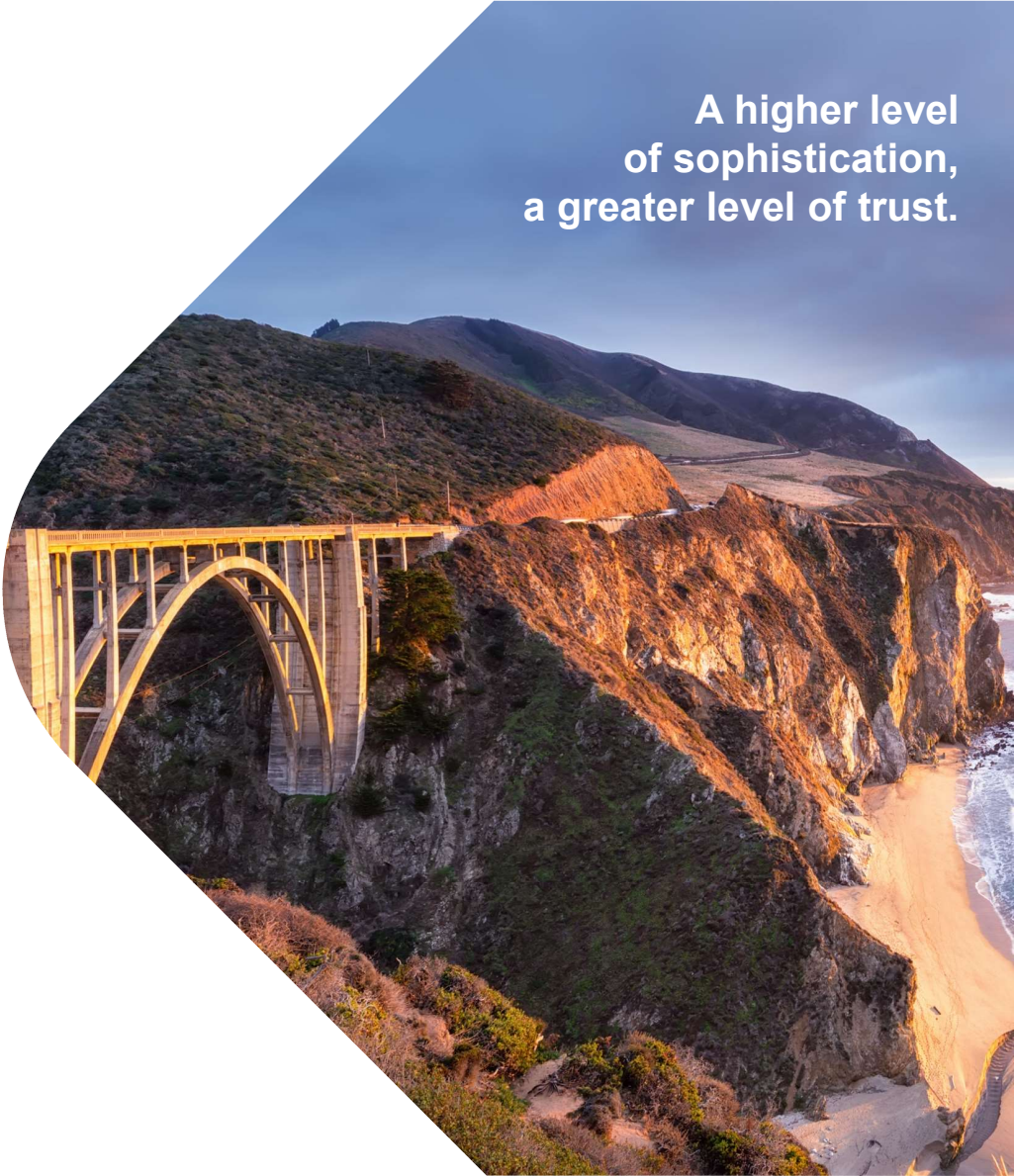




## World of Investments

**It's Your Money**  
May 17<sup>th</sup> 2024

450 Newport Center Drive, Suite 630, Newport Beach, CA 92660  
(949) 644 4444 / [www.knightsb.com](http://www.knightsb.com) / [knightsbridge@knightsb.com](mailto:knightsbridge@knightsb.com)



A higher level  
of sophistication,  
a greater level of trust.



# Your Presenter

## **Kurt Beimfohr** Principal

### **Experience:**

20+ years investing experience  
Equities and fixed income  
Financial planning

### **Previous Employers:**

PIMCO  
Gurtin Municipal Bond Management

### **Education:**

BA – Claremont McKenna College  
MBA – UVA Darden

Kurt has been building investment portfolios and helping clients achieve their goals since 2003. Prior to joining Knightsbridge, Kurt was the President of Buffalo Capital Corporation. Prior to that, he was on the portfolio management team for a boutique municipal bond manager with approximately \$7 billion in assets under management. Before that, he spent five years at Pacific Investment Management Company (PIMCO). Kurt earned his MBA from the University of Virginia's Darden School of Business. He received his BA in economics from Claremont McKenna College where he was on the Men's Basketball Team. He currently serves on the board of LEAD OC.



# Ask First – Kurt Beimfohr

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):

MBA from University of Virginia Darden School of Business

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.
Series 65	Investment Advice	State of CA	CA#6050202

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)
% of assets under management (declines annually)	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: 3/26/2024	Business Name: Knightbridge Wealth Management
Signature: Kurt Beimfohr	Address: 450 Newport Center Drive, Suite 630
Print Name: Kurt Beimfohr	Telephone: (916) 476-2799



# Today's Agenda

1. The power of the stock market



2. Bonds are good



3. Cash is King (for now)



4. What does a good investment advisor look like





# The Basics on Stocks



# 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



# Different Ways to Invest in the Stock Market

- Individual stocks
- Mutual funds
- Exchange-traded funds (ETFs)
- Brokerage firms
- Investment Advisors



# The Investment “Style Box”

Morningstar Style Box™

			Large
			Medium
			Small
Value	Blend	Growth	





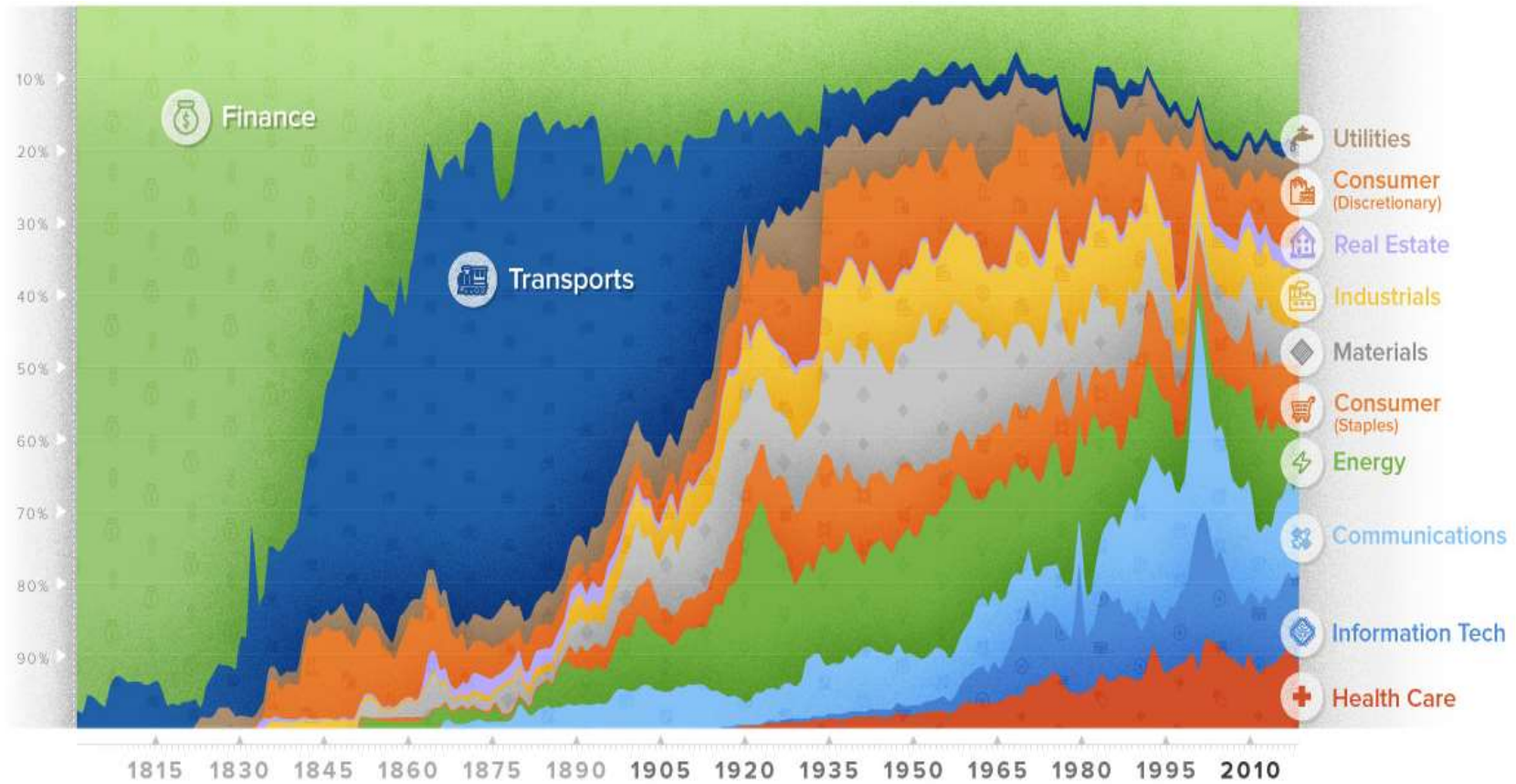
# Investing on Company Fundamentals

## 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)



# Evolution of the Stock Market

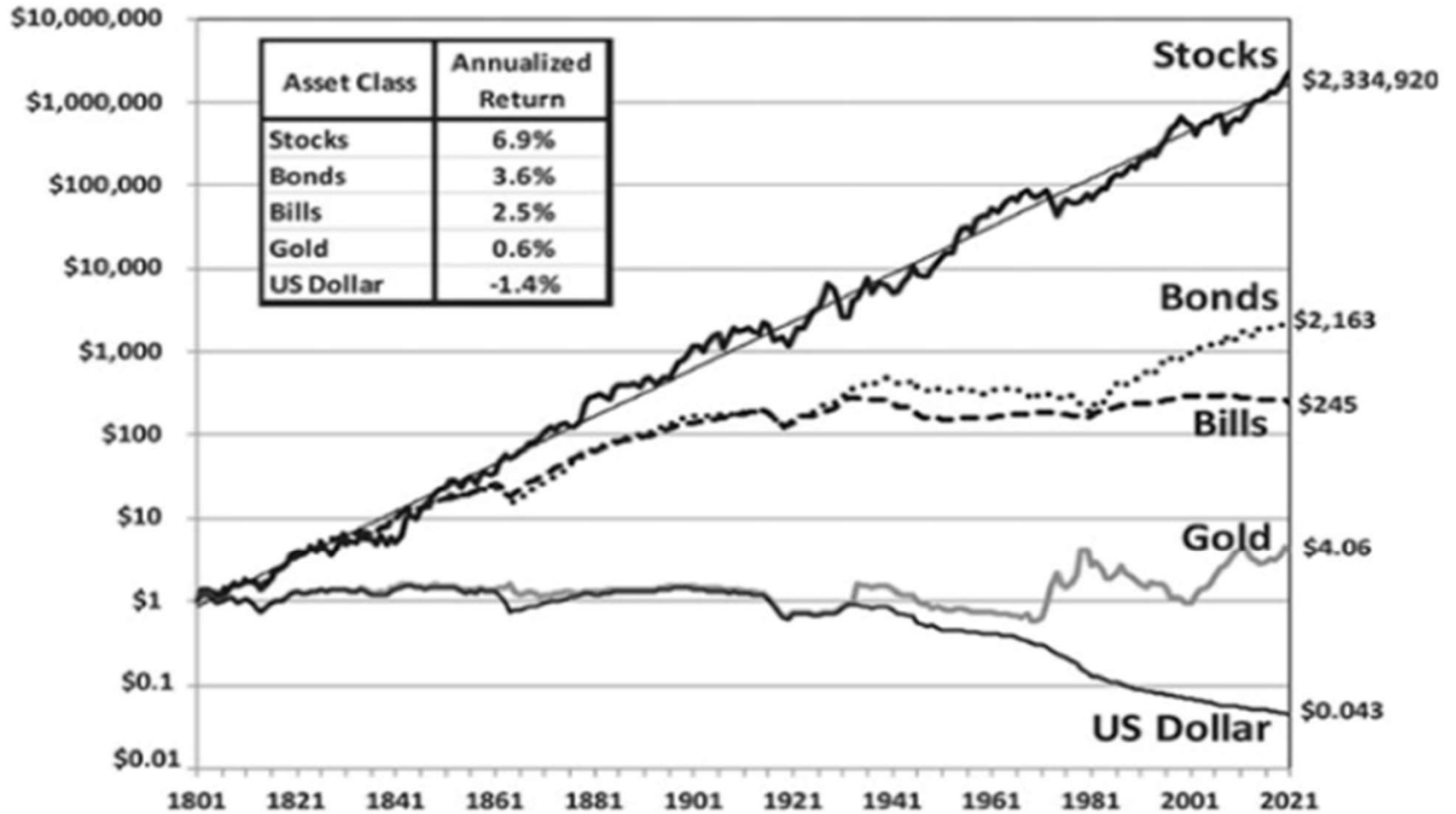




# The Power of the Stock Market

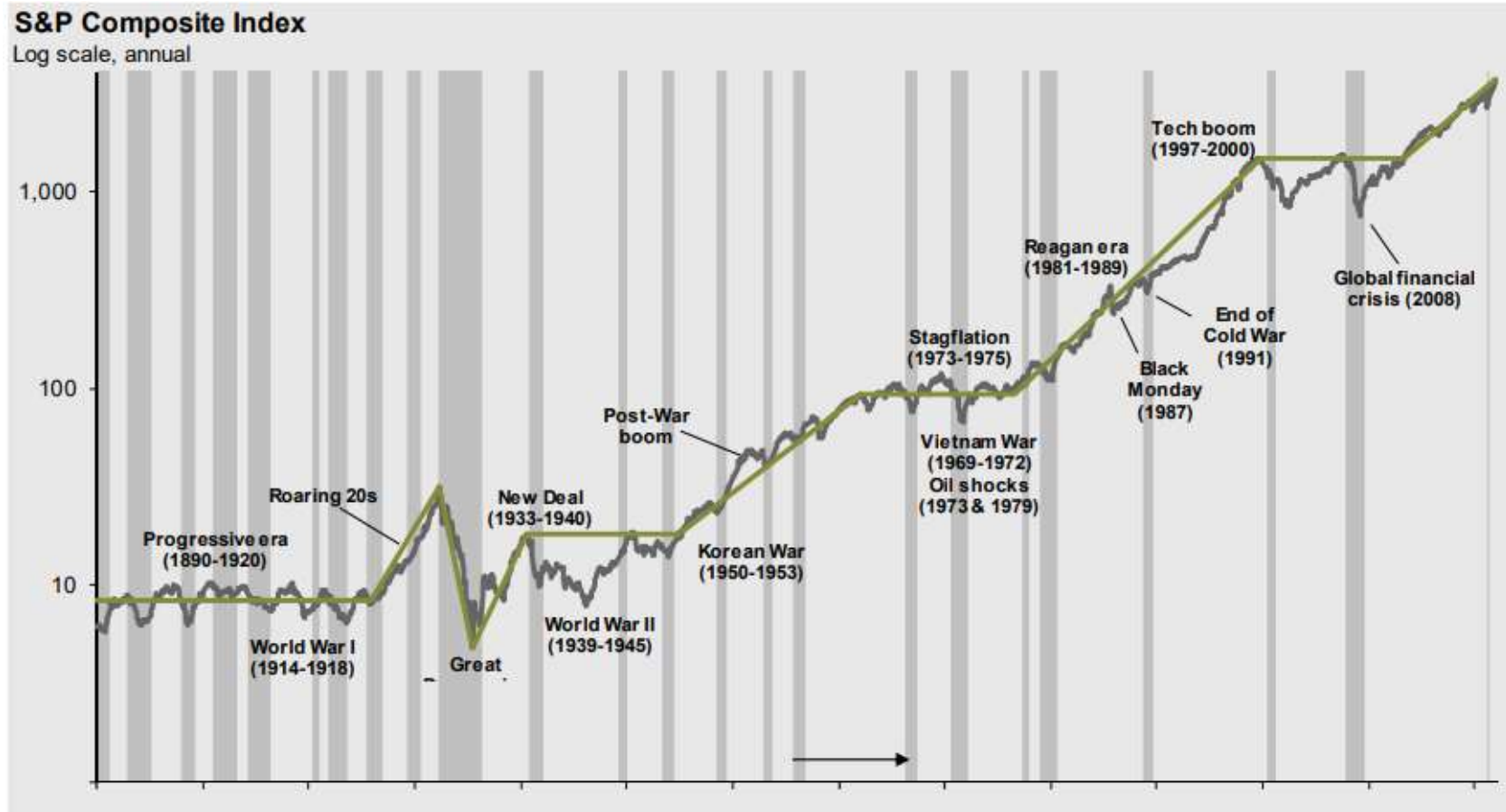


# Historical Annualized Return by Asset Class



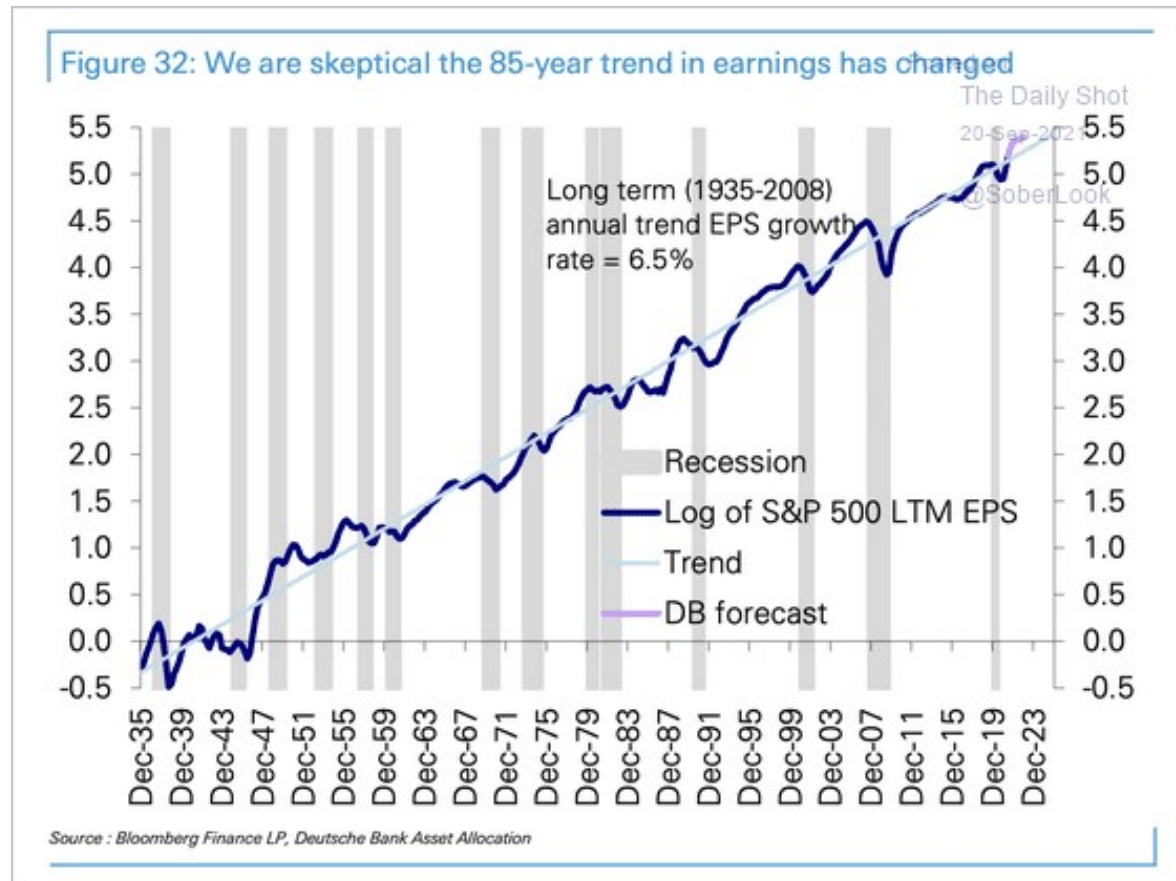


# The Stock Market Rises Through Time and Events





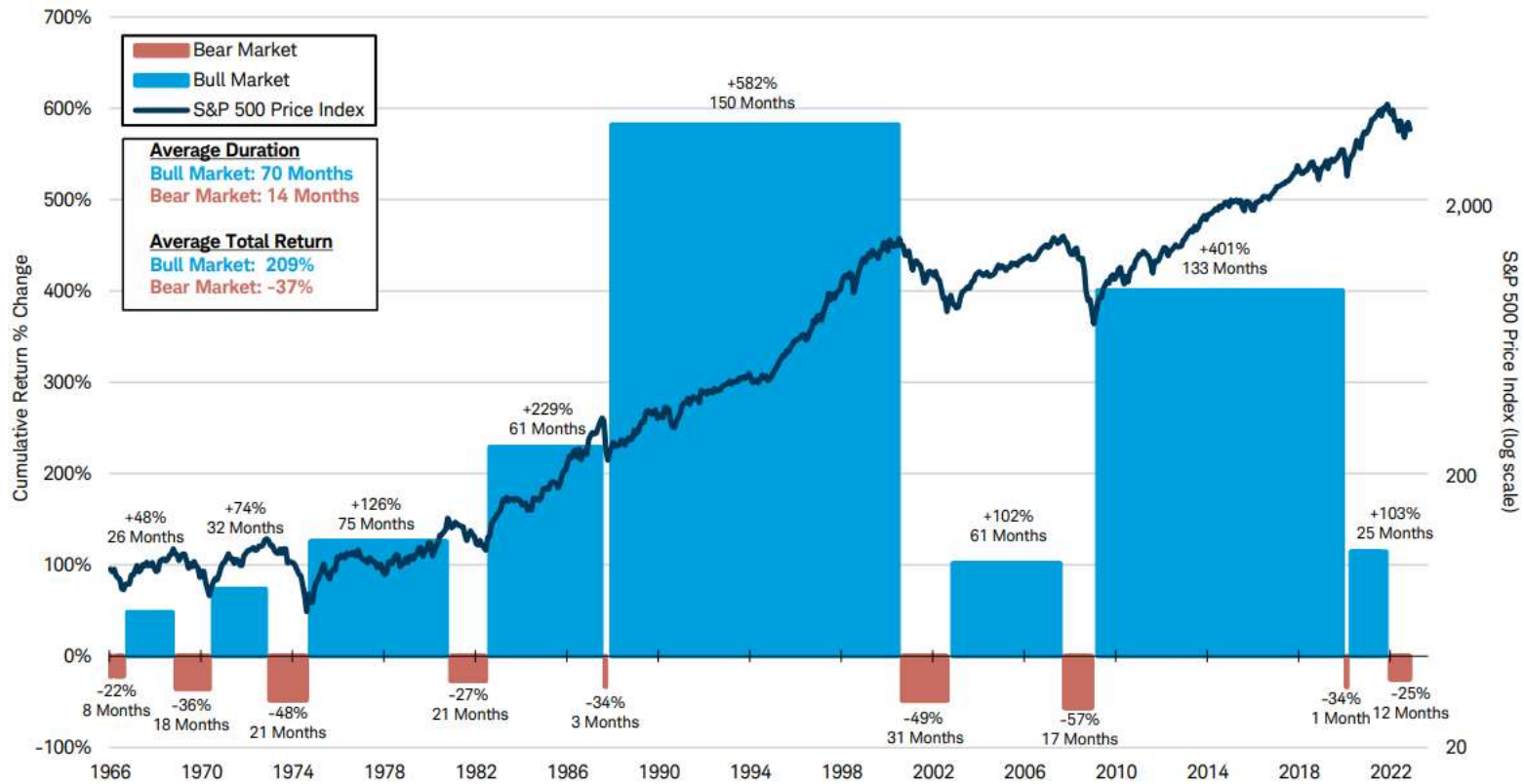
# Corporate Earnings Drive Stocks Higher





# U.S. bull and bear markets

With most markets hitting bear market territory this year, it is notable that bull markets have generally been longer in duration and greater in magnitude than bear markets, resulting in gains over time.

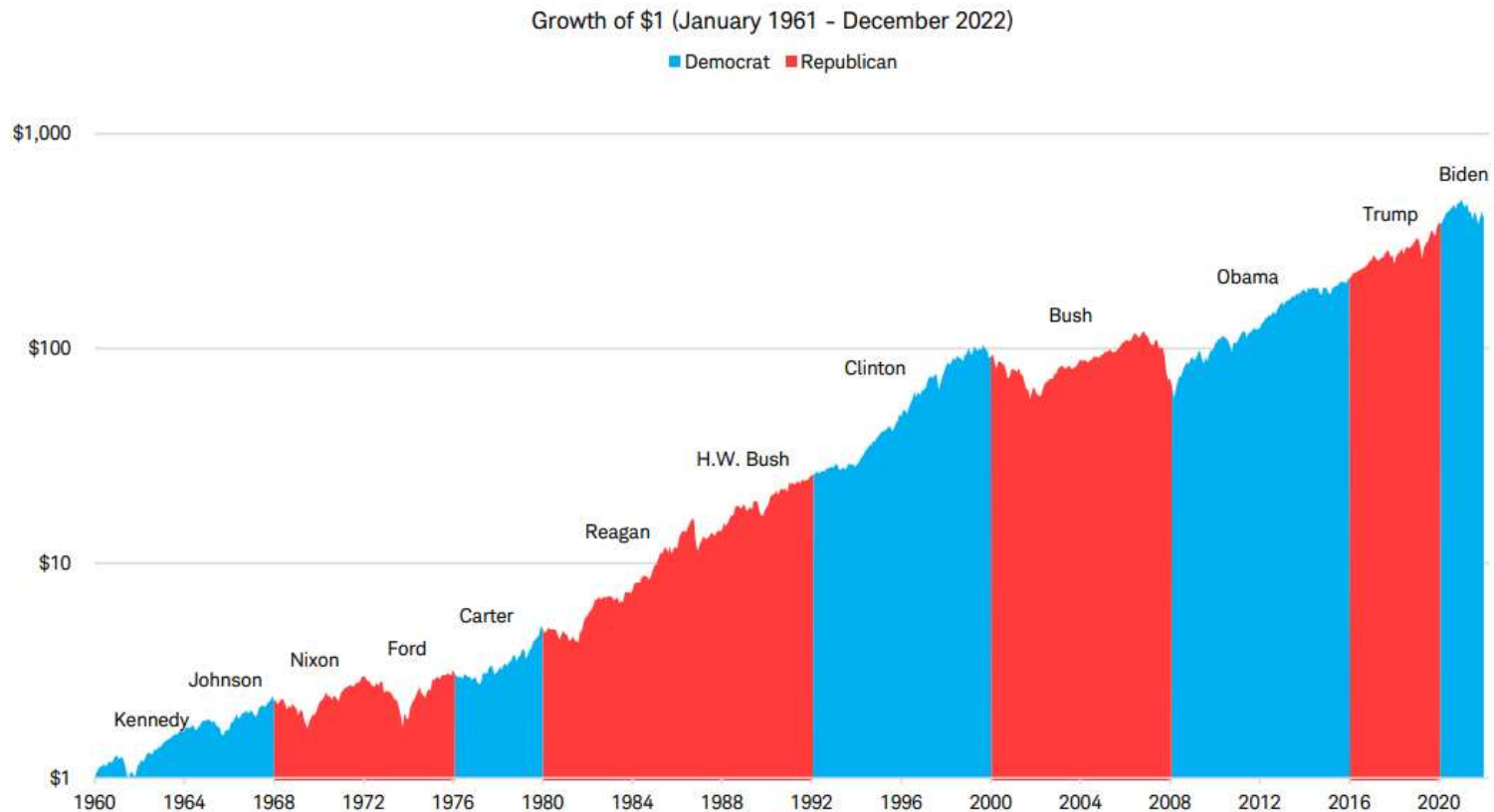




# Don't Bring Politics to Investing

## Politics versus sound investment principles

Markets have historically rewarded long-term investors regardless of the presidential party.



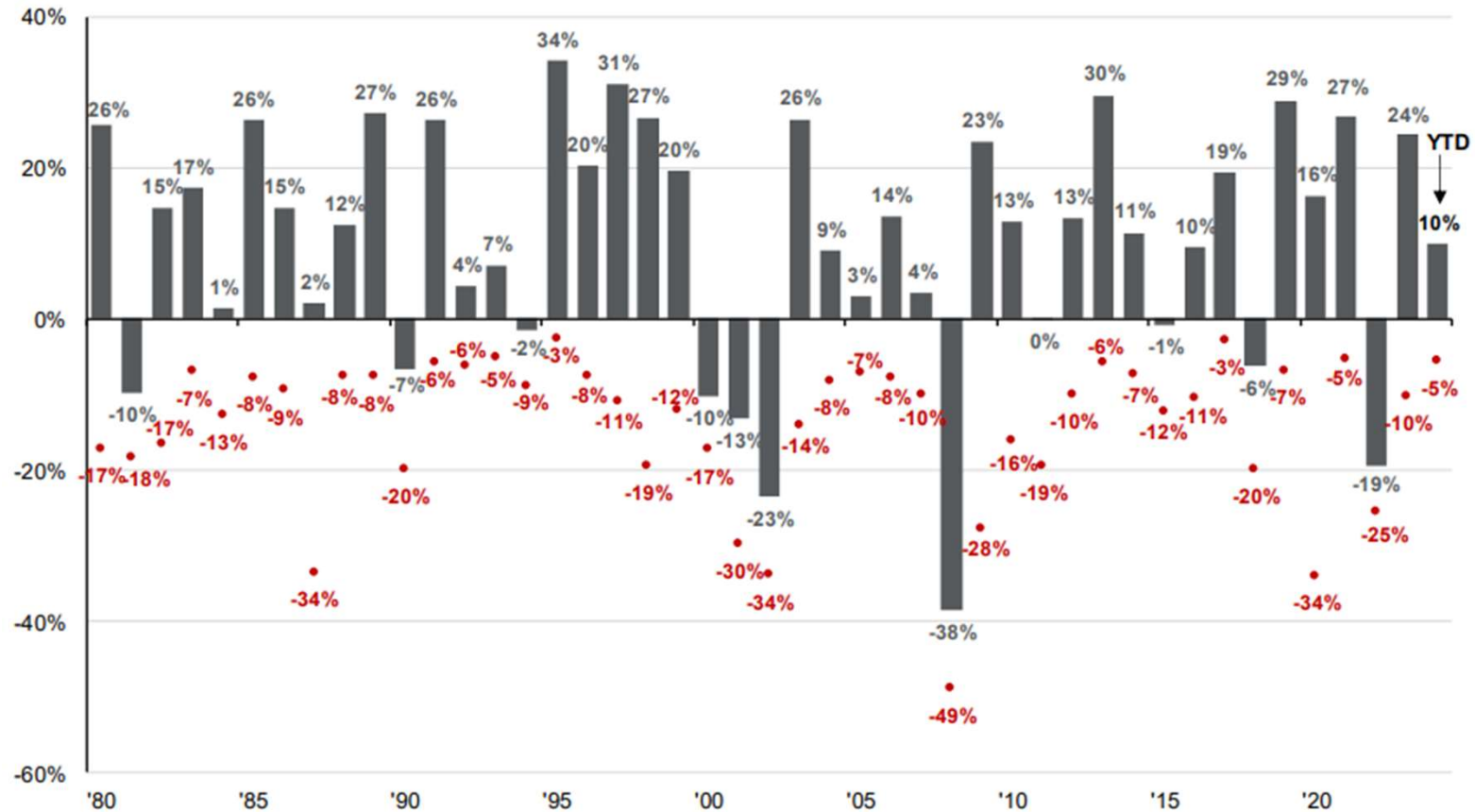




# Accept that Stocks Fluctuate in the Shorter Term

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

Despite average intra-year drops of 14.2%, annual returns were positive in 33 of 44 years



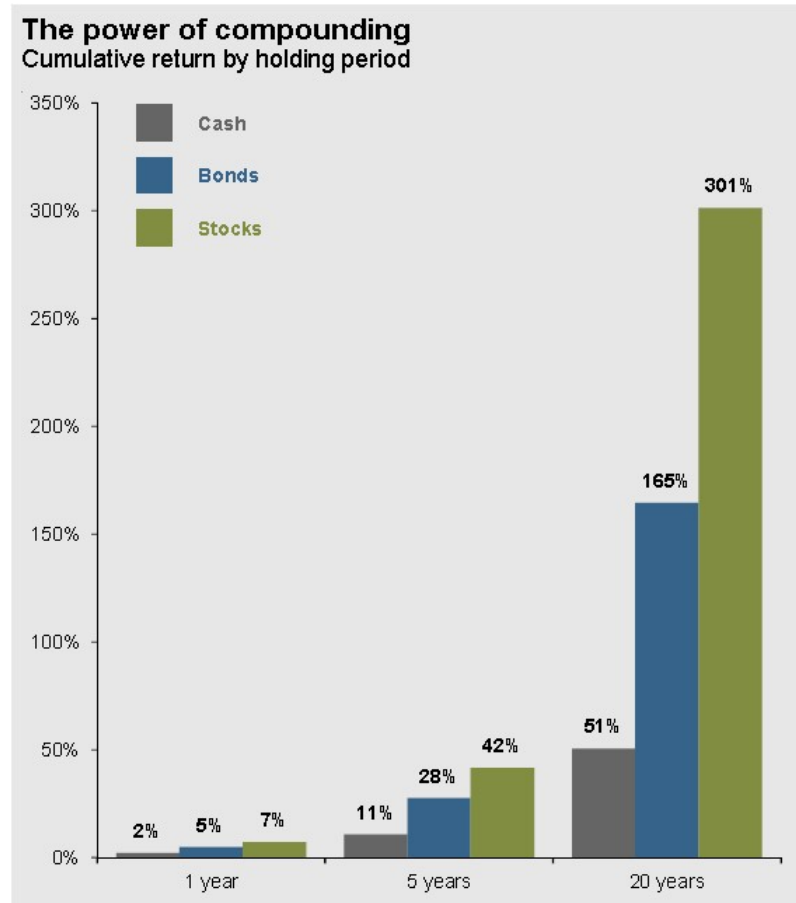


## Stocks Have Delivered Positive 5-Year Returns 80% of the Time





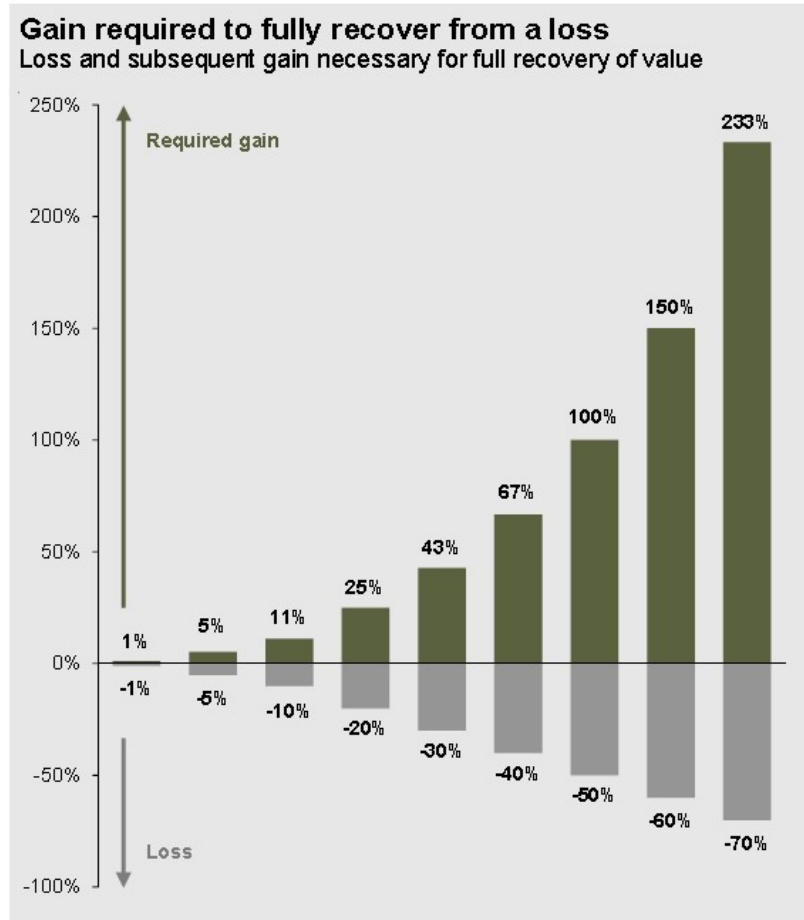
# Stock Returns Compound Over Time



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

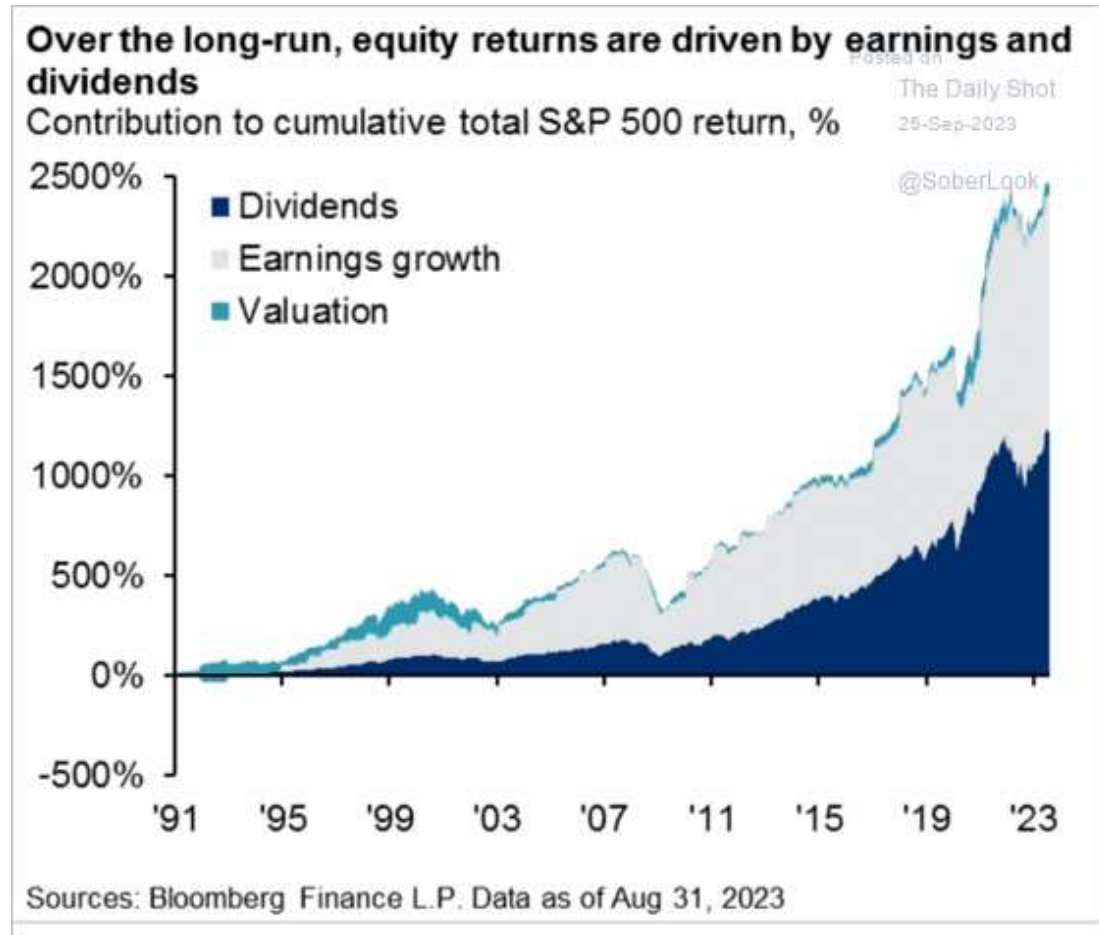


# But Don't Speculate in the Stock Market





# Own Dividend Paying Stocks



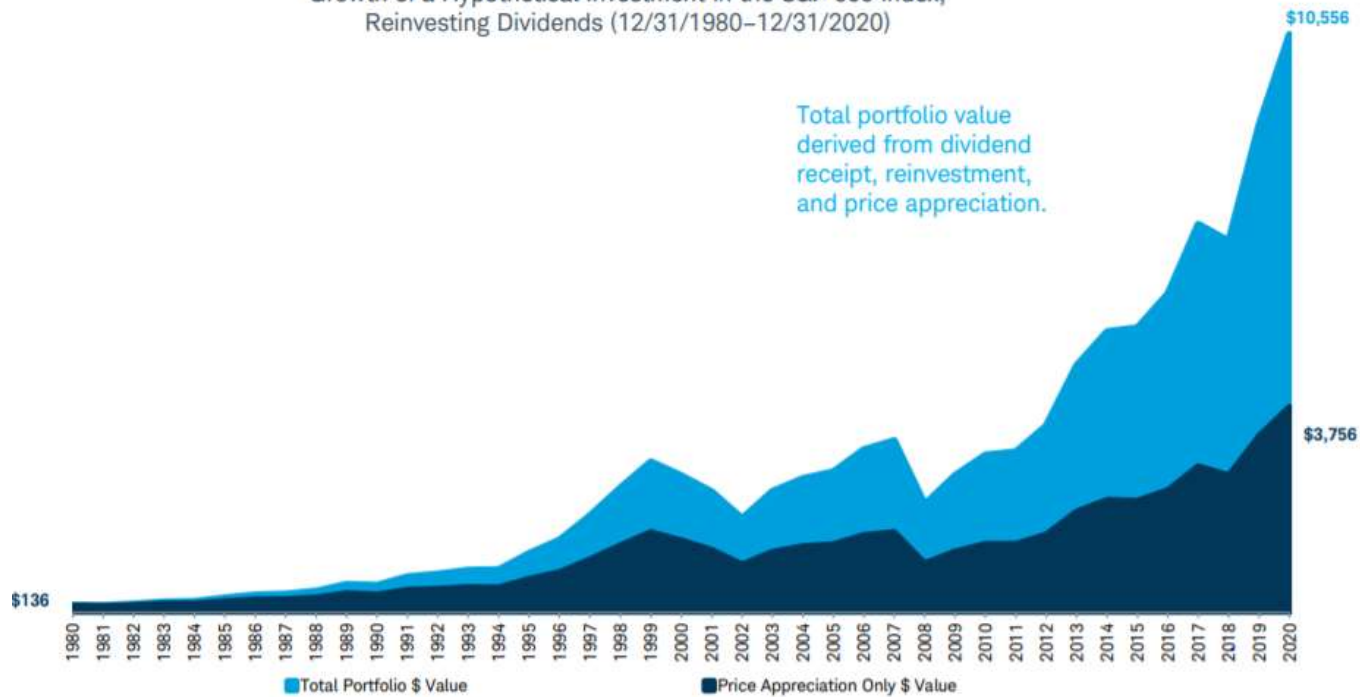


# Reinvest Your Dividends

## Impact of dividends on total return

Dividend-paying stocks are another income-generating security.

Growth of a Hypothetical Investment in the S&P 500 Index,  
Reinvesting Dividends (12/31/1980-12/31/2020)



Growth of the S&P 500 Total Return Index assumes reinvestment of dividends, includes capital gains, and does not reflect the effect of taxes and fees. Source: S&P Global Indices and Bloomberg as of 12/31/2020. Indexes are unmanaged, do not incur fees or expenses, and cannot be invested in directly. **Past performance is no guarantee future results.**



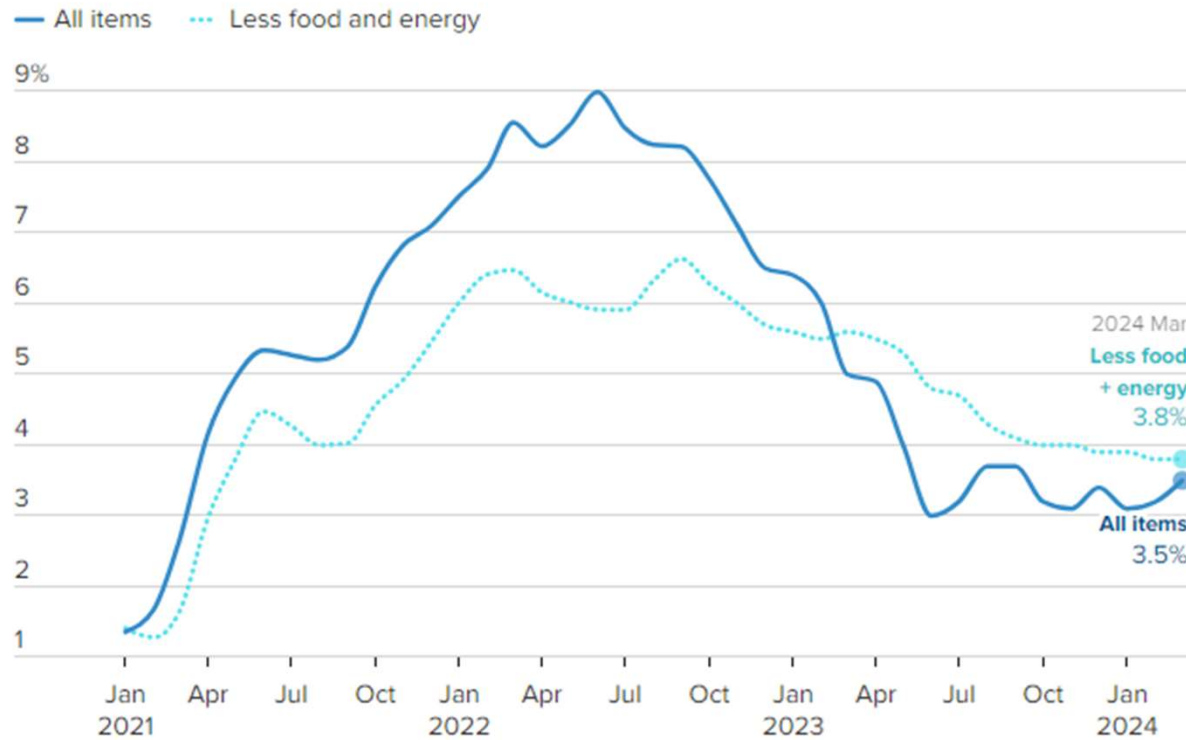
# Current Stock Market Conditions



# Inflation Has Retreated From Multi-Decade Highs

## U.S. consumer price index

Year-over-year percent change January 2021–March 2024

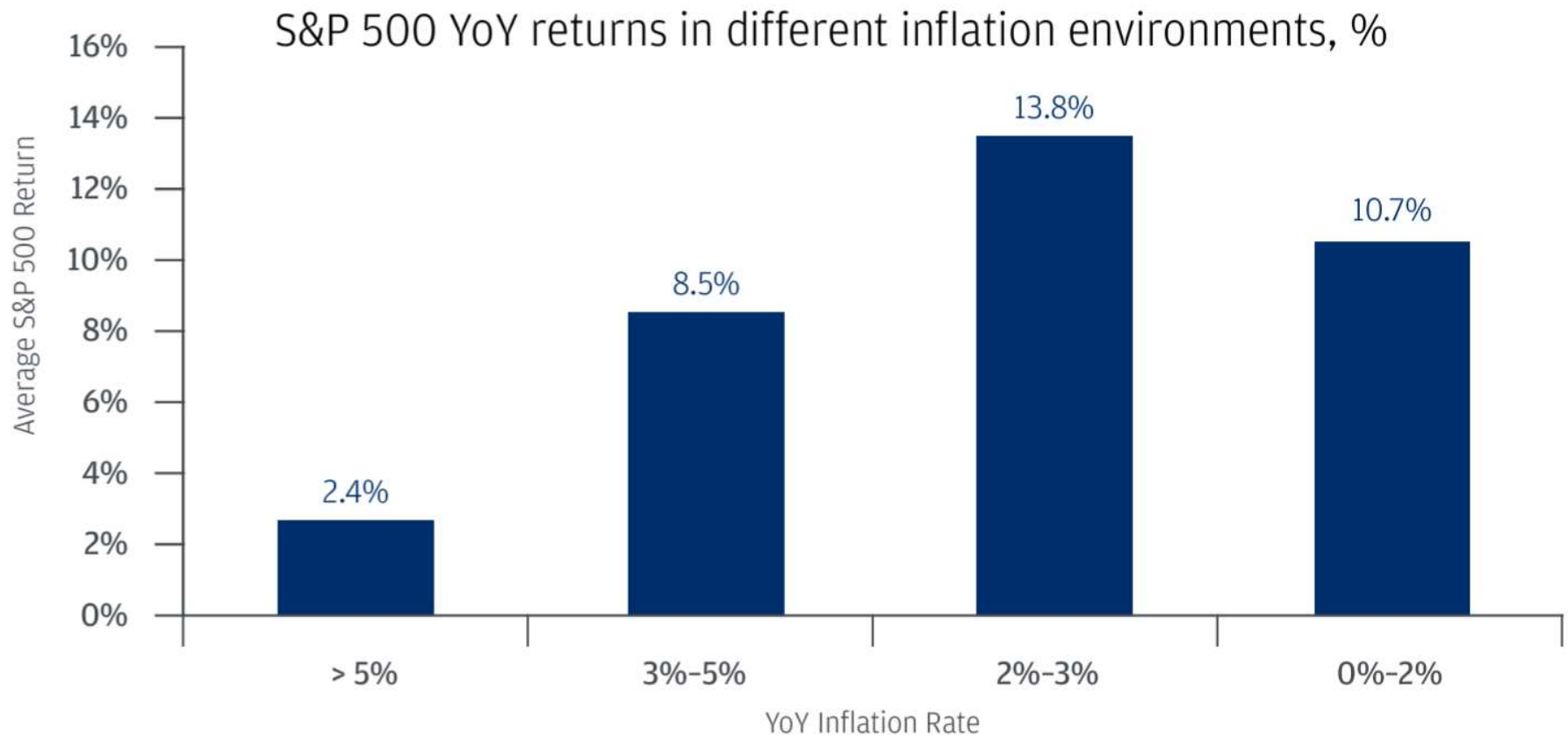


Source: U.S. Bureau of Labor Statistics  
Data as of April 10, 2024





## Equities Tend To Do Well When Inflation Ranges Between 2% And 3%



Source: Bloomberg Finance L.P. Data as of November 17, 2023.

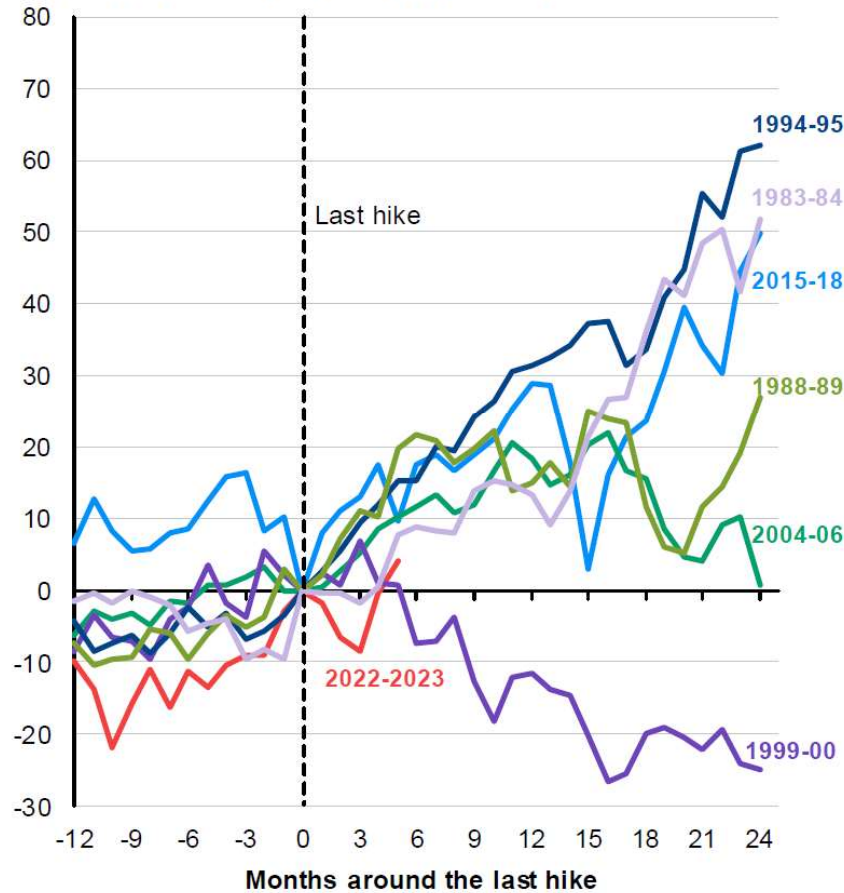
**Past performance is no guarantee of future results.** It is not possible to invest directly in an index.



# Market Returns Strong When Fed Finished Hiking

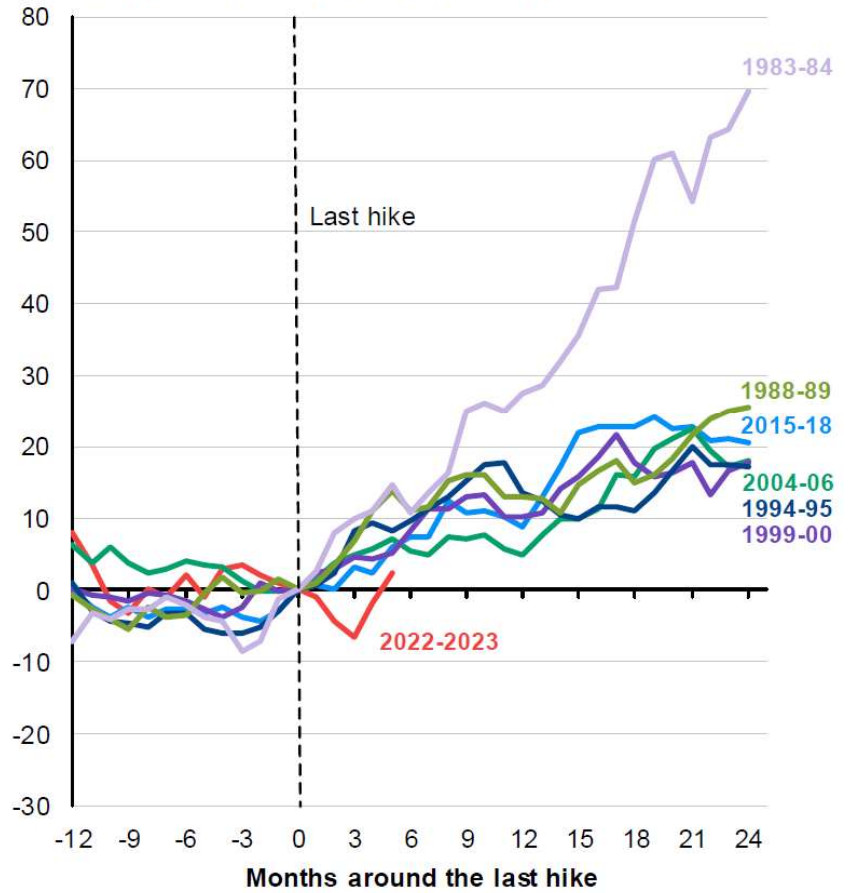
### S&P 500 returns around the end of a Fed hiking cycle

%, price return, indexed to zero at the last hike



### U.S. 10-yr returns around the end of a Fed hiking cycle

%, total return, indexed to zero at the last hike



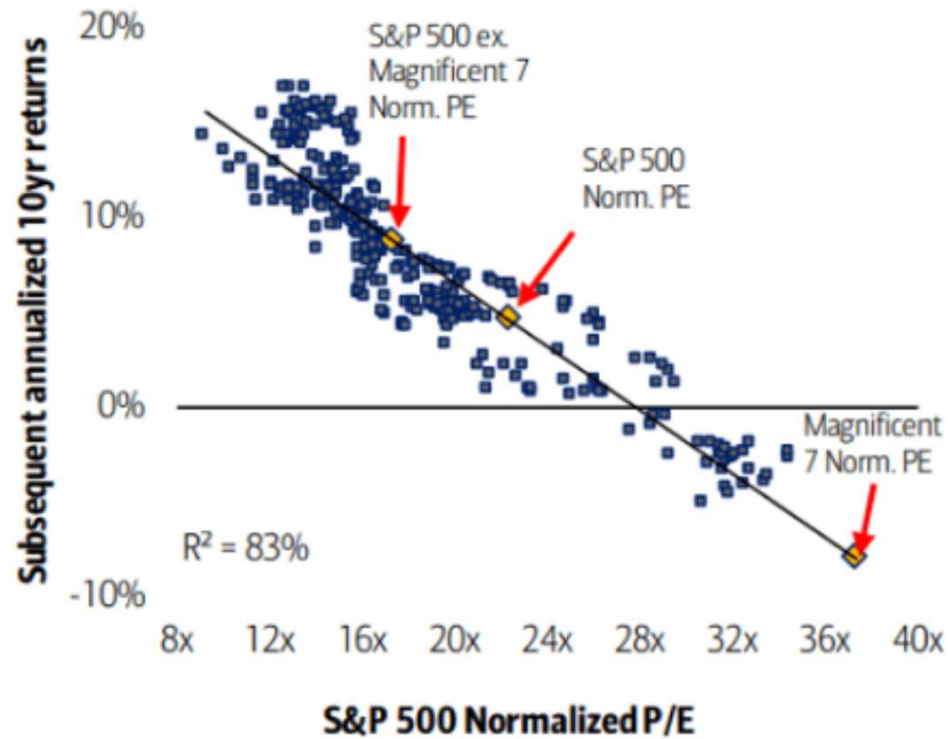


# Favorable Long-Term Value

**Exhibit 31: Valuation explains 80% of returns over the next decade**  
S&P 500 normalized P/E vs. subsequent annualized returns (since 1987, forecasts as of 11/17/23)

The Daily Shot  
22-Nov-2023

@SoberLook

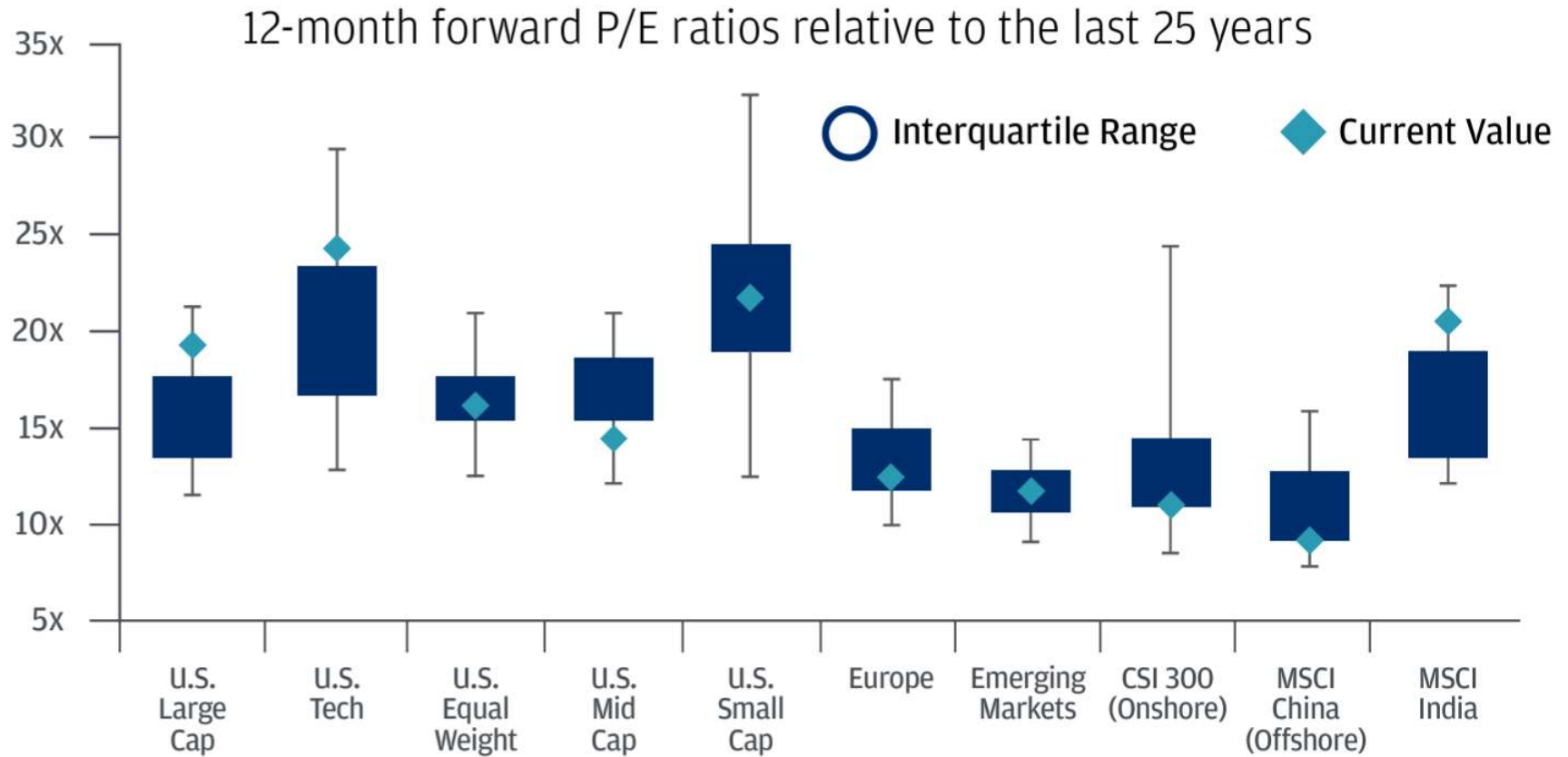


Source: BofA US Equity & Quant Strategy, FactSet, Haver Analytics

BofA GLOBAL RESEARCH



# Despite Higher Interest Rates, Valuations Seem Reasonable Across Global Markets



Source: Bloomberg Finance L.P. Data as of November 17, 2023.

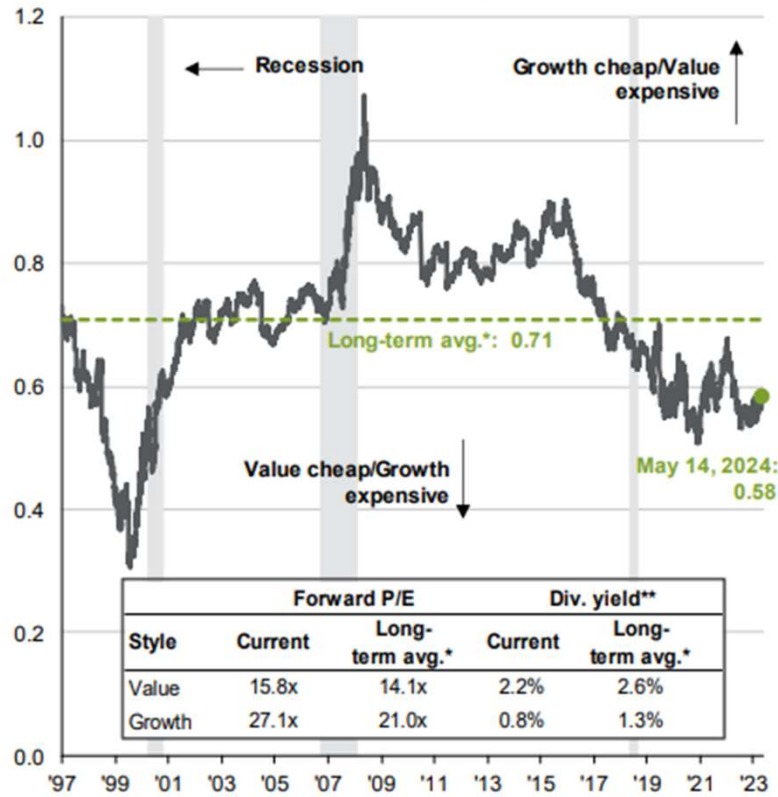
**Past performance is no guarantee of future results.** It is not possible to invest directly in an index.



# Value More Compelling When Rates are Higher

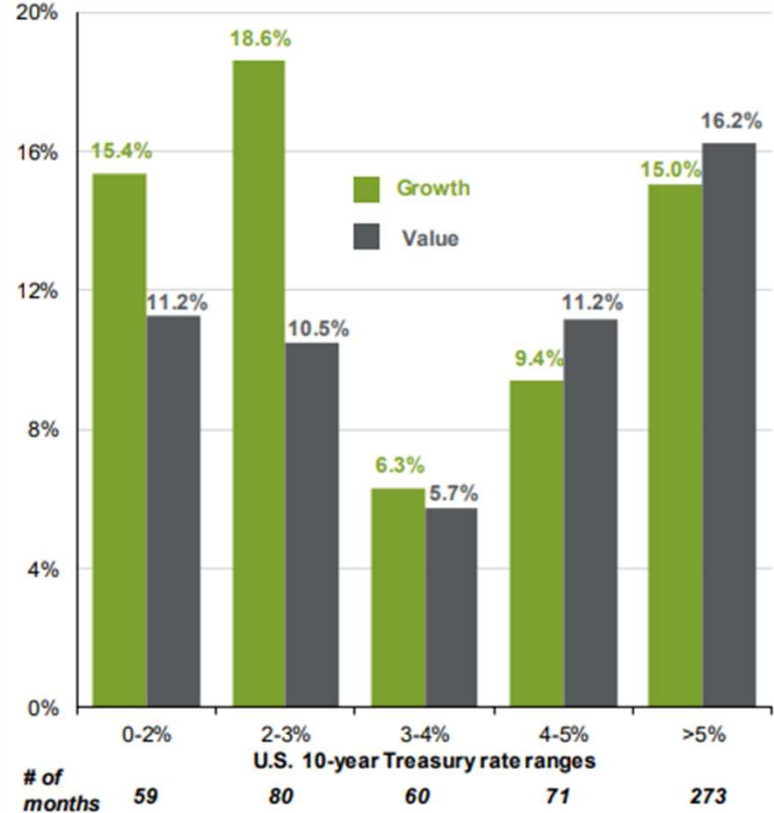
## Value vs. Growth relative valuations

Rel. fwd. P/E ratio of Value vs. Growth, 1997 - present



## Value vs. Growth in different interest rate environments

Annualized total return by 10-year Treasury rate ranges, 1979 - present

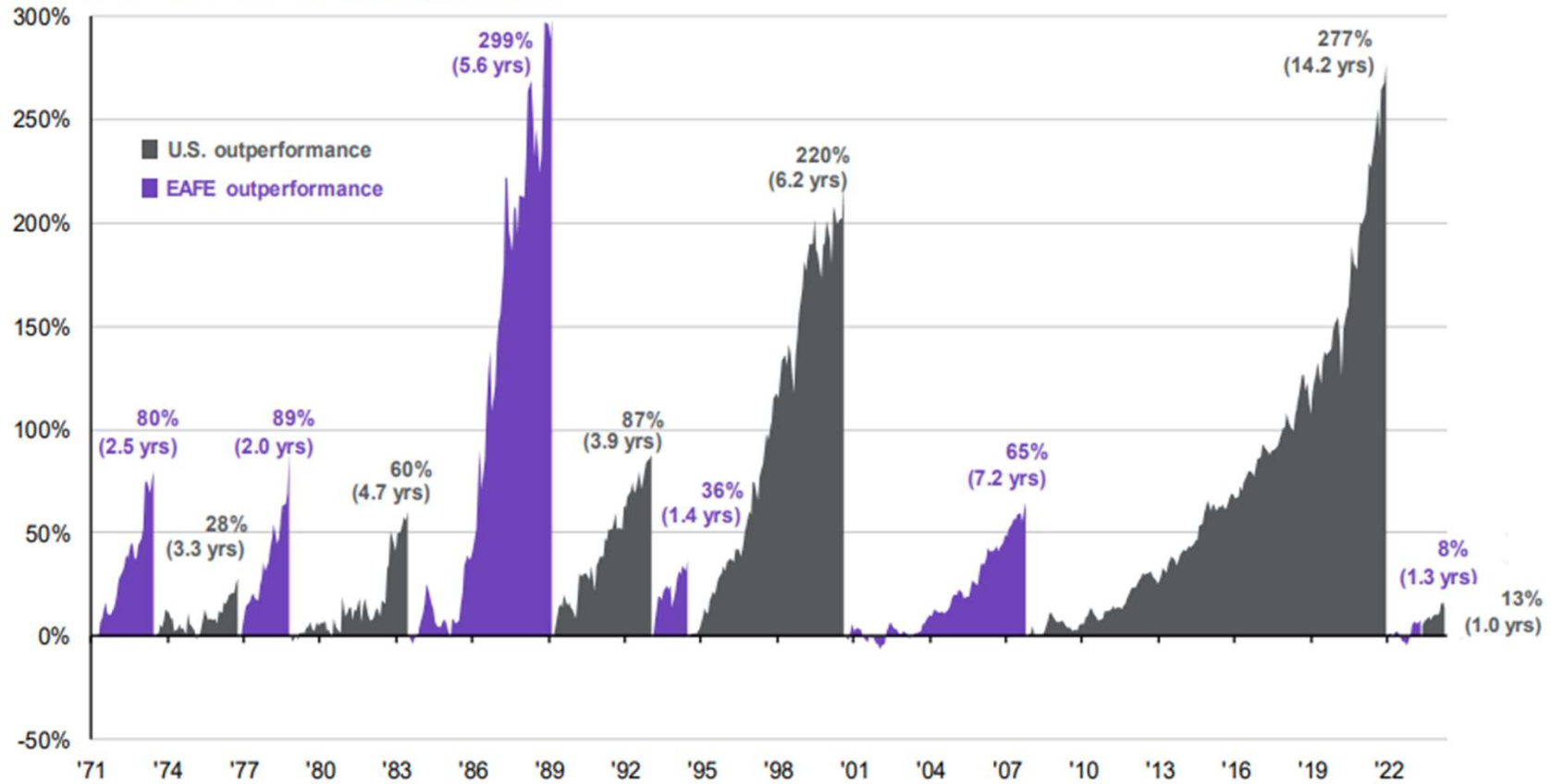




# U.S. and Foreign Stock Market Cycles

## MSCI EAFE and MSCI USA relative performance

U.S. dollar, total return, cumulative outperformance





# Compelling Valuations Abroad

**International: Price-to-earnings discount vs. U.S.**  
MSCI All Country World ex-U.S. vs. S&P 500, next 12 months



**International: Difference in dividend yields vs. U.S.**  
MSCI All Country World ex-U.S. minus S&P 500, next 12 months





# Fixed Income Basics





# What is Fixed Income?

- The term 'fixed income' is often used interchangeably with 'bonds'
- Loan to an institution that is obligated to pay you back with interest at a prespecified future date
- Owner of a bond is a creditor (lender); issuer of a bond is a debtor (borrower)





# Role of Fixed Income in a Portfolio

1. Steady source of income
2. Portfolio diversification
  - i. Hedge against stock market risk
  - ii. Reduce portfolio volatility
3. Hedge against deflation
4. Source of liquidity



# Key Components

- Issuer (credit rating)
- Coupon (rate, frequency)
- Price
- Maturity Date (duration)
- Optionality or Call Features
- Yield to Maturity



# Total Return

Two components of total return...

$$\text{Income Return} + \text{Price Return} = \text{Total Return}$$



# Increasing Yield

There are only two ways to increase yield...

1. Extend Maturity → Increases duration and **interest rate risk**
2. Lower Credit Quality → Increases **credit risk**



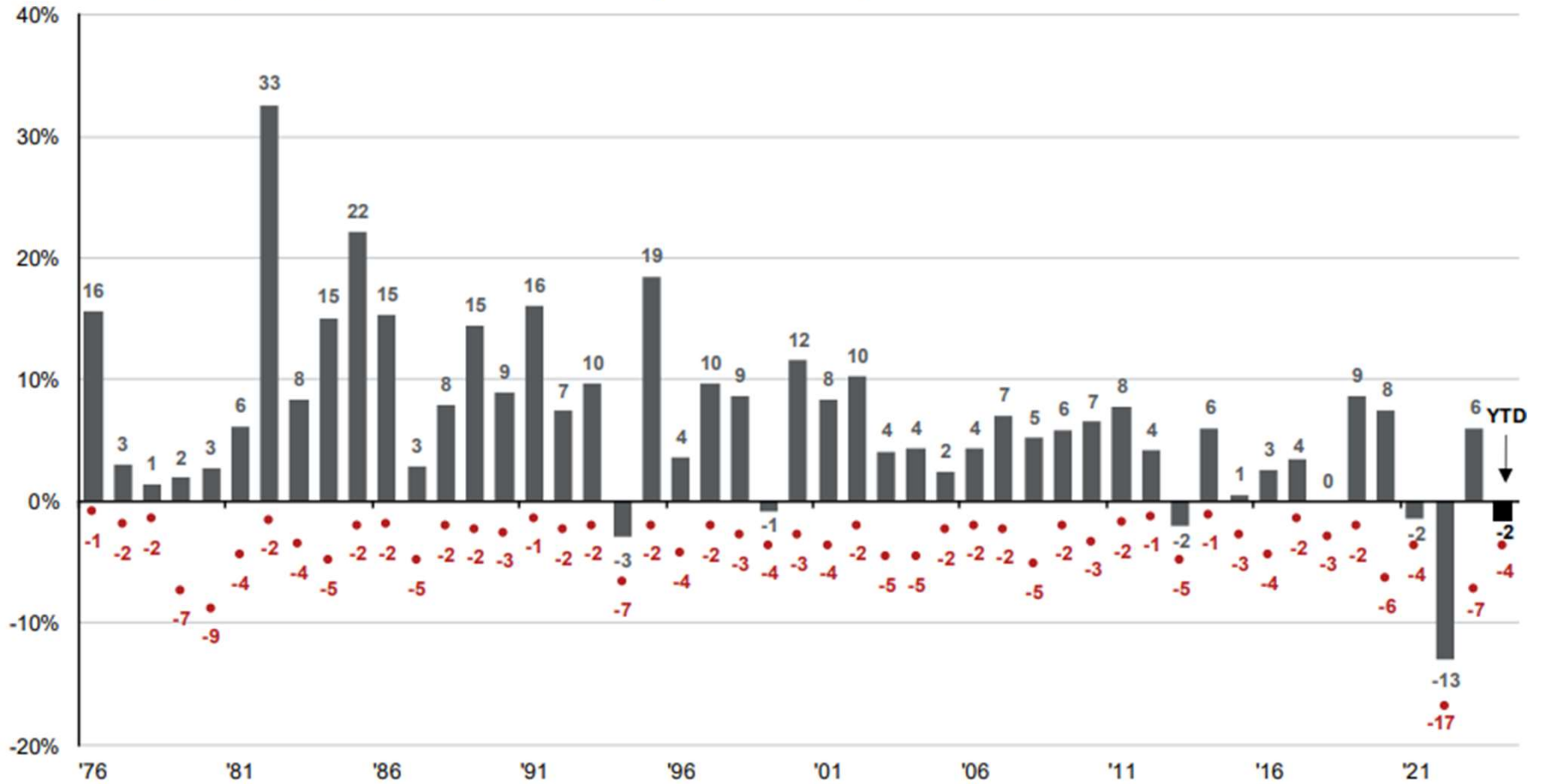
# 2022-2023: Generational Reset for the Bond Market



# 2022 Historically Bad Year for Bonds

## Bloomberg U.S. Aggregate intra-year declines vs. calendar year returns

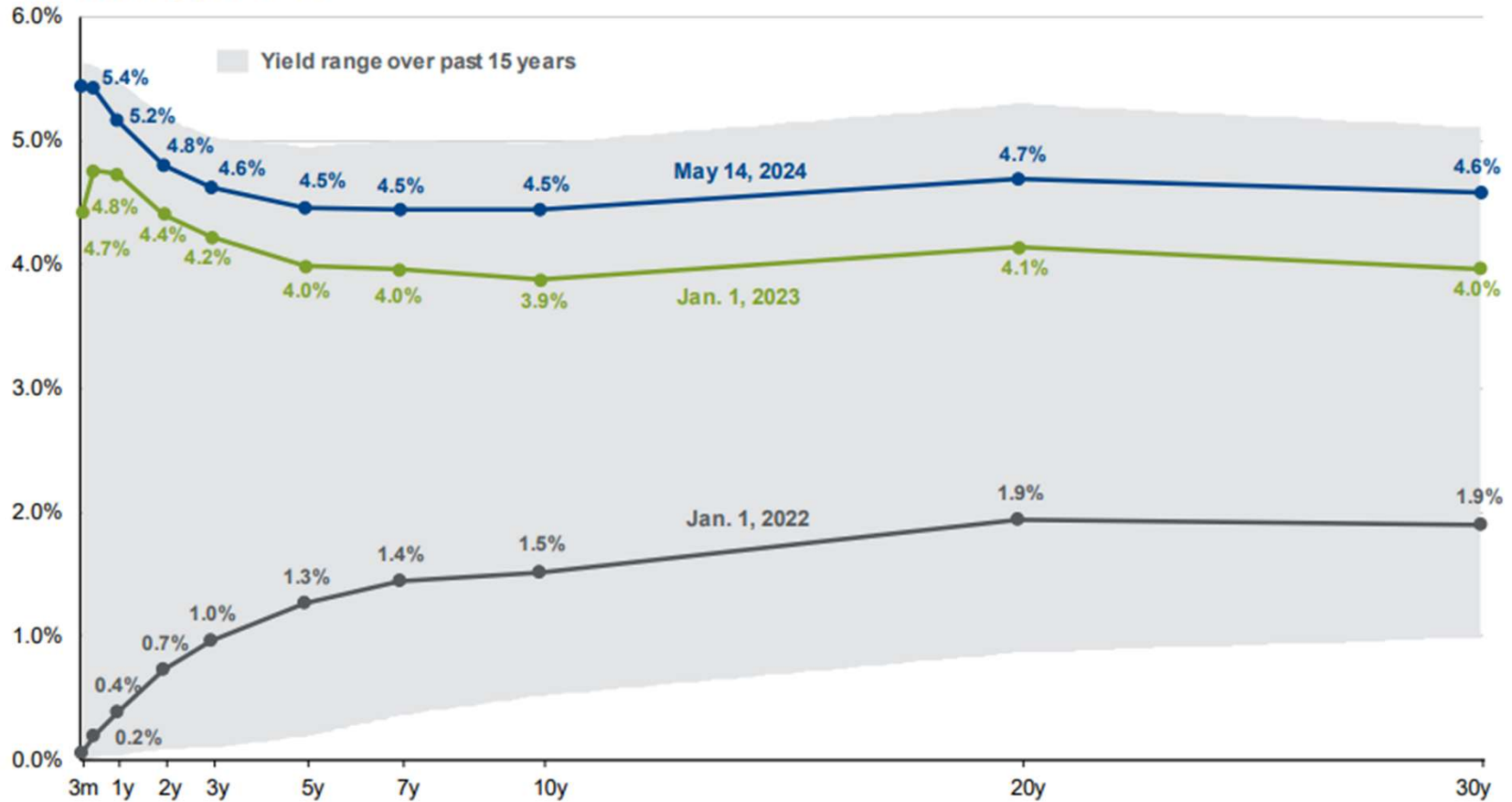
Despite average intra-year drops of 3.5%, annual returns were positive in 43 of 48 years





# Bond Yields More Attractive Today

U.S. Treasury yield curve



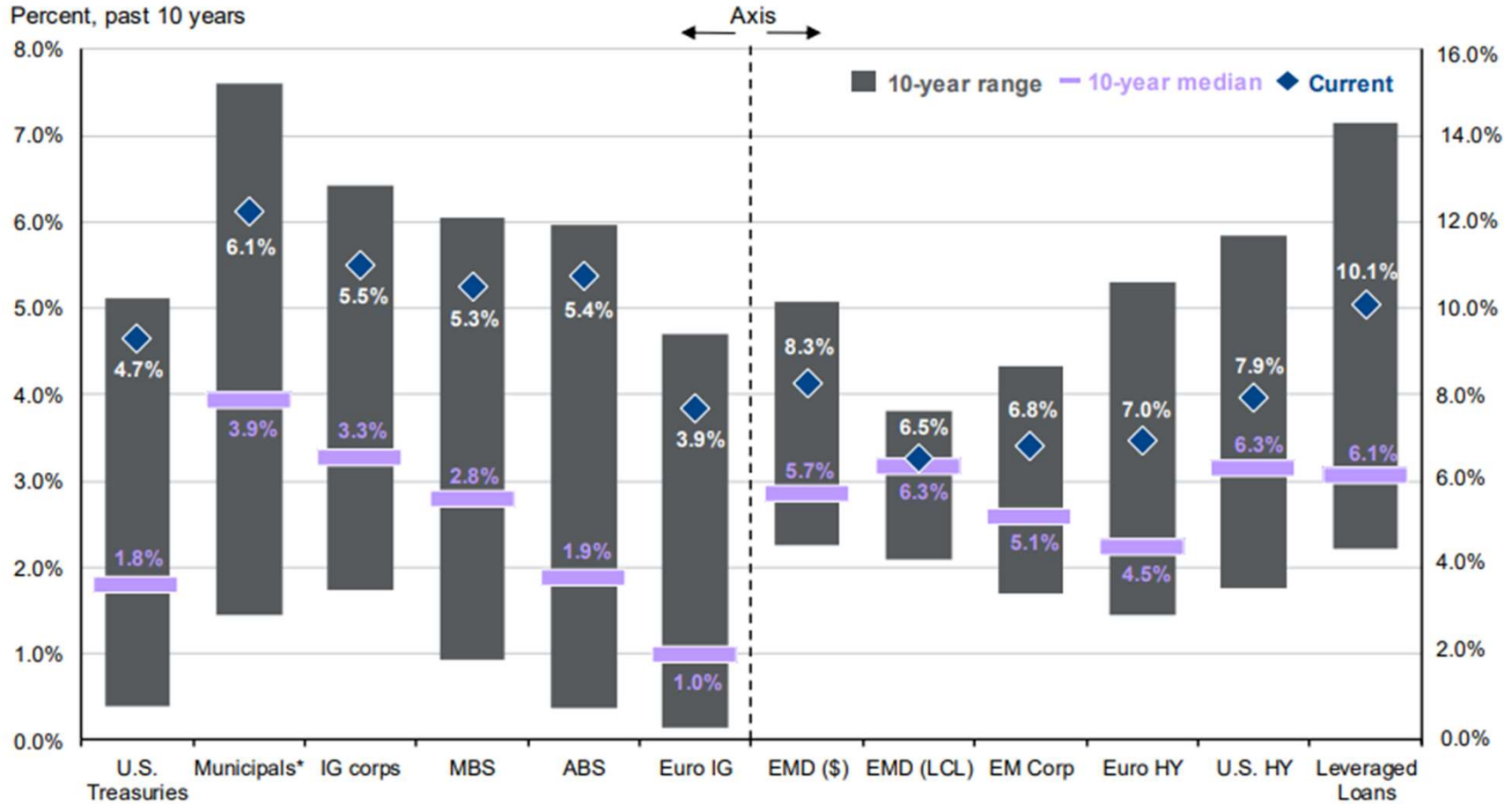




# Bond Yields Near Decade Highs

## Yield-to-worst across fixed income sectors

Percent, past 10 years





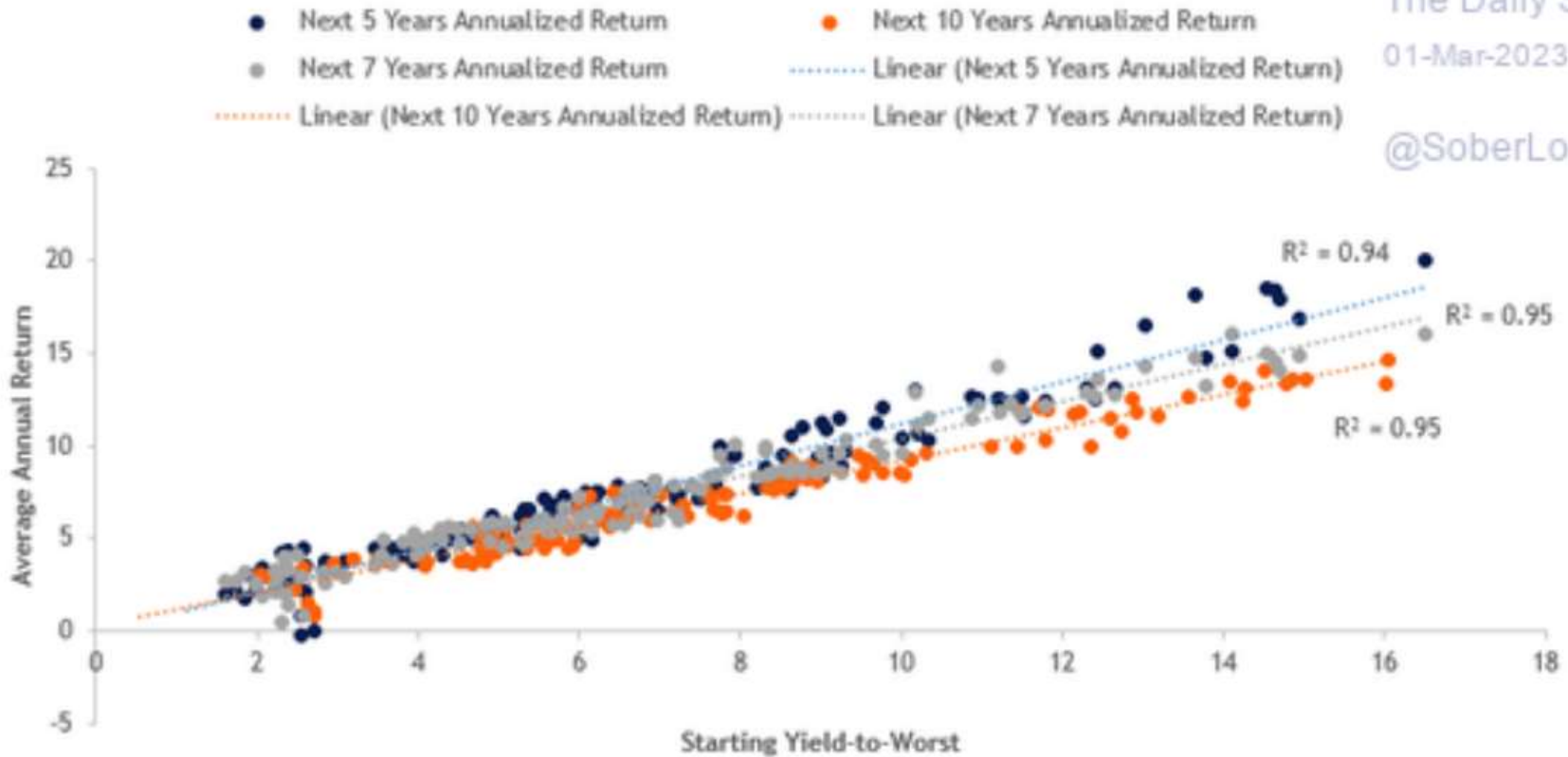
# Bond Market Pointing Toward 5% to 6% Annual Return

Starting Yields Are The Best Predictor of Future Returns (Bloomberg Aggregate Index)

The Daily Shot

01-Mar-2023

@SoberLook

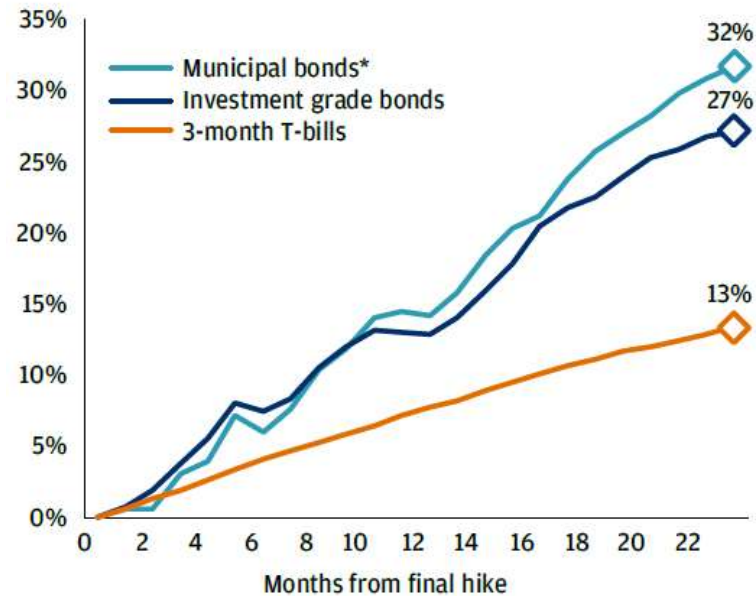




# Fed Likely on Hold = Time to Own Bonds

**FOR SEVEN STRAIGHT CYCLES, CASH HAS UNDERPERFORMED BONDS IN THE TWO YEARS AFTER THE FED'S LAST RATE HIKE**

Bond returns after the last rate hike



Source: Bloomberg Finance L.P. Data as of 2018. Includes seven hiking cycles: 1981, 1984, 1989, 1995, 2000, 2006 and 2018. \*Tax-equivalent yield assumes a 40.8% tax rate. Municipal bonds shown using the Bloomberg Municipal Bond Total Return Index, and investment grade bonds by the Bloomberg U.S. Aggregate Index.



# How to Optimize Your Bond Portfolio



# Cash is Compelling... in the Right Place

- Brokerage accounts are passing on the full interest rate to you – banks are not.
- The money market funds we currently hold yield 5.3%.
- We move all cash held across the firm to the highest yielding money market fund on a monthly basis.
- Unlike a bank, your cash always remains inside your brokerage account.
- Call us if you would like to set up a courtesy cash account at no cost.



# How to Maximize Your Income

<b><u>Investment Objective</u></b>	<b><u>How We Do It</u></b>
Minimize Cost	Own individual securities
Manage to Your Tax Bracket	Consider tax-equivalent yield specific to your tax bracket
Balance Income & Liquidity	Ladder bond maturities
Utilize Full Opportunity Set	Generate income through real estate
Identify Optimal Allocation	Match maturities to your liquidity needs



# Manage to Your Tax Bracket

CALIFORNIA	
<u>Tax Bracket</u> <u>(Joint)</u>	<u>Marginal Tax</u> <u>Rate</u>
\$0	1.00%
\$20,198	2.00%
\$47,884	4.00%
\$75,576	6.00%
\$104,910	8.00%
\$132,590	9.30%
\$677,278	10.30%
\$812,728	11.30%
\$1,000,000	12.30%
\$1,354,550	13.30%
FEDERAL	
<u>Tax Bracket</u> <u>(Joint)</u>	<u>Marginal Tax</u> <u>Rate</u>
\$0	10%
\$22,000	12%
\$89,450	22%
\$190,750	24%
\$364,200	32%
\$462,500	35%
\$693,750	37%

Federal Capital Gains	
Tax Bracket Joint	Marginal Tax rate
\$0	0%
\$83,350	15%
\$517,200	20%

***Does Your Advisor Know Your Tax Bracket?***

***Municipals > Taxable Bonds***



# Much More Income Now Available

- **Municipal bonds** offer tax-equivalent yields that approach 8% for high bracket income earners in California
- High quality **corporate bonds** pay close to 6% across a wide range of maturities
- Mutual funds that invest in high quality **mortgage and asset-backed securities** yield approximately 6%
- **Preferred stocks** generate tax-advantaged income in excess of 6% range
- Our **Managed Income** strategy is currently yielding 7%
- **Interval funds** invest in less liquid portions of the fixed income market, offer quarterly liquidity, and yield in the 10% range
- For those willing to accept a one-year lockup and quarterly liquidity, **private credit** yields approximately 9 – 10%





# What's a Good Investment Advisor Look Like?



# Tax Optimization Employed by Knightsbridge

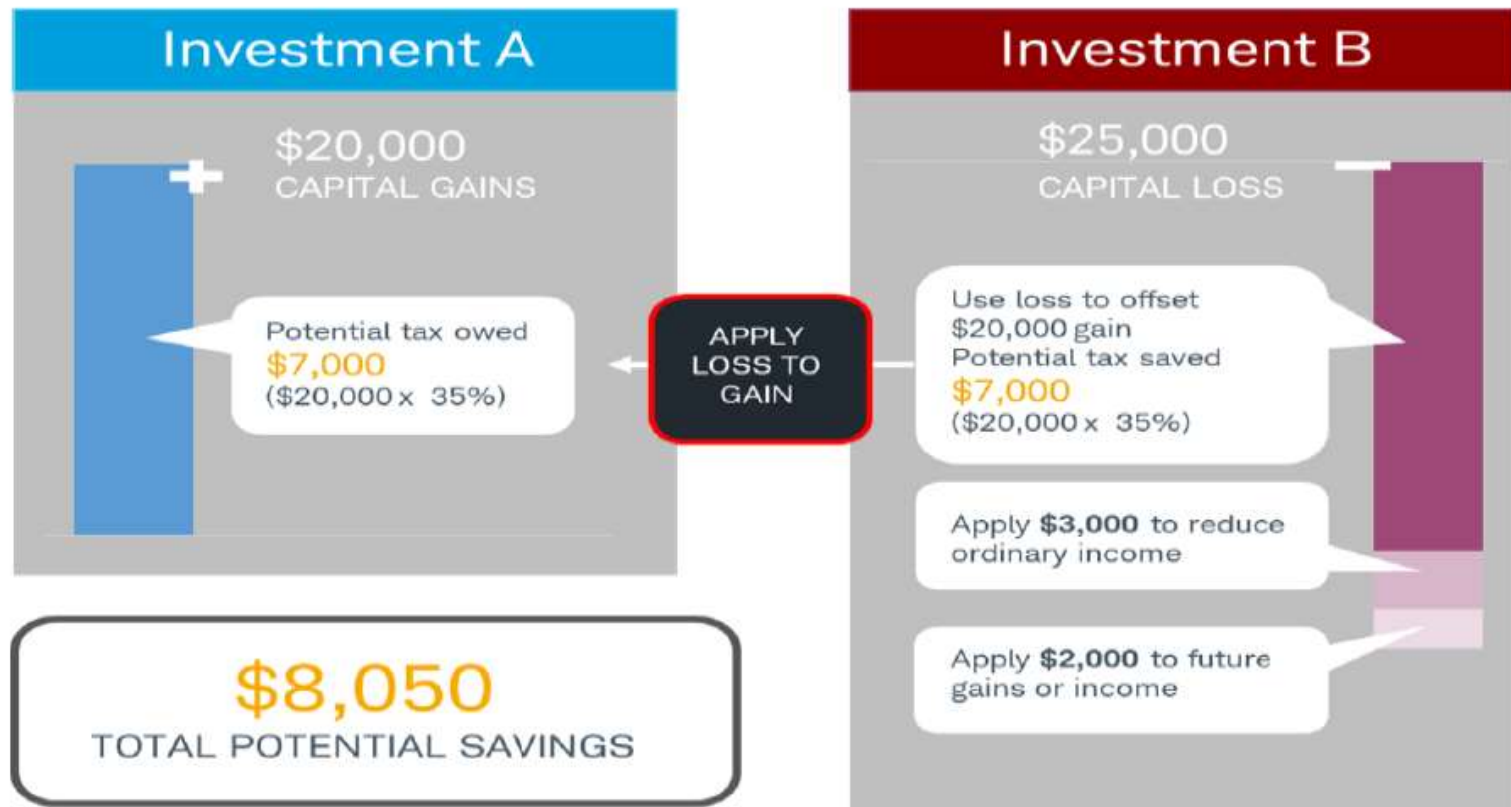
- **We make investment choices specific to your tax bracket**
- **We manage your taxable accounts in a tax efficient manner**
  - Emphasizing longer term holding periods
  - Seeking long-term capital gains
  - Holding tax-efficient passive funds
- **We methodically harvest losses as we progress through each year**
- **We consider tax equivalency of taxable vs. tax free fixed income**



# Tax-efficient investing

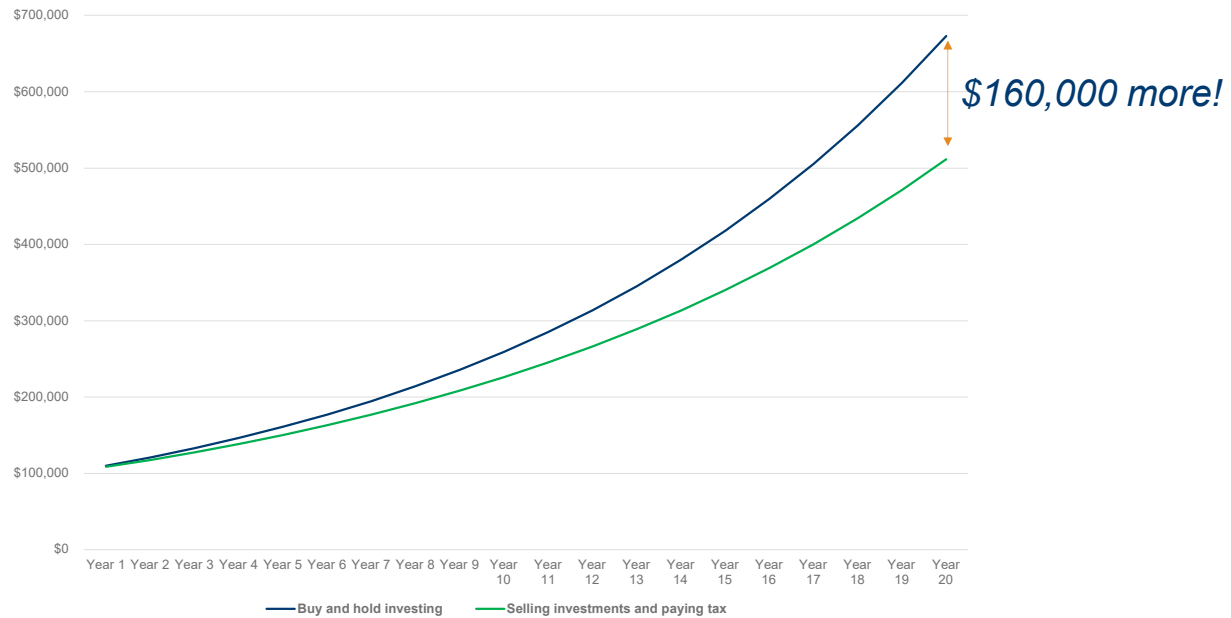
Use losses to your advantage with tax-loss harvesting.

Expert's commentary: Use your losses to get a tax break. In this example, an investor realized \$20,000 in capital gains from Investment A, and a \$25,000 capital loss from Investment B. Capital losses offset gains first; the excess is then applied to ordinary income, and finally to future gains or income.





# The Power of Deferring Taxes



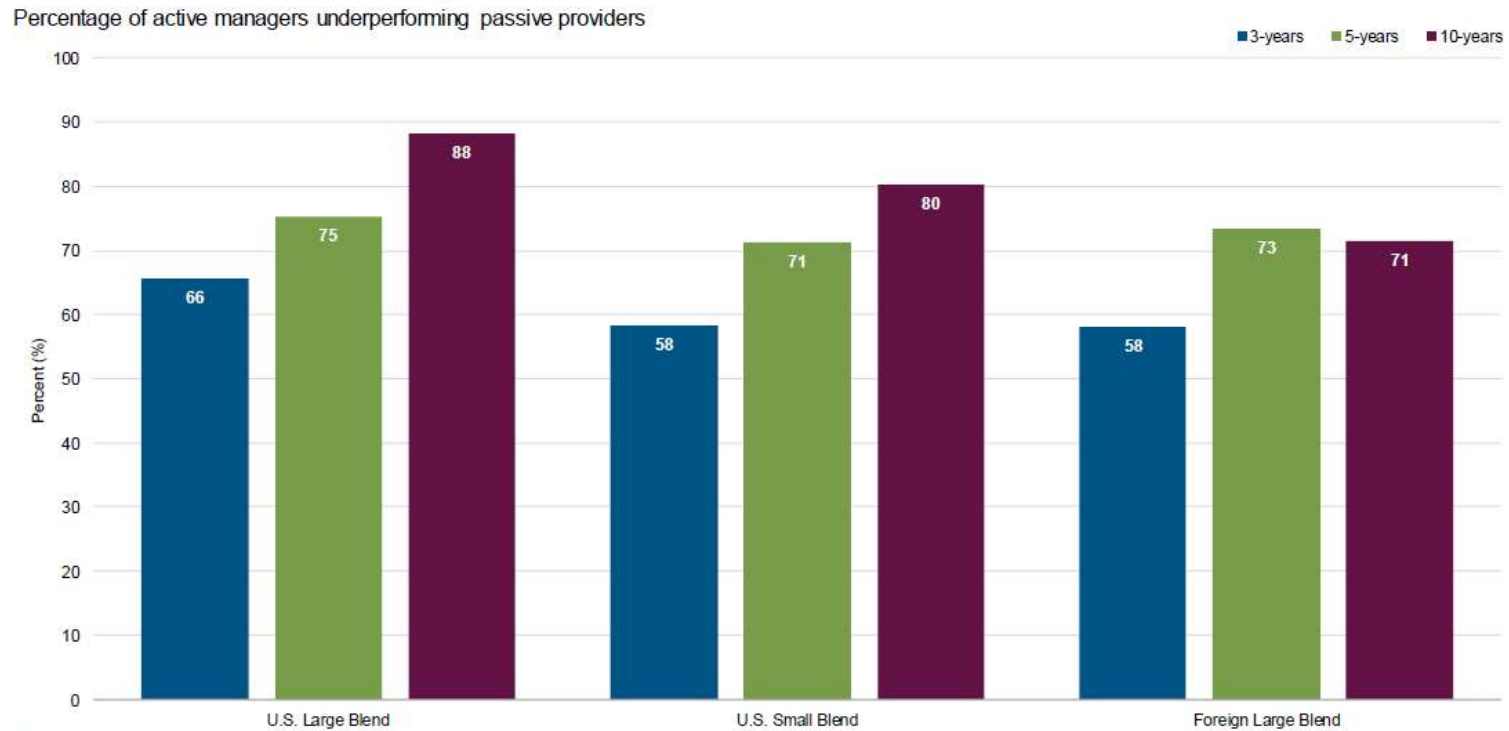
**Result: \$160,000 difference after 20 years (32% more with buy and hold investing)**

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



# Don't Buy Expensive Actively Managed Mutual Funds

*71-88% of active managers have underperformed over the last 10 years*



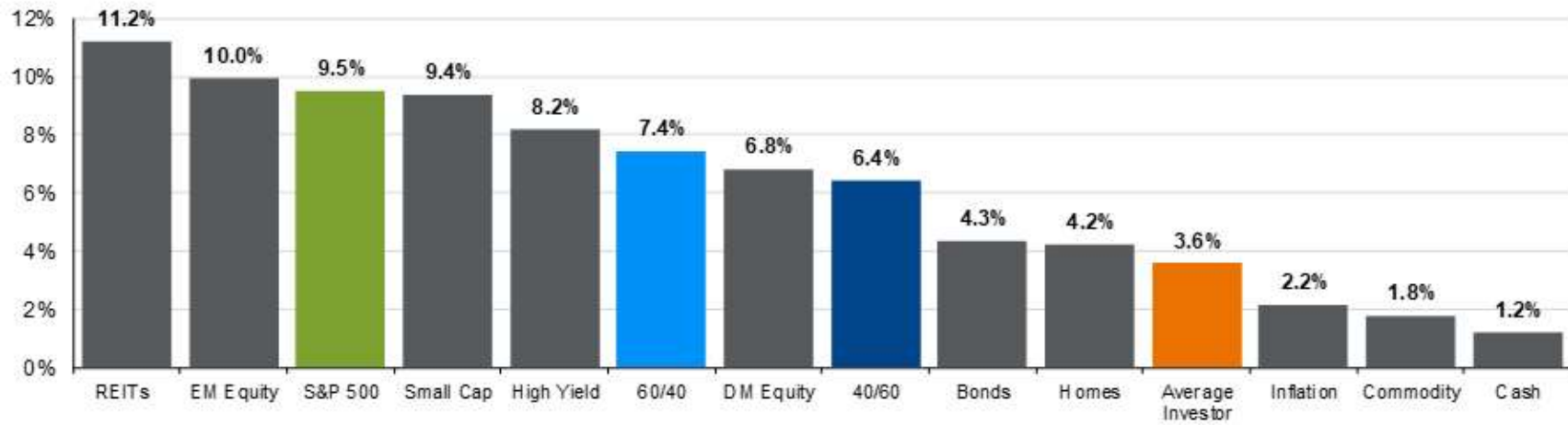
As of 30 June 2022

SOURCE: Morningstar, performance of U.S. active funds against a composite of passive peers in their respective Morningstar category, including all share classes.



# Don't Try to Time the Market

20-year annualized returns by asset class (2002 – 2021)





# Knightsbridge Wealth Management



## FIRM OVERVIEW

- Independent, fee-only Registered Investment Advisor (RIA)
- \$600+ Million Assets Under Management
- 25+ Year History
- 100% employee-owned
- Fiduciary duty to place client interests first



## HOW WE WORK WITH CLIENTS

- You work directly with the owners who make the investment decisions
- Your portfolio is designed to tax-efficiently meet your goals while complementing your outside investments
- Your assets are held externally at the custodian of your choice
- Your fee declines annually
- We are always invested alongside you





KNIGHTSBRIDGE  
WEALTH MANAGEMENT:

# Investment Principles



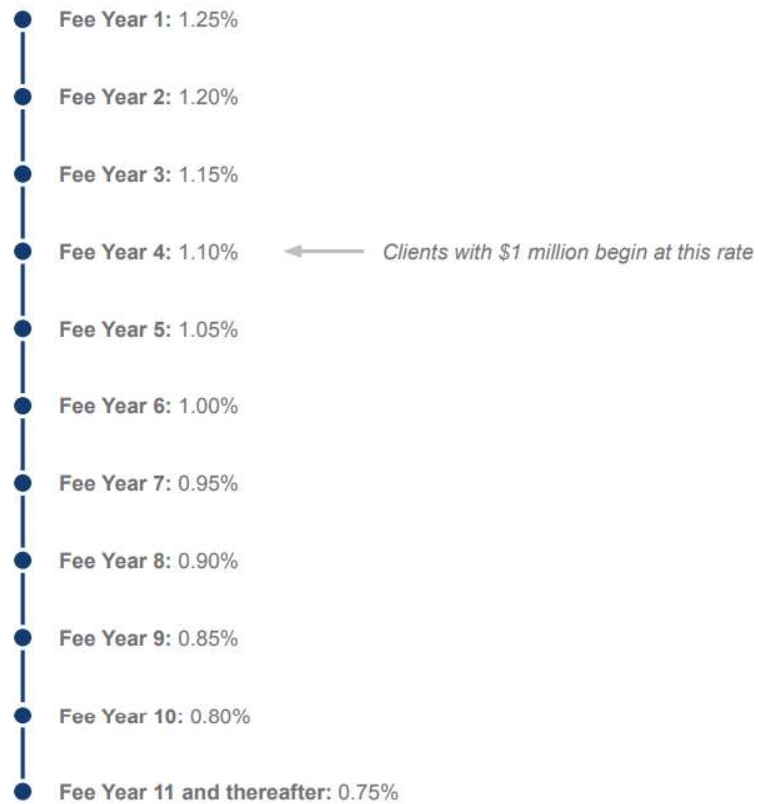




# Knightsbridge Fee Schedule

Our declining fee structure makes sense because:

- More of the “work” is performed in the early years...we want to pass the savings on to clients
- We want to reward our most loyal clients



# How Knightsbridge 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 us for a commitment-free portfolio review:

Kurt Beimfohr  
[kbeimfohr@knightsb.com](mailto:kbeimfohr@knightsb.com)

450 Newport Center Drive, Suite 630, Newport Beach, CA 92660  
(949) 644-4444  
[www.knightsb.com](http://www.knightsb.com)



# Disclosures

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A copy of Knightsbridge's current ADV Part 2 discussing business operations, services, and fees is available upon request.



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