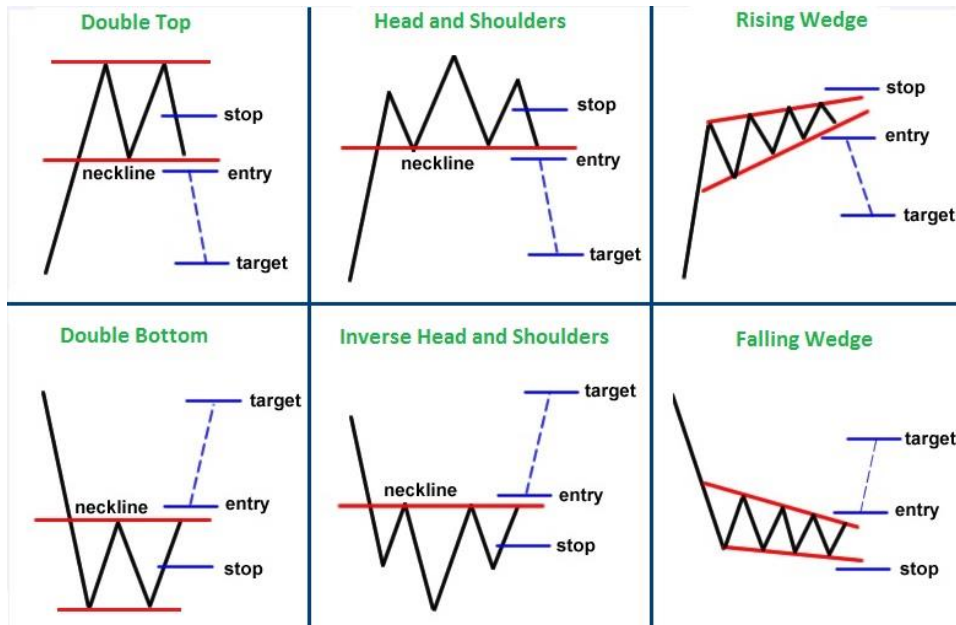
# The Investment “Style Box”

Morningstar Style Box™

			Large
			Medium
			Small
Value	Blend	Growth	

# Investing on Market “Technicals”

- Looking for predictive patterns in the market
- Using price and volume and trendlines
- Ignores “Fundamentals”
- Relies on charts
  - *Rule #3: It's not this easy. Technical analysis does not work. It really doesn't. I PROMISE.*



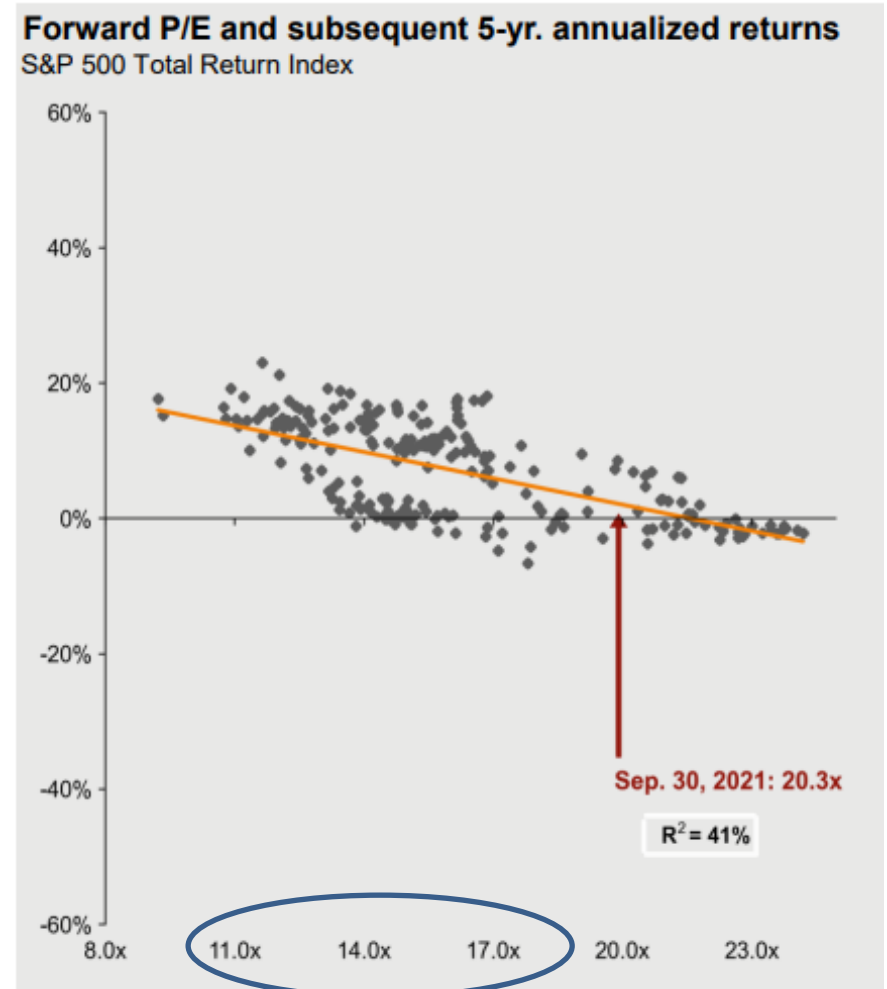
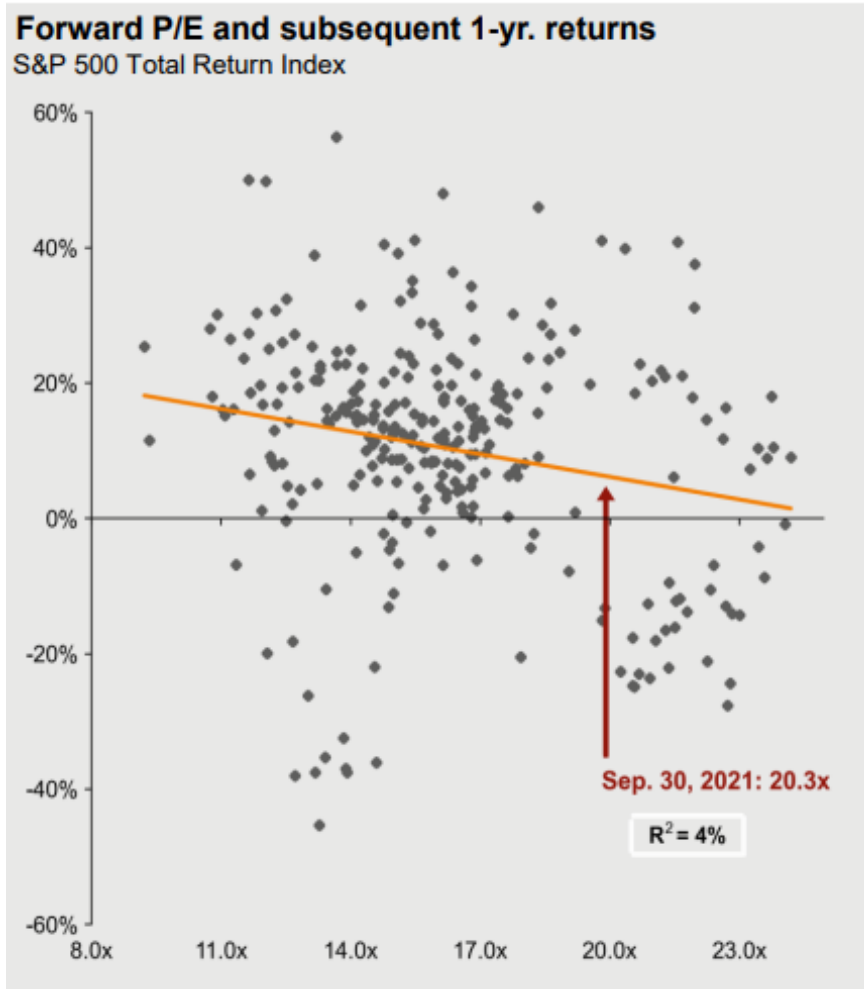
# Investing on Company Fundamentals

Buying....

1. Below “intrinsic value” (i.e. for less than the company is worth)
2. Companies who can grow their revenue, earnings & cash flows
3. Stocks with a low “valuation”
  - price to earnings (P/E)
  - price to book (P/B)
  - price to sales (P/S)
  - price to cash flow (P/CF)

*Rule #4: Investing this way is very, very hard. Very. Hard.*

# What You Pay Does (eventually) Matter



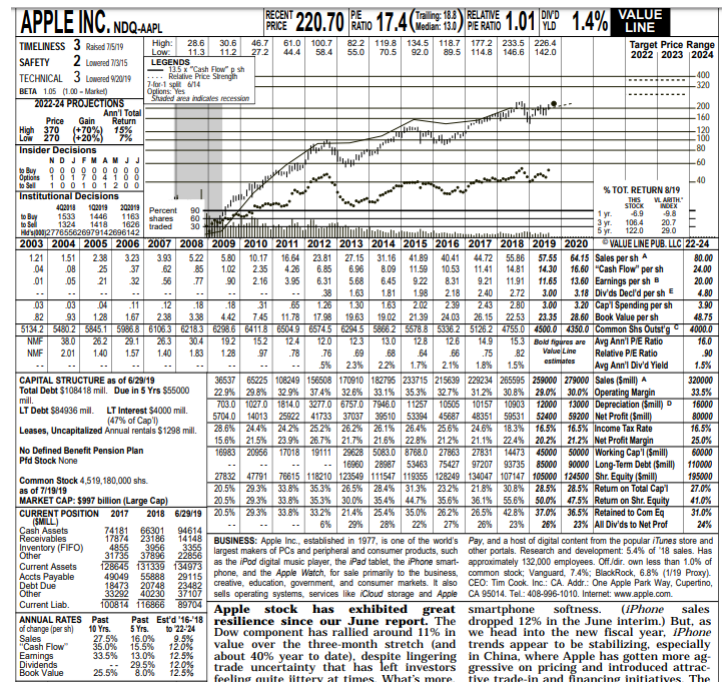
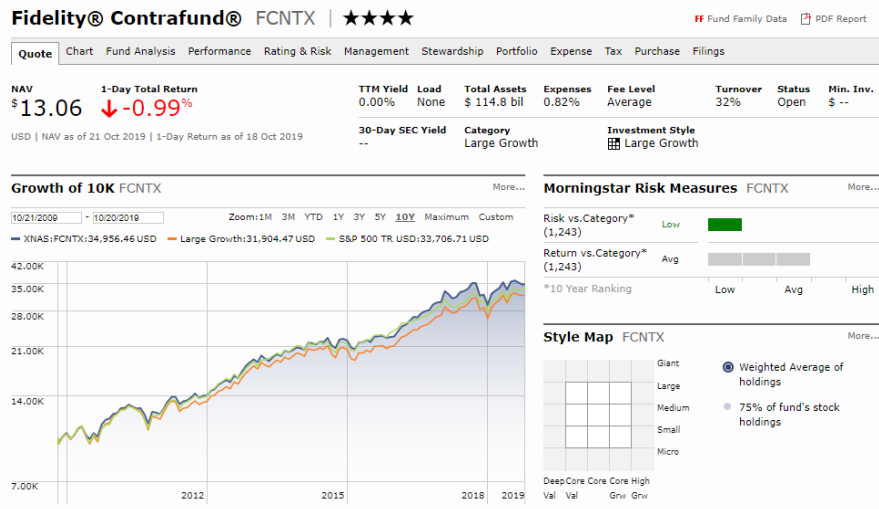
Where Knightsbridge Wealth Management  
makes most of its investments

# How to Research the Stock Market

Newport Beach Public Library of Course!

Morningstar

ValueLine

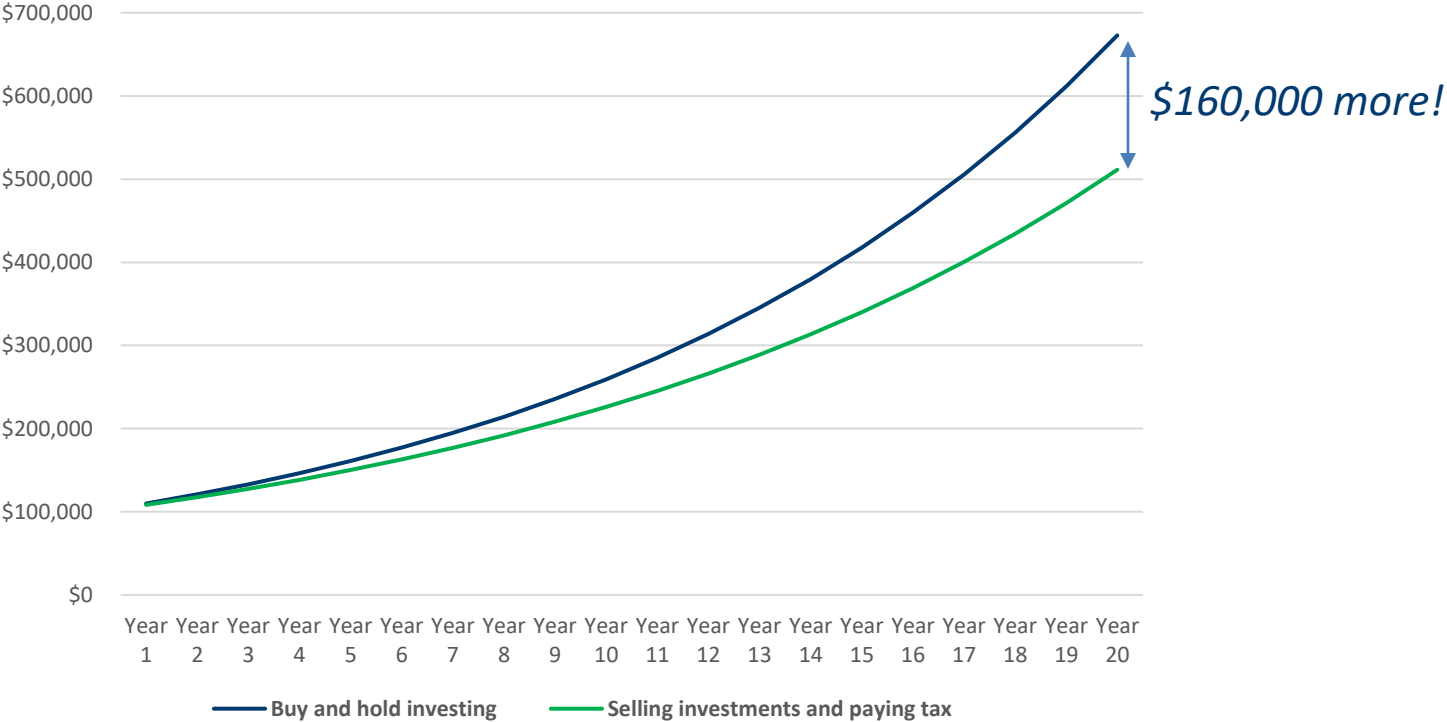


## Knightsbridge Wealth Management's 4 Principles for Buying a Stock

1. Consider risk and reward; in that order. Be more concerned about the return *of* your capital than the return *on* your capital.
2. Buy dividend paying stocks; a bird in the hand
3. Invest at a reasonable valuation
4. Buy high quality companies; you can hold for a long time with tax benefits

*Rule #5: If you cannot do the above..... buy the index*

# Why I'm a Long-term Investor: the Power of Deferring Taxes

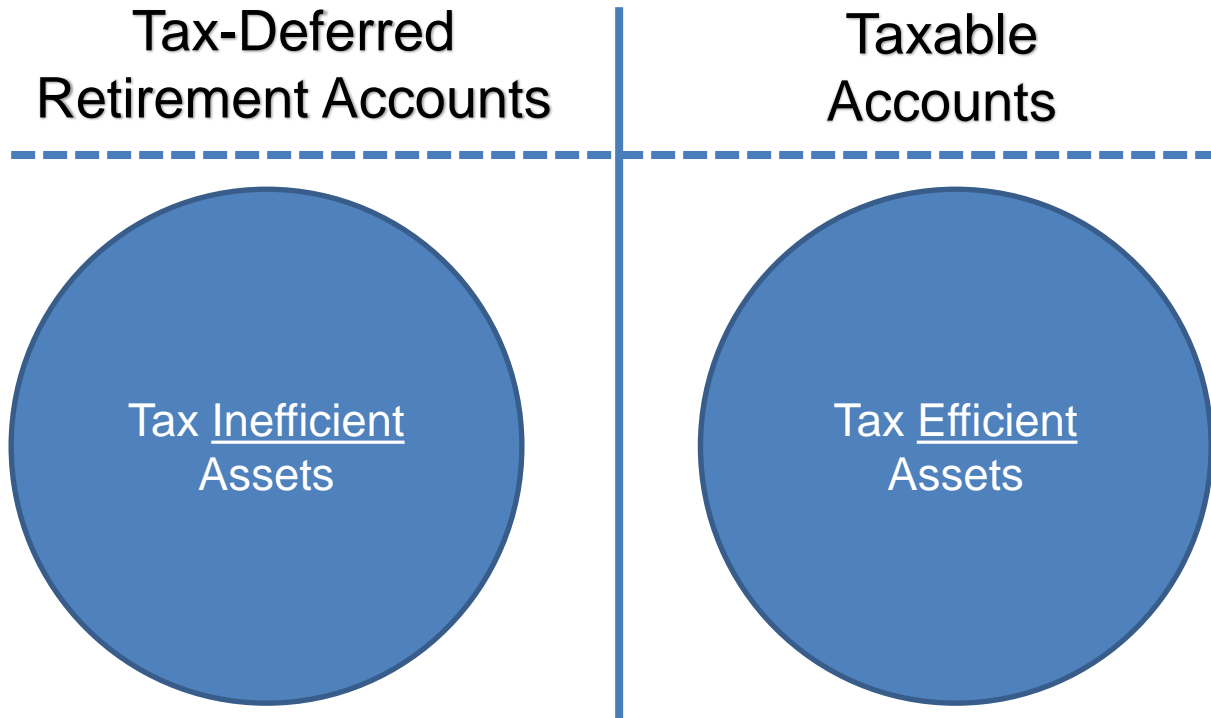


Result: \$160,000 difference after 20 years (32% more with buy and hold investing)

- Assumptions: 6% annual appreciation
- 30% tax rate (20% capital gain tax + 10% state tax)
- 50% turnover, i.e. selling every two years



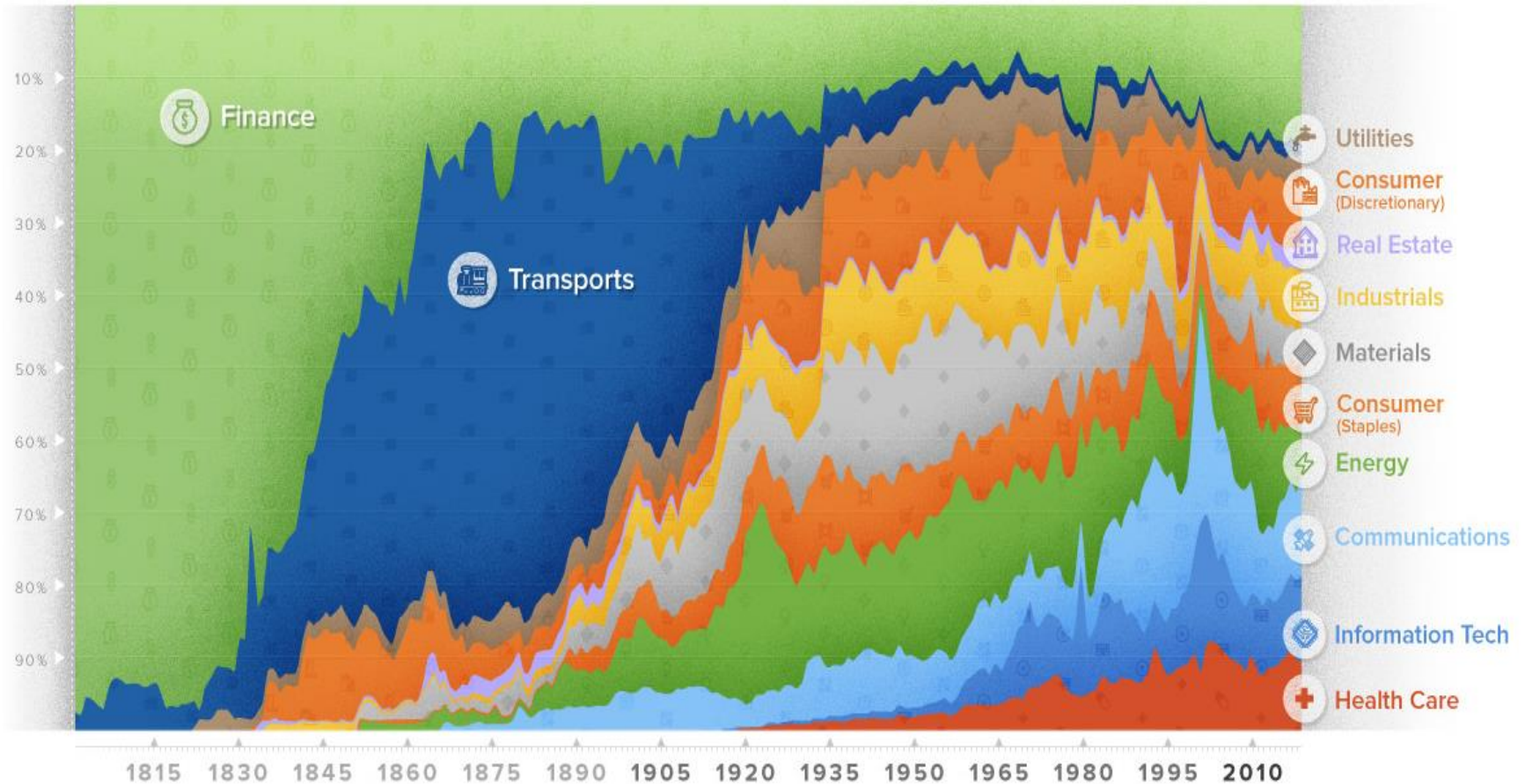
# Portfolio Tax Optimization





# *Hidden Risks in Your Portfolio*

# Stock Market Sectors



# Why We Diversify

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD	Ann.	Vol.
High Div. 21.1%	Momen. 17.8%	Min. Vol. -25.7%	Value 38.8%	Small Cap 26.9%	High Div. 14.3%	Cyclical 20.1%	Value 43.2%	Value 17.7%	Momen. 9.3%	Small Cap 21.3%	Momen. 37.8%	Min. Vol. 1.5%	Cyclical 36.3%	Momen. 29.6%	Value 17.9%	Momen. 11.7%	Small Cap 22.6%
Value 19.7%	Defens. 17.7%	Defens. -26.7%	Cyclical 36.9%	Multi-Factor 18.3%	Min. Vol. 12.9%	Value 16.8%	Small Cap 38.8%	Min. Vol. 16.5%	Min. Vol. 5.6%	High Div. 16.3%	Cyclical 27.3%	Momen. -1.6%	Quality 34.4%	Cyclical 27.8%	Cyclical 16.2%	Quality 10.7%	Value 20.2%
Small Cap 18.4%	Quality 10.1%	High Div. -27.6%	Multi-Factor 29.8%	Momen. 18.2%	Defens. 10.1%	Small Cap 16.3%	Multi-Factor 37.4%	High Div. 14.9%	Quality 4.6%	Value 15.9%	Quality 22.5%	High Div. -2.3%	Momen. 28.1%	Small Cap 20.0%	Quality 14.8%	Cyclical 10.4%	Cyclical 19.8%
Multi-Factor 16.6%	Multi-Factor 5.5%	Quality -31.2%	Small Cap 27.2%	Cyclical 17.9%	Quality 7.5%	Multi-Factor 15.7%	Cyclical 35.0%	Multi-Factor 14.8%	Cyclical 2.6%	Cyclical 14.0%	Value 22.2%	Defens. -2.9%	Min. Vol. 28.0%	Quality 17.1%	Multi-Factor 12.8%	Min. Vol. 10.1%	Momen. 17.9%
Defens. 15.9%	Min. Vol. 4.3%	Small Cap -33.8%	Quality 24.9%	High Div. 15.9%	Multi-Factor 7.3%	Momen. 15.1%	Momen. 34.8%	Momen. 14.7%	High Div. 0.7%	Multi-Factor 13.7%	Multi-Factor 21.5%	Cyclical -5.3%	Value 27.7%	Multi-Factor 11.4%	Defens. 12.8%	Multi-Factor 9.6%	Multi-Factor 17.5%
Cyclical 15.0%	Value 1.1%	Value -36.9%	High Div. 18.4%	Min. Vol. 14.7%	Momen. 6.1%	Quality 12.8%	Quality 34.3%	Cyclical 13.6%	Multi-Factor 0.4%	Min. Vol. 10.7%	High Div. 19.5%	Quality -5.6%	Multi-Factor 26.6%	Min. Vol. 5.8%	Small Cap 12.4%	High Div. 9.4%	Quality 15.6%
Min. Vol. 15.0%	High Div. 0.0%	Multi-Factor -39.3%	Min. Vol. 18.4%	Quality 14.2%	Value -2.7%	Min. Vol. 11.2%	High Div. 28.9%	Defens. 13.0%	Defens. -0.9%	Quality 9.4%	Min. Vol. 19.2%	Multi-Factor -9.7%	Small Cap 25.5%	Defens. 5.2%	High Div. 10.8%	Small Cap 8.9%	High Div. 15.0%
Quality 12.8%	Cyclical -0.8%	Momen. -40.9%	Momen. 17.6%	Value 12.7%	Cyclical -3.4%	Defens. 10.7%	Defens. 28.9%	Quality 10.7%	Small Cap -4.4%	Defens. 7.7%	Small Cap 14.6%	Small Cap -11.0%	High Div. 22.5%	High Div. 1.7%	Min. Vol. 9.6%	Defens. 8.6%	Defens. 13.7%
Momen. 10.7%	Small Cap -1.6%	Cyclical -44.8%	Defens. 16.5%	Defens. 12.0%	Small Cap -4.2%	High Div. 10.6%	Min. Vol. 25.3%	Small Cap 4.9%	Value -6.4%	Momen. 5.1%	Defens. 12.3%	Value -11.1%	Defens. 21.4%	Value -0.2%	Momen. 8.8%	Value 8.6%	Min. Vol. 13.1%

# Concentration Risk

## Weight of the top 10 stocks in the S&P 500

% of market capitalization of the S&P 500

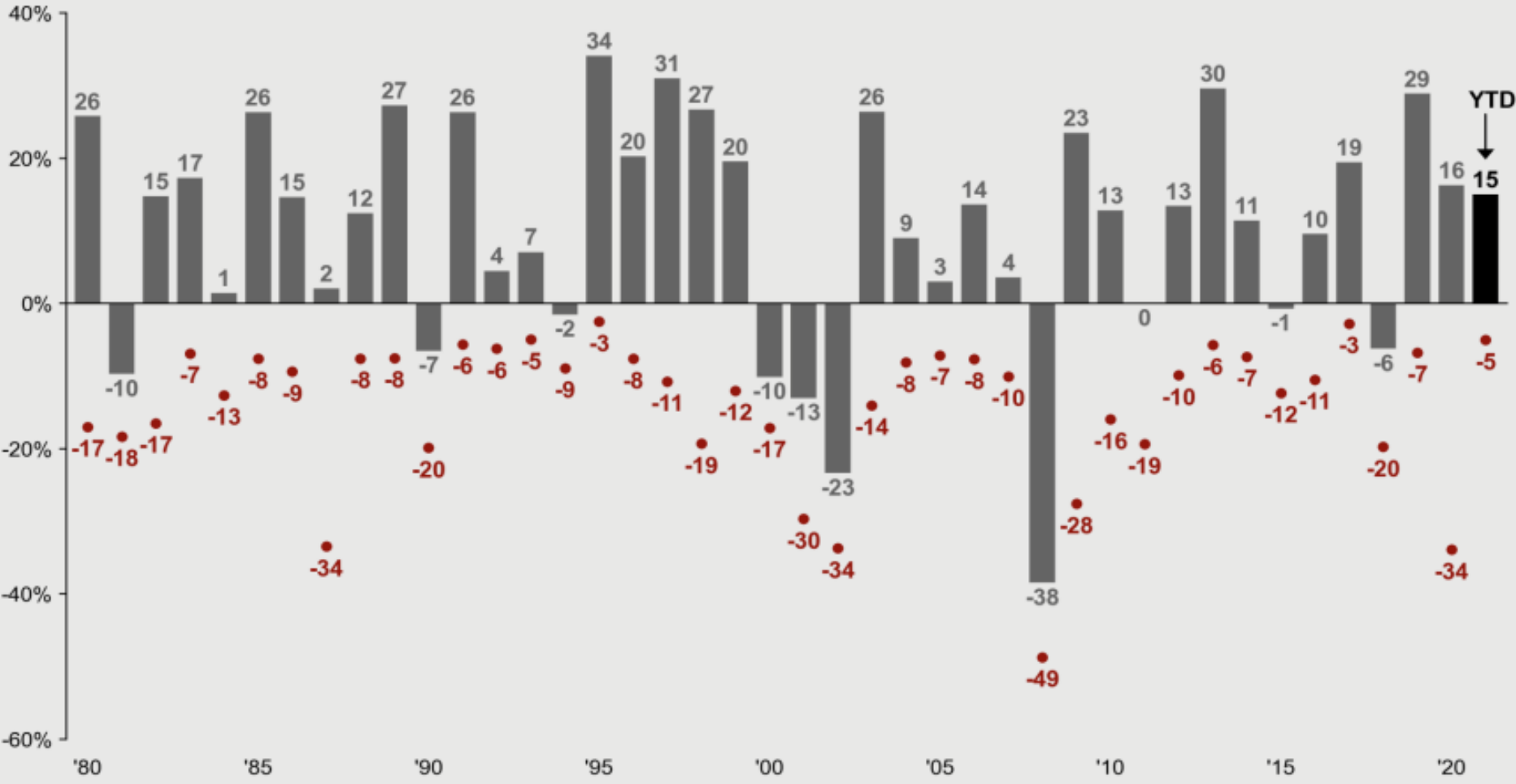


# *How to Prosper in the Stock Market*

# Stock Market Declines are an Annual Occurrence

## S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.3%, annual returns were positive in 31 of 41 years



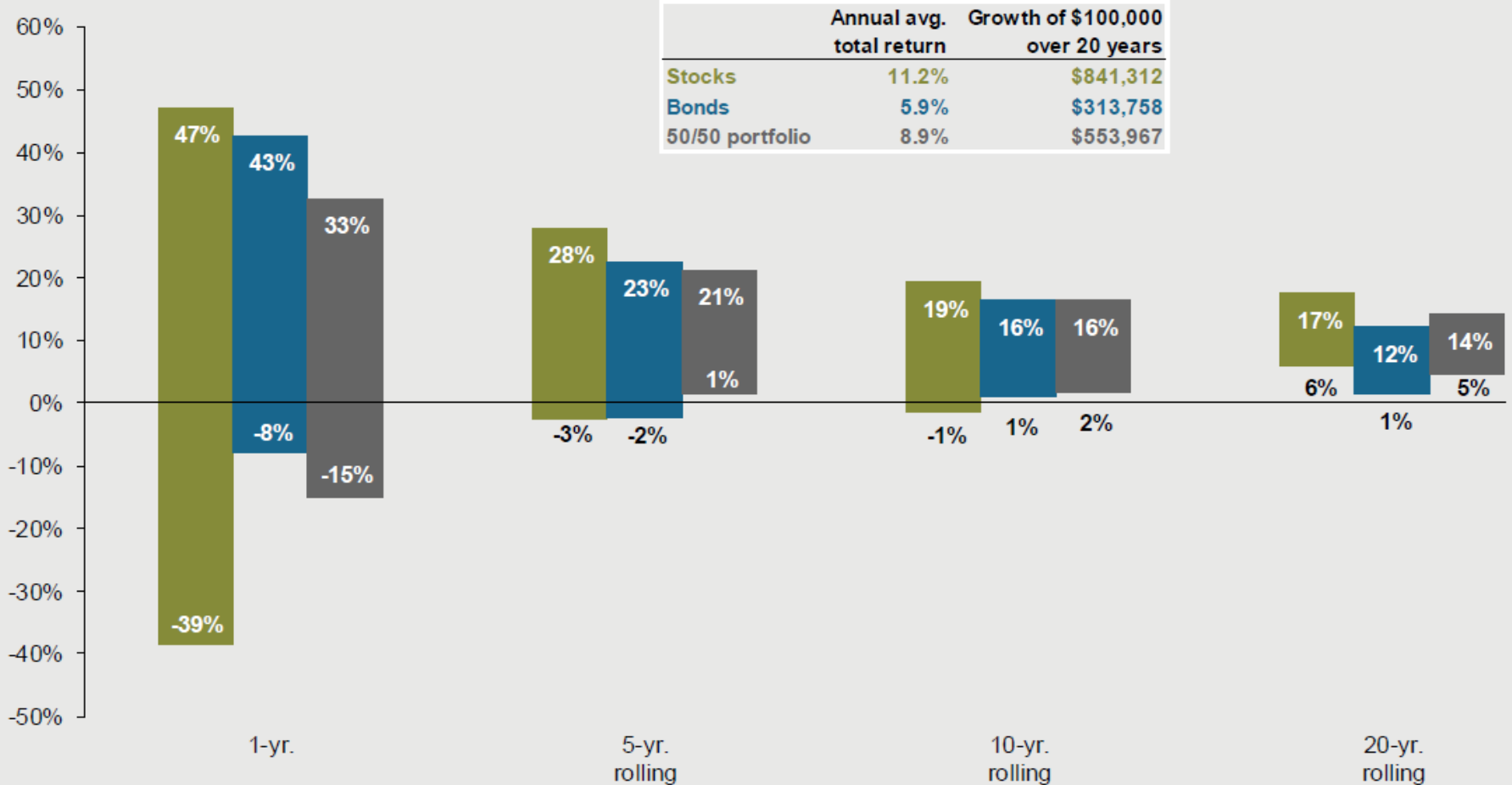
# In the Short Run, the Stock Market is a Voting Machine In the Long Run, the Stock Market is a Weighing Machine



# Your Investment Time Horizon is Key

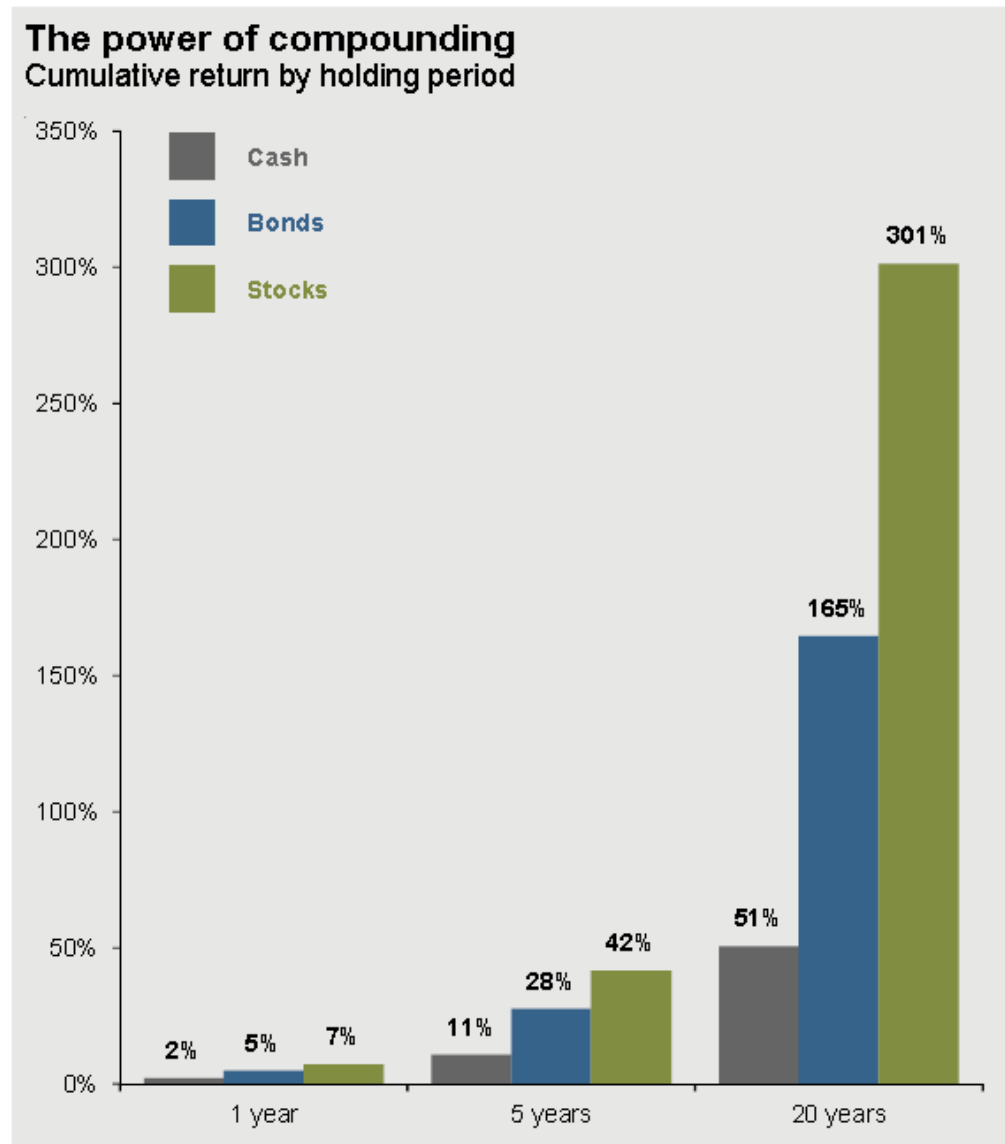
## Range of stock, bond and blended total returns

Annual total returns, 1950-2019



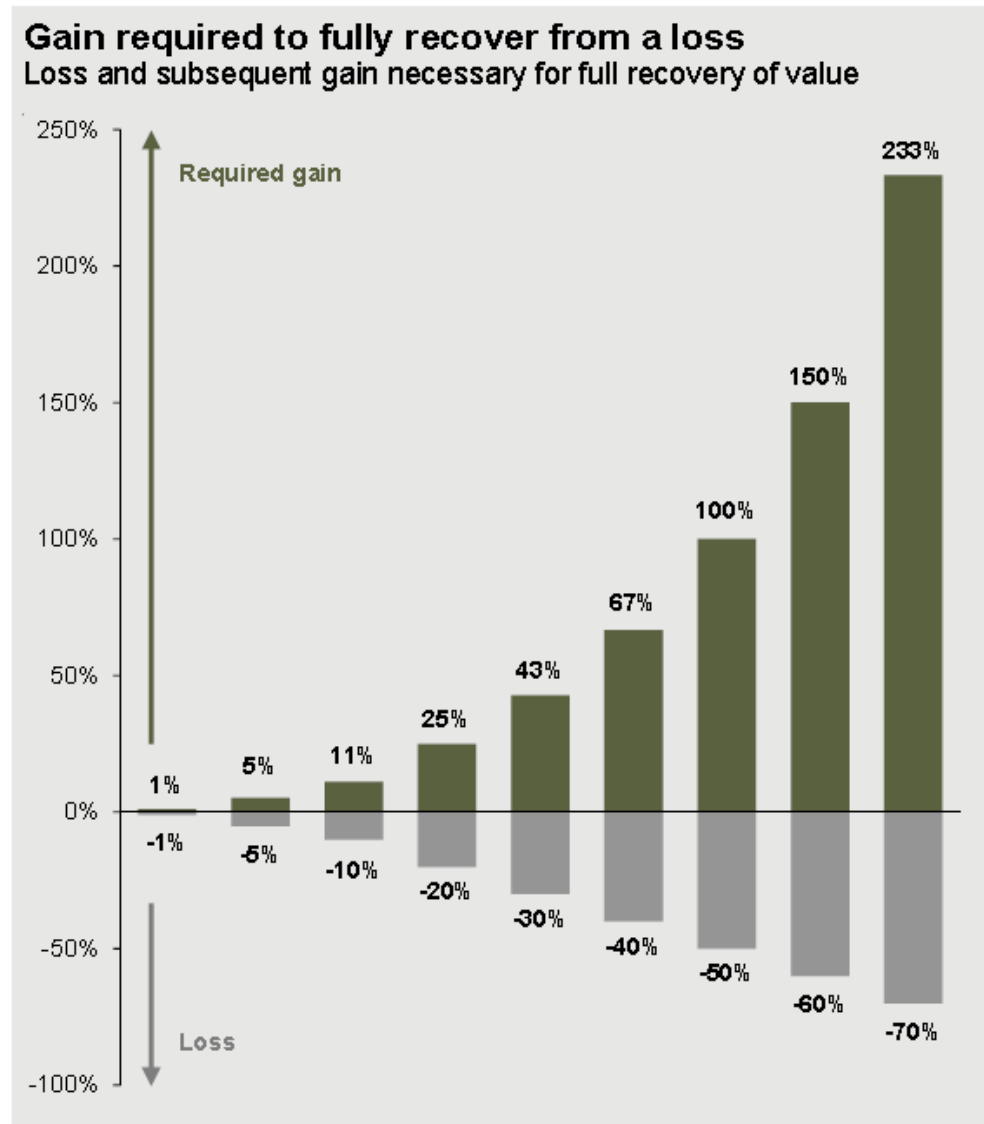


# Stock Returns Compound Over Time



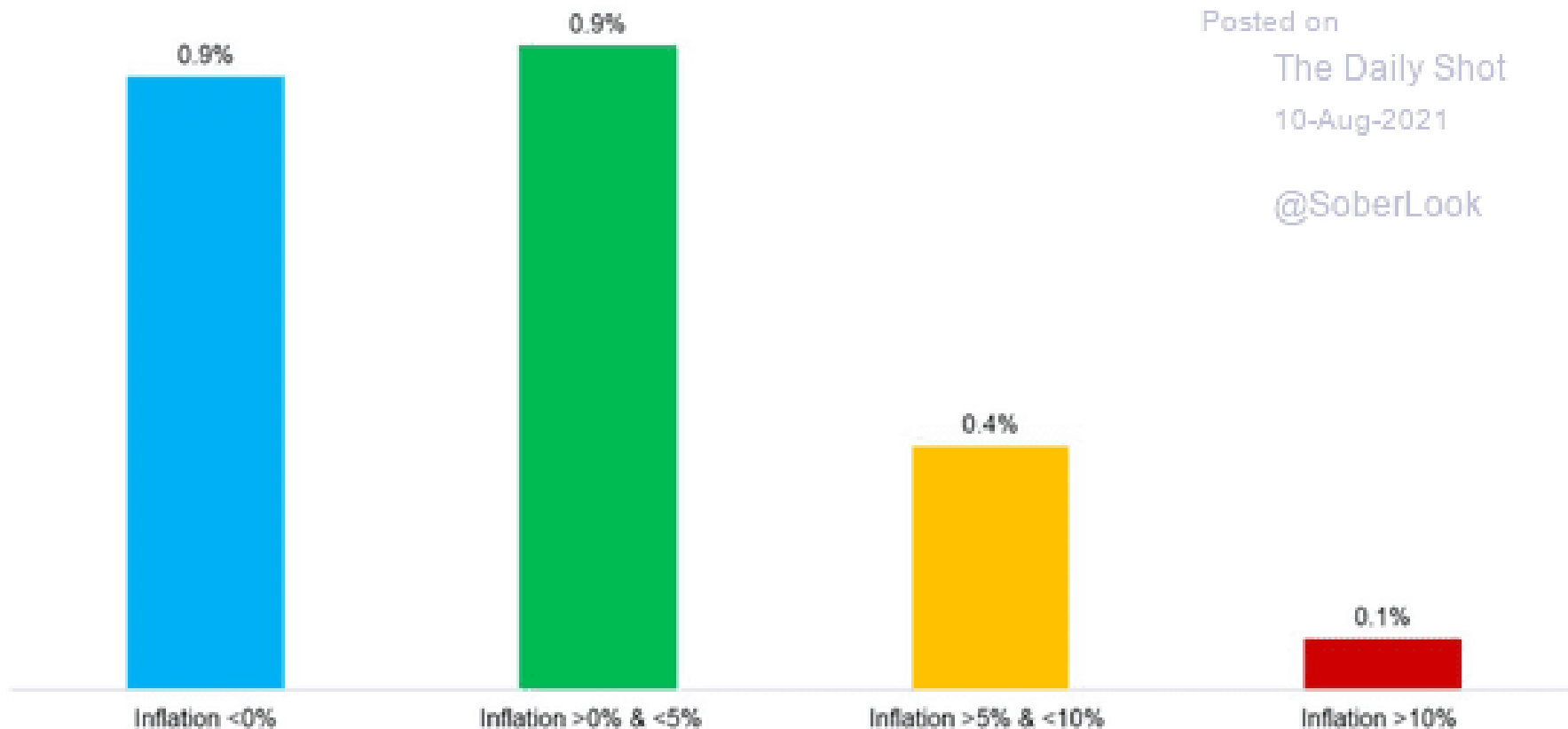
Source: J.P. Morgan Asset Management, BLS, FactSet, Standard & Poor's

# But Don't Speculate in the Stock Market



# Stop Worrying So Much About Inflation

Real Monthly Equity Return in the U.S. by Inflation Regimes (1947 - 2021)



Posted on

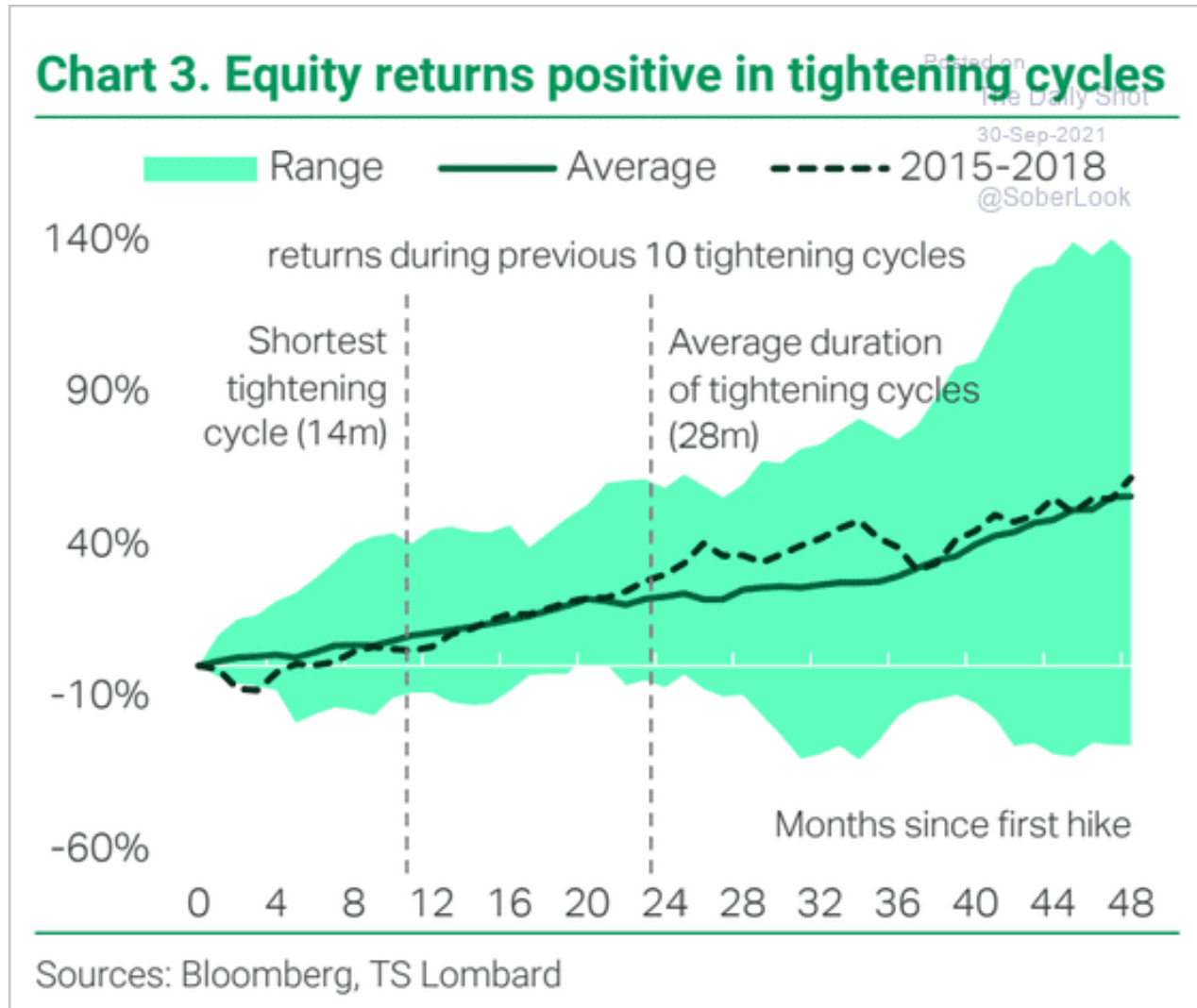
The Daily Shot

10-Aug-2021

@SoberLook

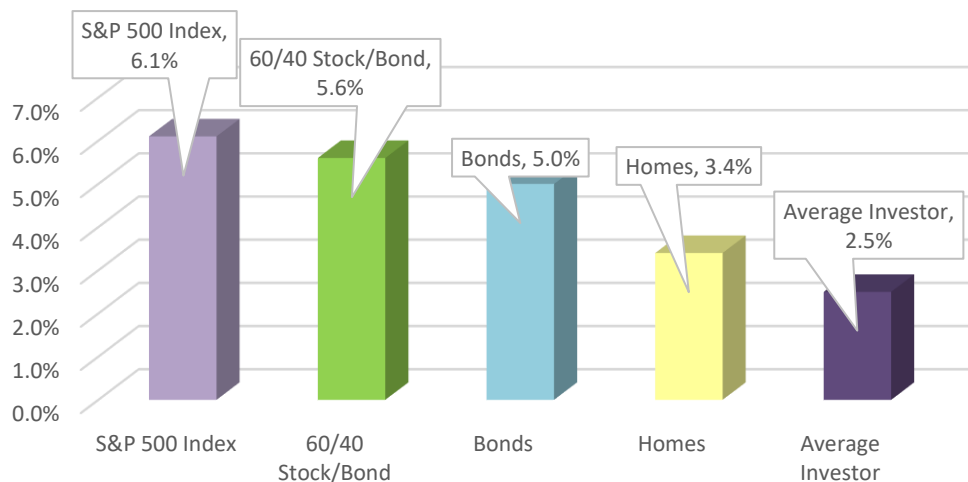
Source: FRED, Kenneth R. French Data Library, FactorResearch

# Stop Worrying So Much About The Fed Raising Rates



# What Will Determine Your Outcome

## 20-Year Annualized Returns by Asset Class (1999 – 2009)



The largest determinant of your investment results over time is NOT.....

- Whether you buy a mutual fund, ETF or stock
- Whether you do the investing or retain an advisor
- Growth vs. Value

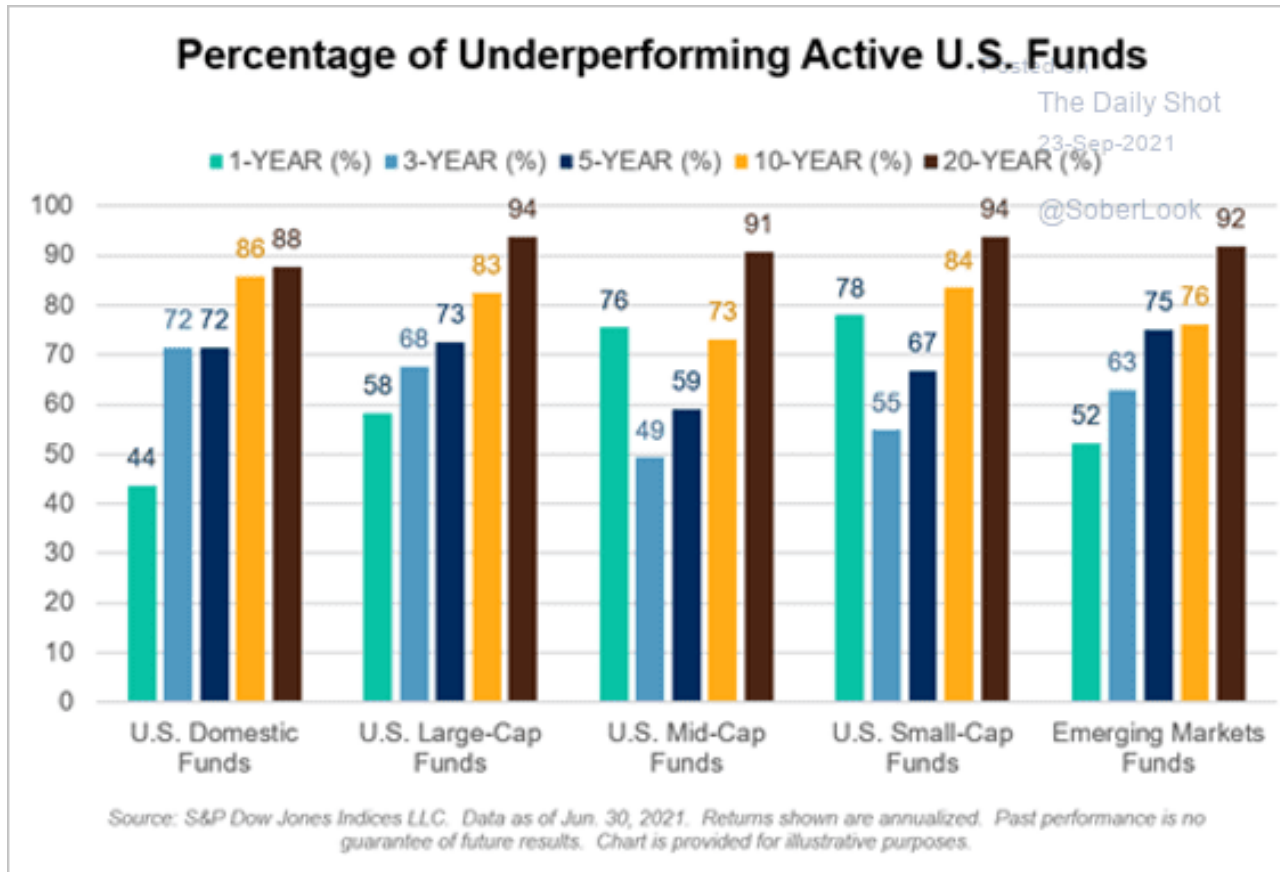
Rather..... do you sell at the bottom (or “wrong time”)

- March 2020
- March 2009
- March 2003
- October 1987

# Track Your Investment Results!

- ALWAYS evaluate your **NET OF FEE** (bottom line) results.
- Think about your **AFTER-TAX** results
- Compare your results against a benchmark
- Evaluate results over an appropriate time-frame

# Beware of Mutual Funds



*Rule #6: Mostly avoid mutual funds and never pay a load*

# 7 Ways Investment Advisors Fail to Earn Their Fees

1. Failing to differentiate between taxable and tax-deferred accounts
2. Failing to manage taxable accounts in accordance with client's tax bracket
3. Buying high-cost mutual funds, which adds layers of fees
4. Lacking the expertise to offer in-house strategies at no extra cost
5. Charging fees for financial planning
6. Reporting investment results before fees, if at all
7. Failing to personalize each client's investment portfolio



# How I Can Help You

## OUR TYPICAL CLIENT IS SOMEONE WHO:

- Wants to know there is a plan for their financial security
- Is questioning the sophistication of their existing investment portfolio
- Wants to talk with the people making their investment decisions
- Wants more than just a basket of mutual funds and ETFs
- Wants to know their specific tax bracket is being taken into account
- Wants their investment plan designed specific to their situations and goals

## WE ARE:

- **Fiduciaries.** We are legally required to put your interests first
- **Analysts.** We offer in-house security selection
- **Investors.** We invest our money alongside yours
- **Independent.** We are 100% employee-owned

# Thank You!

**Contact me for a commitment-free portfolio review:**

John Prichard, CFA

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