



It's Your Money!

Equity & Fixed Income Investing



LIGHTHOUSE
FINANCIAL



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Jayce (J.C) Lowe, ChFC®



Jayce Lowe, ChFC® has been a financial planner for 13 years. He joined Lighthouse in 2017 as a Wealth Manager and helps clients achieve their financial goals. He and his wife Kristen live in Rancho Cucamonga with their dogs and cats.



Jayce graduated from Texas Tech University with a degree in Personal Financial Planning. Right after graduating he started to work as a Financial Advisor (earning his Series 7, 66, and general lines insurance license) with local Broker Dealers and soon after received his ChFC®, certification where he graduated to an investment advisor representative with Lighthouse Financial Services; a Registered Investment Advisor.



Equity Investing 101

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What Is An Equity



Ownership in a company

- Packaged in a financial security
- Includes the right to vote on company management & strategy
- May or may not be publicly traded on an exchange

Allows you to participate in the company's growth & success

- Profit growth is what drives stocks!

Allows the company to raise money and spread risk

- Capital = equity + debt
- Management can "monetize" their ownership stakes
- In the event of bankruptcy, you lose your investment

Why Invest in Equities?



Strong returns over time

- Fastest way to make your wealth grow over time
- S&P 500 Total Return Index up 176% over the last 10 years!
- Dividend reinvestment plays a huge part in wealth creation
- Most popular way to “bet on America”

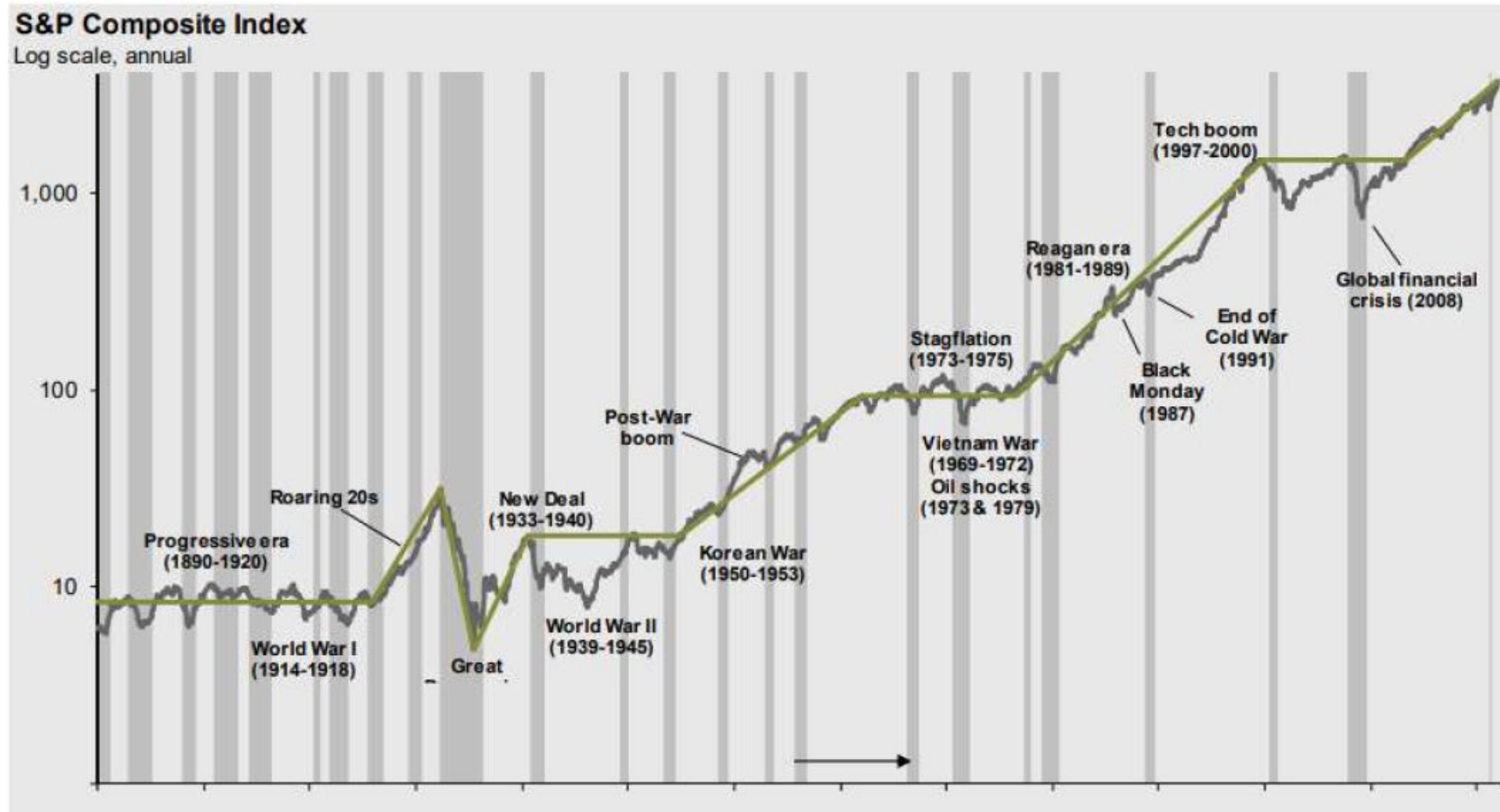
Easy to buy & sell

- Wide array of stocks in different industries allows diversification
- Cost of investing very low (\$0 at most custodians today)

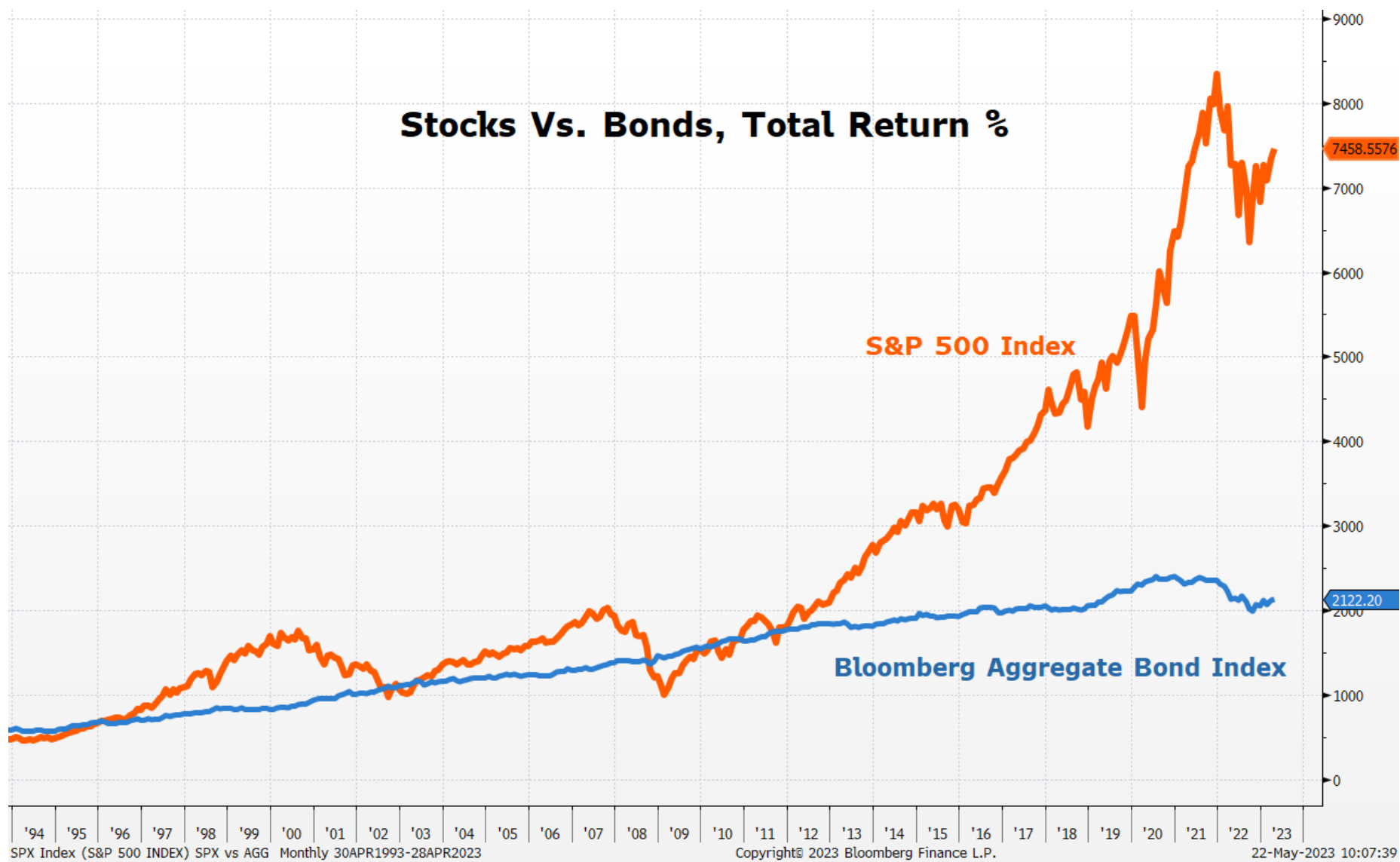
Tax benefit

- Qualified dividends currently receive special tax treatment
- Capital gains tax rate is also advantaged

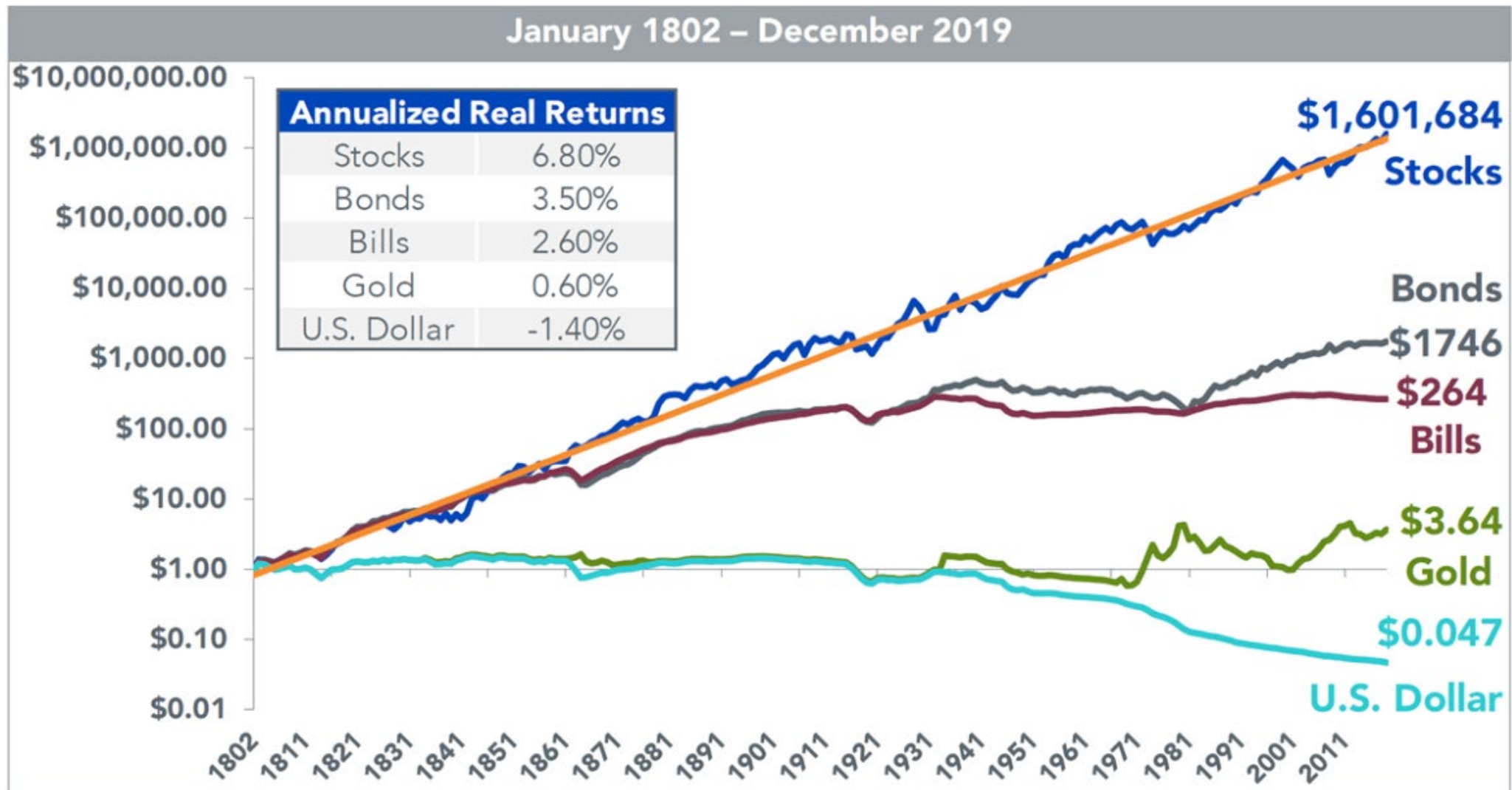
Historically Stocks Have Overcome Shocks To Our Economy



Stocks vs. Bonds



Adjusting for Inflation



Source: Siegel, Jeremy, Stocks for the Long Run (2014), with updates to 2019. Past performance is not indicative of future results.

How to Invest

Individual “common” & “Preferred” stocks

- Pros: easiest, most straightforward way to invest; no ongoing fees
- Cons: you are responsible for diversification

Exchange Traded Funds (ETFs)

- Pros: diversified basket of stocks; easy to trade; lots of funds to choose from
- Pros: Fees are very low; mostly passive index funds
 - Example: SPDR S&P 500 ETF (SPY)
- Cons: You don't have any control of the stock selection or management of the ETF

Mutual funds

- Pros: instant diversification; actively managed by professionals
- Cons: fees vary widely and are usually higher than ETFs



How to Invest



Self Directed Brokerage Firms

- Pros: Low cost option for savvy investors
- Cons: Little or no professional advice

Professional Wealth Managers / Investment Advisors

- Pros: Professional wealth management custom tailored to your needs
- Pros: Access to a team of experienced professionals
 - CFA, CFP, CPA, EA
- Cons: There is a management fee for these services

Investing Terminology

Fundamental

Economic Conditions
Sector Analysis
Industry Analysis
Revenue Growth
EPS Growth

Technical

Trendlines
Channels
Moving Avg
Momentum Indicators

Style Box

Large Cap
Mid Cap
Small Cap
Growth
Blend
Value





What is Fundamental Analysis

Fundamental analysis is a method of evaluating the intrinsic value of an asset and analyzing the factors that could influence its price in the future. This form of analysis is based on external events and influences, as well as economic conditions, financial statements and industry trends.

The primary focus of fundamental analysis to predict a companies earnings potential in the future and discount that to the present value

Example of Fundamental Analysis



Intrinsic Value Concept:

The price of a stock should be equal to the sum of the companies future earnings discounted to the present value.

A simplified way to calculate Intrinsic Value is

$$\text{EPS} * (1+r) * \text{PE}$$

Example of Fundamental Analysis

XYZ Company

TTM EPS = \$5

Expected Growth Rate (r) = 10%

TTM Price to Earnings = 10

$$5 * (1+.10) * 10 = \$55$$

If XYZ is trading above \$55 it is overvalued.

If it is trading under \$55 it is undervalued.



Other Methods Of Fundamental Analysis Include

Dividend Discount Model

CAPM Model

Discounted Cash Flow Model

At the core of all these models is EARNINGS!



What is Technical Analysis

Technical analysis is a means of examining and predicting price movements in the financial markets, based on an asset's chart history.

The primary focus of technical analysis to predict a stocks price action in the future.

Technical analysis ignores fundamentals and relies heavily on charts and patterns.

Example of Technical Analysis

Relative Strength Indicator (RSI)
Moving Averages (50, 100, 200 day Avg.)
Chart Patterns

*At the core of all these models is PRICE
ACTION!*

Example of RSI Analysis



Example of Moving Average Analysis



Example of Pattern Analysis



Wedge Formation



Head and Shoulders

Fundamental Vs. Technical Analysis

Neither method is 100%!

In our opinion Technical Analysis doesn't work! It ignores the one key factor that drives all stock market returns. EARNINGS!

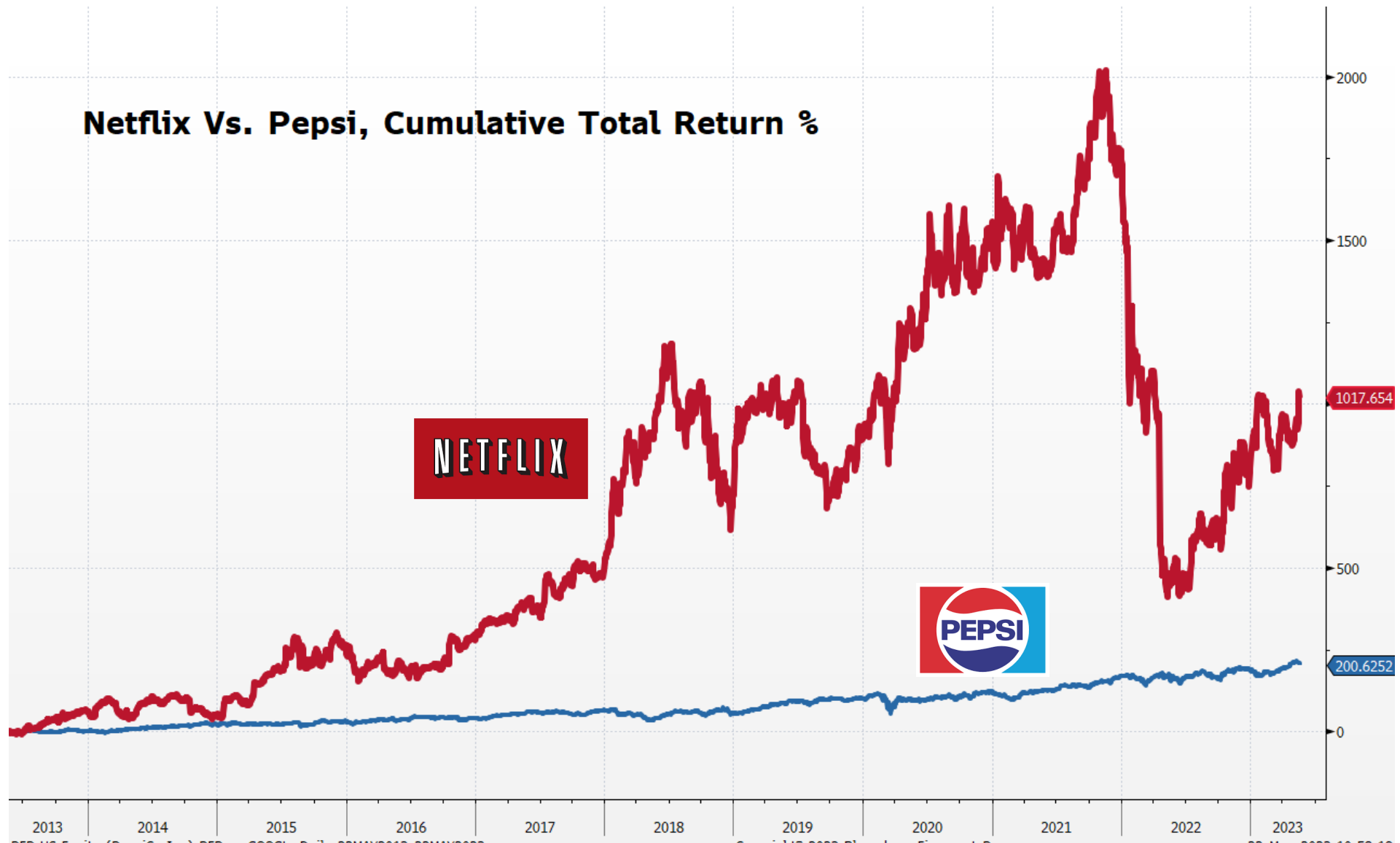
Although Fundamental Analysis doesn't work all of the time, it works most of the time. Keep in mind that market returns over time will generally follow corporate earnings.

Risk vs. Return

There's no free lunch!

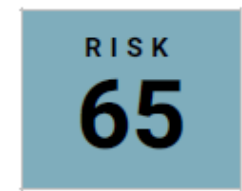
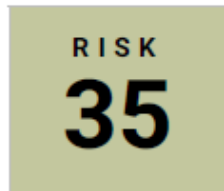
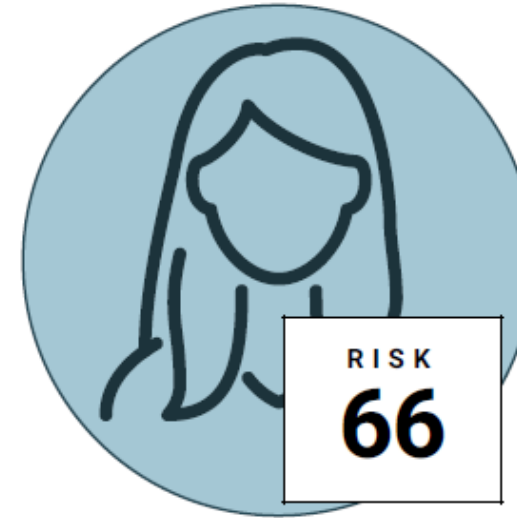


Risk vs. Return



Risk Tolerance

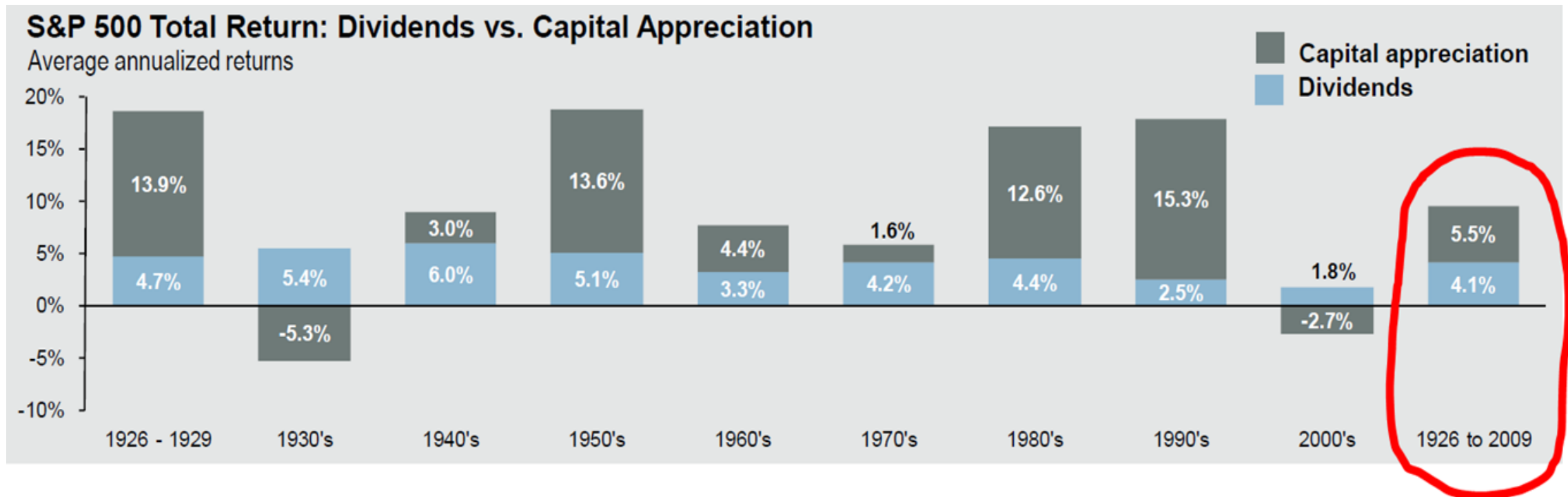
We combine our depth of investment knowledge, investment philosophy, and cutting-edge technologies to build smart investment strategies designed to help you succeed.



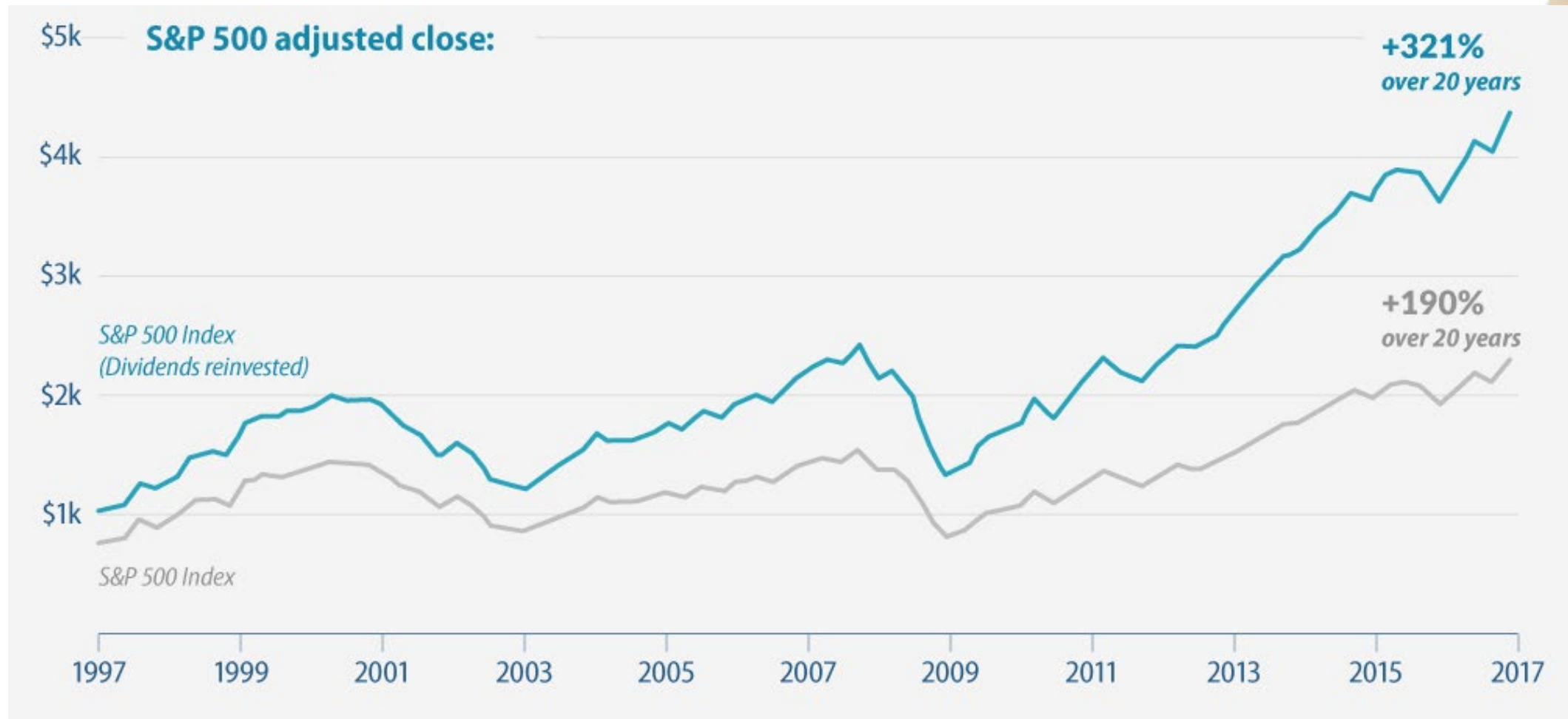
The old way of assessing risk, stereotyping investors and building investment strategies, simply doesn't work in today's markets.

Importance of Dividends

Collecting & reinvesting dividends accounts for over 40% of the S&P 500's total return since the 1920s



Reinvesting Dividends





Fixed Income Investing 101

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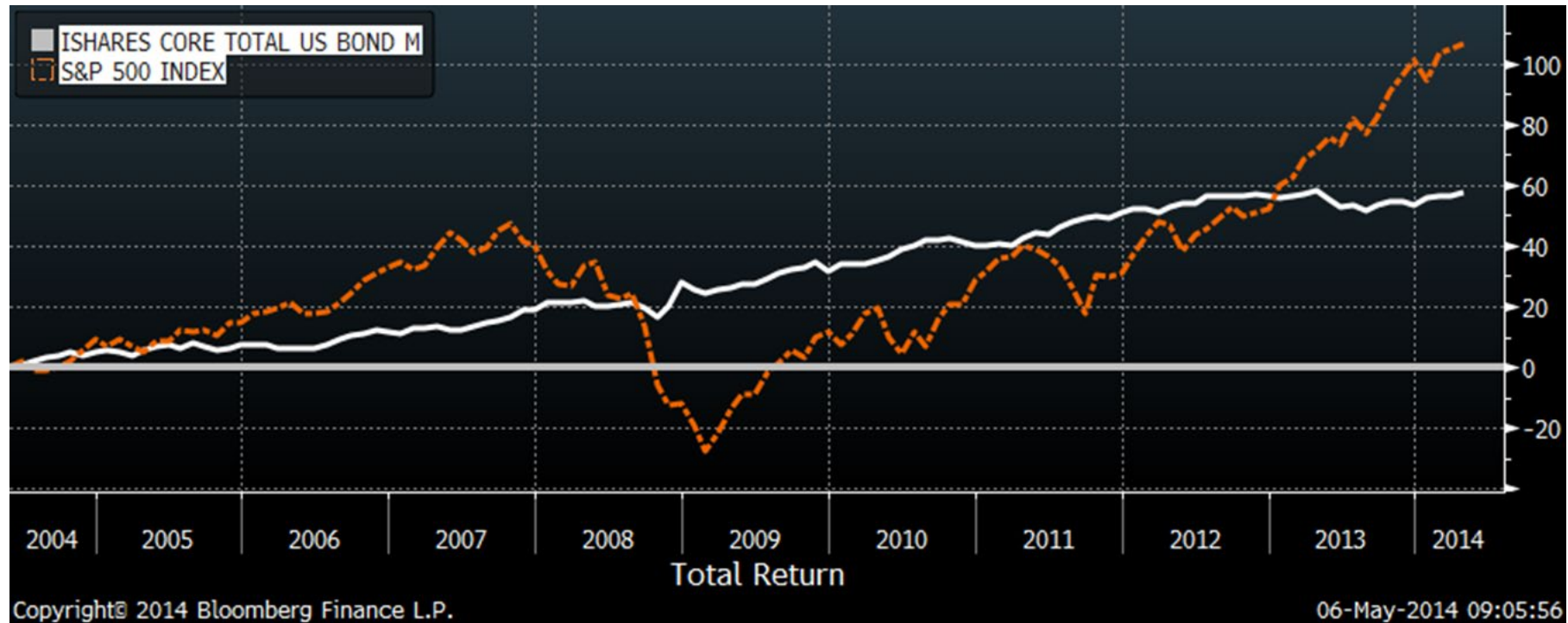
What Is Fixed Income?

- Think about it as a loan...
 - To a company (corporate bond)
 - To a government (Treasury bond or municipal bond)
 - To a bank (CD)
- Set maturity date, and fixed interest payments
 - Interest rate is called “coupon”, usually paid semi-annually
 - The longer the maturity, the higher the coupon
 - The higher the risk, the higher the coupon



Why Invest in Bonds?

Diversify your portfolio to limit risk over time



Bonds (especially Treasuries) are negatively correlated with stocks and tend to be less volatile

Why Invest In Bonds?

Provides you income that (hopefully) keeps pace with inflation

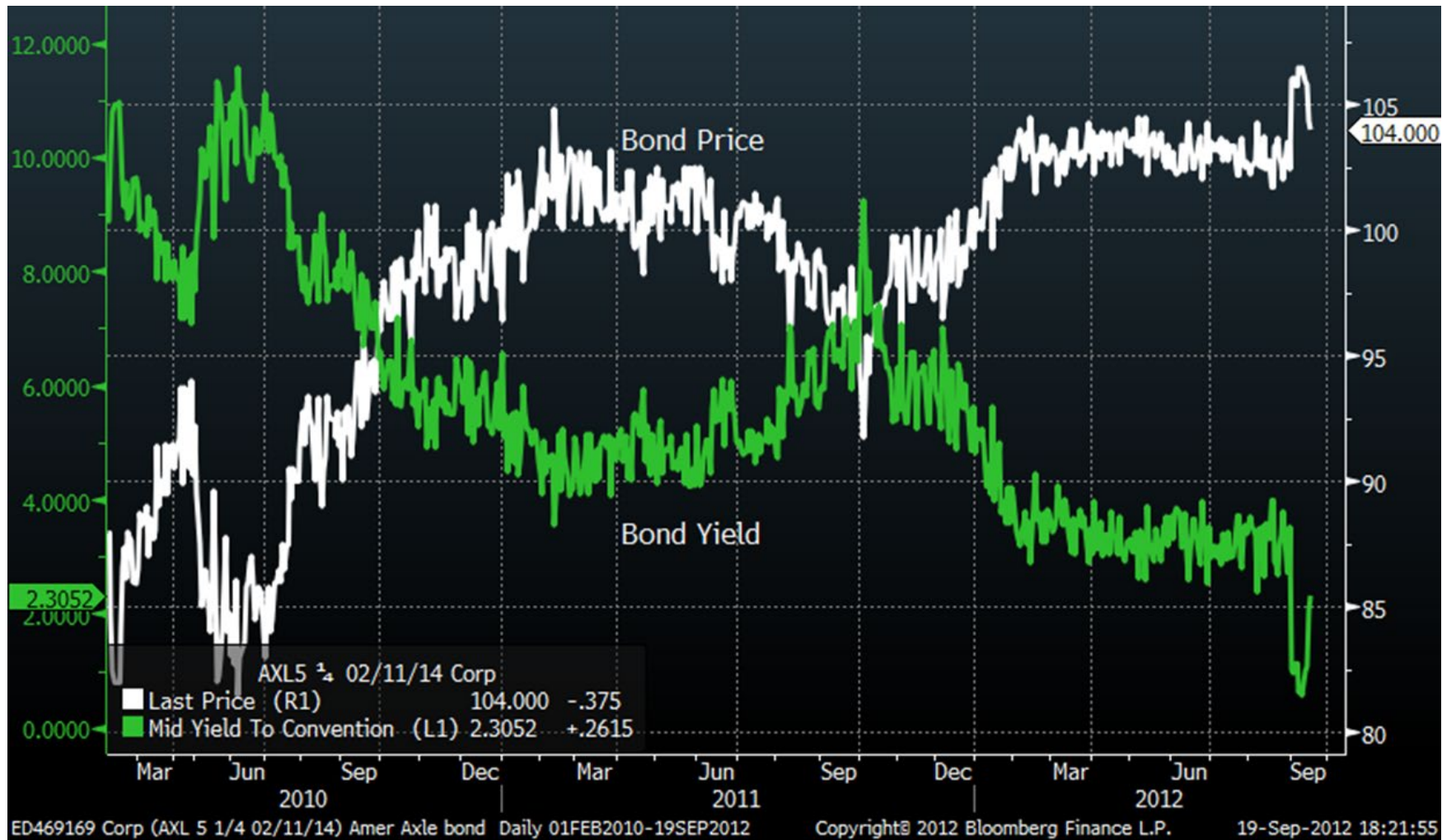
Bond Type:	Yield:
10-yr High Grade Corporate	3.40%
5-yr High Grade Corporate	2.80%
5-yr Junk Corporate	5.60%
10-yr US Treasury Note	2.40%
5-yr US Treasury Note	2.20%
10-yr AAA Municipal Bond	1.75%
5-yr AAA Municipal Bond	1.55%
1-yr CD 1.45% - 2.5%	1.5% - 2.5%

How Does A Bond Work?

- Bonds Issued in increments of \$1,000 (“par value”)
 - Price of any bond moves over time until its maturity
 - Prices are listed as a % of that original \$1,000 (for example \$100 = 100%)
 - You can also think of it this way: \$100 = 100 cents on the dollar
- Interest rates are the key driver of bond prices
 - Inverse relationship between a bond’s yield and its price
 - What if you don’t invest in a bond at its beginning (“issue date”)?



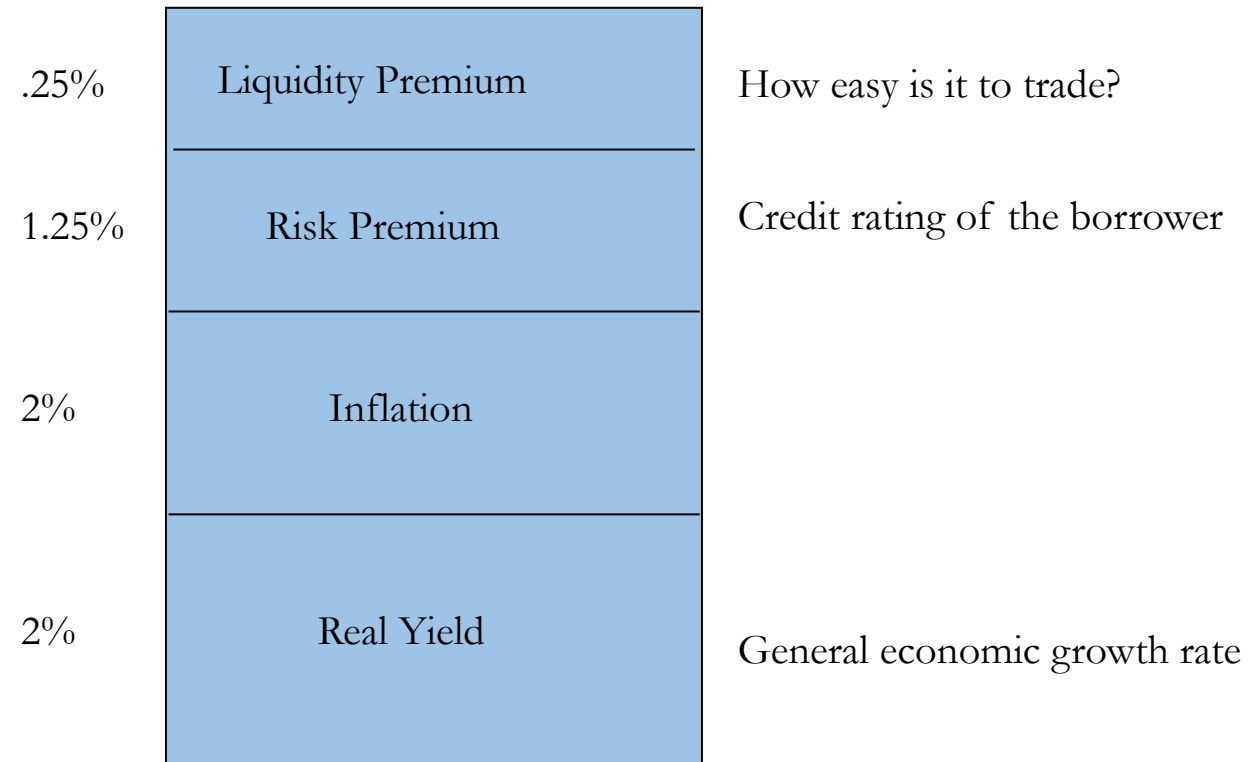
Bond Prices vs. Yield



Components Of A Bond Yield

5.5% = Bond Yield

These numbers are fluid...changing all time. And that creates risk.



How To Invest in Bonds

- Individual Bonds

- Corporates, Treasuries, Municipals, Sovereigns
- Huge variance within each category (i.e. zero coupons, convertibles, asset-backed)
- Maturity and yield preference, credit research
- Do not trade on an exchange – prices negotiated with a broker

- Exchange Traded Funds (ETFs)

- A bond fund, similar to a mutual fund
- Mostly managed passively to an index
- No maturity date
- Low cost, well diversified
- Trade like stocks on an exchange
- Some pay monthly, some pay quarterly
- Example: iShares iBoxx Investment Grade Corporate Bond Fund (LQD)

- Mutual Funds

- Actively managed
- No maturity date
- Fees vary widely (fund classes A, B, C, I) and are usually on the high end
- Some have early withdrawal penalties
- Example: PIMCO Total Return Fund (PTTRX)



Avoiding Pitfalls with Bonds

- **Buying a bond is like buying a used car – Beware!**
 - Valuing a bond is difficult unless you know all its characteristics
 - Everyone gets paid – what’s the “concession”?
- **Don’t fixate on Coupon**
 - Coupon is only useful information if the bond is trading at \$100
 - Yield to Maturity is the only yield you need to know
- **Know the going price for a used car**
 - FINRA Website: <http://finra-markets.morningstar.com/BondCenter/Default.jsp>
 - MSRB Website: <http://emma.msrb.org/MarketActivity/RecentTrades.aspx>



Avoiding Pitfalls with Bonds

- Look for new issues and plan to hold to maturity
 - This gets around any interest rate risk
 - Avoid having to sell to a broker
- Size matters
 - Buying in bulk gets you a better price



Avoiding Pitfalls with Bonds

Real World
Example:

Client paid
\$114.73 for a bond
with a 6.625%
coupon.

The actual yield he
will receive over
the life of the
bond: 3.06%

YA
Screen Printed
MS 6 5/8 04/01/18 Corp 90 Feedback Yield and Spread Analysis 95 Buy 96 Sell 97 Settings

1) Yield & Spread 2) Graphs 3) Pricing 4) Descriptive 5) Custom

MS 6 5/8 04/01/18 (6174466Q7)

Spread	164.42 bp	vs	5yT 1 3/8 09/30/18	Risk	Workout	OAS
Price	114.73		99-24 3/4	Mod Duration	3.908	3.944
Yield	3.066492	Wst	1.422328 S/A	Risk	4.493	4.535
Wkout	04/01/2018 @ 100.00		Yld 6 6	Convexity	0.183	0.186
Settle	10/15/13		10/10/13	DV 01 on 1MM	449	453
Trade	10/09/13		Retro (Using input price)	Benchmark Risk	4.778	4.846
				Risk Hedge	940 M	936 M
				Proceeds Hedge	1,152 M	

Spread	Yield Calculations
11) G-Sprd	183.1
12) I-Sprd	168.6
13) Basis	-42.7
Z-Sprd	173.9
ASW	183.3
OAS	189.3
TED	-172.2

Street Convention	3.066492
Equiv 1 /Yr	3.090000
Mmkt (Act/ 360)	
True Yield	3.064515
Current Yield	5.774427

After Tax (Inc 43.400 % CG 23.80 %) 1.123605

Invoice	
Face	1,000 M
Principal	1,147,300.00
Accrued (14 Days)	2,576.39
Total (USD)	1,149,876.39

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
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SN 542688 PDT GMT-7:00 G447-87-3 06-May-2014 10:07:31



Accepting Referrals



Jayce Lowe
Wealth Manager

I am the firm's go-to advisor for client servicing needs. I work closely with my clients to turn their financial goals into customized strategies. Over the past decade, I have served clients by providing investment management, financial planning, and insurance knowledge to create a comprehensive approach to each client's financial situation. I hold a degree in Personal Financial Planning from Texas Tech University. When I am not serving my firm, I spend time outdoors working on projects or going on hikes with my wife.

Specialized Services Offered



Financial Planning Solutions

If you need answers to a laser-focused problem or a strategy to manage your complex financial plan, I build a road-map to meet your money goals through every stage of your life. Our ongoing holistic approach keeps you aligned to reality to support overall financial health.



Investment Solutions

My in-house investment committee provides stock, bond, and fund portfolios to support wealth accumulation, income generation, and capital preservation. I personalize your total portfolio for maximum impact and efficiency.



Tax Solutions

Having access to the firm's tax expertise may create the added savings you need. My team provides tax planning, preparation, and strategies for a variety of investment and personal needs. This service may help you keep more money in your pocket.

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Q & A

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