

# **KNIGHTSBRIDGE ADVISORS, INC. FIRM BROCHURE**

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**This brochure provides information about the qualifications and business practices of Knightsbridge Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at (781) 545-4556. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Knightsbridge Advisors, Inc. also is available on the SEC's web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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## **1. INVESTMENT ADVISORY BUSINESS**

Knightsbridge Advisors, Inc. was founded in 2000 to provide investment advisory services to selected individuals with an emphasis on wealth preservation. Our investment philosophy and services are built around three core principles:

1. The importance of asset allocation
2. Diversification within asset classes
3. Portfolio construction and risk management according to a client's specific goals and objectives

A landmark study of major pension plans first published in the Financial Analysts Journal in May/June 1991 suggests that asset allocation has historically determined roughly 92% of total return within a portfolio; security selection has contributed less than 5% and market timing less than 2% of return over longer time periods. We temper theory with our own insights gained from our financial and investment experience. Also, we believe that careful management of fees, custody and trading costs, as well as realized capital gains and losses, help improve after-tax portfolio performance over time.

### **A. INVESTMENT SUPERVISORY SERVICES**

Knightsbridge Advisors, Inc. provides investment advisory services to its clients on a fee only basis. These services are generally considered investment supervisory services. Investment supervisory services are defined as providing ongoing investment advice and making investments on the client's behalf based on the client's individual needs. A client's individual needs are influenced by many factors, including family obligations, outside income sources, other client assets (both financial and non-financial) and income tax factors. The services provided include:

- 1) Asset allocation review and analysis;
- 2) Fixed income portfolio management;
- 3) Review and recommendation of separate account managers, hedge funds, mutual funds and private equity funds.
- 4) Specific selection of index products, exchange traded funds (ETFs) and individual securities;
- 5) Construction of portfolios around a concentrated client holding

### **B. CUSTOMIZED SERVICES**

Knightsbridge Advisors, Inc. provides customized investment solutions specific to each client's individual needs. We gather relevant information for each client account and develop an investment policy statement that governs the management of each account. Client accounts are separately managed and no model portfolios are used. Clients may impose restrictions on investing in certain securities or types of securities. Portfolios can be constructed around a concentrated client holding, if requested by the client. Advisory fees are charged based on percentage of assets under management and, in certain situations, on a fixed fee basis.

### **C. ASSETS UNDER MANAGEMENT**

As of December 31, 2010, Knightsbridge Advisors, Inc. assets under management were **\$75,300,000**. All of these assets were managed on a discretionary basis.

## **2. FEES AND COMPENSATION**

### **A. FEE ONLY ADVISOR**

Knightsbridge Advisors, Inc. is a fee-only investment advisor. Knightsbridge does not sell any products or receive commissions, referral or transaction fees. In addition, while certain hedge funds selected may charge performance-based fees, Knightsbridge does not charge any performance-based fees. In order to preserve our objectivity, we do not enter into fee-sharing arrangements or soft dollar agreements with broker/dealers and outside money managers. Our fees are completely separate from those charged by other service providers. This enables us to make recommendations and changes to specific client situations without concern of how our fees are affected.

### **B. BILLING PRACTICES**

Knightsbridge investment management services are billed quarterly in arrears based on the average total assets under management on the last business day of each of the prior three months (preceding quarter). Clients investing in mutual funds, exchange traded funds, separate accounts or hedge funds are, in effect, paying two separate investment advisory fees: one to Knightsbridge and one to the mutual fund, hedge fund or separate account manager. Fees are refundable on a pro-rata basis upon the termination of the investment advisory agreement. Either party may terminate the agreement at any time.

### **C. FEE SCHEDULE**

Knightsbridge Advisors receives advisory billings from providing investment supervisory services. Depending on whether a client seeks comprehensive investment advisory services or fixed income portfolio management only, the following fee schedules apply:

#### **COMPREHENSIVE INVESTMENT ADVISORY SERVICES**

Fee Schedule:

0.75% on the first \$1 million

0.50% thereafter

Minimum annual fee: \$5,000

#### **FIXED INCOME PORTFOLIO MANAGEMENT SERVICES**

0.35% on the first \$1 million

0.25% thereafter

Minimum annual fee: \$3,500

Knightsbridge will negotiate fees at its discretion.

Account minimums are \$750,000 for comprehensive investment management and \$1,000,000 for fixed income only portfolio management. Minimums may be waived from time to time, at the Advisor's discretion.

### **3. TYPES OF CLIENTS**

Knightsbridge provides customized investment advisory services mostly to individual clients. Services are also provided to trusts, upon client request and could be provided to corporations or other business entities (although there are no current company clients).

### **4. INVESTMENT STRATEGIES**

#### **A. COMPREHENSIVE SERVICES**

Our investment philosophy and strategies are built around three core principles:

1. The importance of asset allocation
2. Diversification within asset classes
3. Portfolio construction and risk management according to a client's specific goals and objectives

We temper theory with our own insights gained from our financial and investment experience. We utilize research materials prepared by others, corporate rating services, financial publications in determining our investment strategy. Our methods of securities analysis include fundamental and technical factors. Also, we believe that careful management of fees, custody and trading costs, as well as realized capital gains and losses, help improve after-tax portfolio performance over time.

After assessing a client's particular needs, return objectives and time horizon, we allocate portions of the portfolio to different asset classes, based on both historical characteristics of those classes and our estimates of future prospects. We believe that indexing a portion of a client's portfolio is appropriate in asset classes that exhibit efficient market characteristics. However, we recognize that some clients may prefer active management in efficient markets. Our job, therefore, is to identify, recommend and coordinate with active equity managers. For each asset class, we recommend managers, no load mutual funds and hedge funds on whom we have performed due diligence. Once a portfolio is established, we monitor the performance of each outside money manager or hedge fund and its compliance with client objectives. Client objectives and preferences are also periodically reviewed to identify possible changes that may affect asset allocation and/or portfolio shifts.

For fixed income allocations, we establish target duration based on our understanding of the client's needs, goals and risk preferences. A laddered portfolio is built around the target duration with a great emphasis on security selection and best execution. Generally, we select only investment grade securities for client portfolios. We believe our clients should not take risks with their fixed income holdings; therefore, we strive to reduce portfolio risk and volatility. Portfolios are restructured to the extent client parameters change (including cash flow needs) or to the extent we perceive dramatic changes in market conditions and our forecasts. We are not interest rate timers; rather, we focus on identifying the sweet spot on the yield curve in making specific purchases and structuring portfolios.

We believe that a central tenet of our job is to help manage risk within our client portfolios. Since the majority of our clients have achieved financial success, we add value to our clients by working to diversify their holdings within asset classes and between asset classes. Also, in constructing and analyzing equity portfolios, we review portfolio risk on three fronts: single stock concentration, sector/industry weightings and geographic focus. We believe this is the best way to assist our clients in protecting their wealth and manage their accumulated assets.

## **B. FIXED INCOME PHILOSOPHY/STRATEGY**

We believe our clients should not take significant risks within their fixed income portfolio allocation. We believe our clients should take risks and look for growth in other asset classes, including public and private equities. Therefore, we try to minimize interest rate risk and avoid taking on significant credit risk in our fixed income portfolios. In implementing our strategy, we take the following actions:

- Constructing customized bond ladders to target durations determined by each client's specific needs, goals and/or stated objectives.
- Focusing on best execution for each trade to maximize yield at a given maturity
- Identifying the "sweet spot" on the yield curve in making specific security selections and structuring portfolios
- Minimizing credit risk by:
  - Purchasing only investment-grade securities
  - Limiting single issuer exposure
  - Avoiding significant industry concentration (where applicable)

A central tenet of our philosophy is to take what the market gives us. We do not believe in "forcing the yield" to meet an absolute return objective or making significant interest rate bets. Our job is to deliver the highest relative return in each portfolio vs. its benchmark with the lowest risk to our clients. We want to preserve our clients' wealth within the fixed income asset class.

We restructure portfolios to the extent specific client parameters change (including cash flow needs) or to the extent we perceive dramatic changes in market conditions and our forecasts.

## **C. INVESTMENT PRODUCTS**

In constructing and managing client portfolios, Knightsbridge will utilize individual securities, index products (including exchange-traded funds or ETFs), no-load mutual funds, master limited partnerships (MLPs), hedge funds and private equity funds. In certain situations, outside managers and separate accounts will be utilized. For fixed income portfolios, we purchase primarily individual securities to enable us to create customized bond ladders with target durations in accordance with client needs. Limited partnership investments are pass-through entities for tax purposes and will result in the issuance of K-1s to clients annually. Clients will need to report all income on the K-1s on their personal income tax return filings. The K-1 tax reporting may delay and impact the client's ability to file their tax returns each year.

## **D. RISK OF LOSS**

While Knightsbridge focuses on risk management as part of its advisory services, the investment in securities involves the risk of loss that clients should be prepared to bear. Fixed income securities have credit risk, in addition to interest rate risk. While the intention with laddered portfolios is to hold all securities until maturity, there is a risk that a client will not receive the full value upon maturity if an issuer defaults on its obligations. Also, the value of individual securities fluctuates on a daily basis based on market interest rate movements, which can affect the value received if a security is liquidated prior to maturity. Equity securities (including mutual funds, exchange traded funds) are subject to significant market and economic risks that are outside the control of the manager. These securities should be viewed as long term investments by clients as there is significant volatility in pricing on a daily and monthly basis. Hedge funds and private equity fund investments pose additional risks including a lack of liquidity and control on withdrawals.

## **5. DISCIPLINARY INFORMATION**

### **A. LEGAL PROCEEDINGS**

There are no legal proceedings pending against the firm or any management persons. In addition, there have been no legal proceedings against either the firm or management persons over the last ten years.

### **B. CRIMINAL PROCEEDINGS**

There are no criminal proceedings pending against the firm or any management persons. In addition, there have been no criminal proceedings against either the firm or management persons over the last ten years.

### **C. ADMINISTRATIVE PROCEEDINGS**

There are no administrative proceedings before the SEC or other federal regulatory agency or any state regulatory agency pending against the firm or any management persons. In addition, there have been no administrative proceedings or complaints against either the firm or management persons over the last ten years.

**The disciplinary history, if any, of any investment advisors and investment advisor representatives, may be obtained from the Massachusetts Securities Division by calling (617) 727-3548 or by checking online at [www.sec.state.ma.us](http://www.sec.state.ma.us).**

## **6. FINANCIAL INDUSTRY AFFILIATIONS**

### **A. NOT A BROKER DEALER**

Knightsbridge Advisors is not a broker-dealer and is not affiliated with any broker-dealer. Knightsbridge does use certain brokers for managing client accounts in accordance with client objectives.

### **B. NOT A COMMISSIONED SALES ORGANIZATION**

Knightsbridge Advisors, Inc. is a fee-only investment advisor. Knightsbridge does not sell any products or receive commissions, referral or transaction fees. In addition, Knightsbridge does not employ any commissioned sales persons to market its services.

### **C. MANAGEMENT AFFILIATIONS**

The President of Knightsbridge Advisors, Inc. is also the President of CLK Financial, Inc. CLK Financial, Inc. provides financial consulting services to its clients on a fee only basis. Services provided include: income tax planning, tax return preparation, estate planning, financial statement preparation and analysis, business planning and risk management analysis. Many clients of Knightsbridge Advisors, Inc. are also clients of CLK Financial, Inc. The companies share resources, including office space, staff, supplies, computers, etc. and reimburse each other for use of those shared resources.



## **7. CODE OF ETHICS**

### **A. FIDUCIARY ROLE**

Knightsbridge Advisors manages client accounts in a fiduciary role. As a fiduciary, Knightsbridge follows principles that avoid conflicts of interests in client accounts and relationships. Knightsbridge follows the Association For Investment Management and Research (AIMR) code of ethics and standards of professional conduct. Clients can obtain a copy of the company code of ethics upon request.

### **B. NO SELF DEALING**

Employees of Knightsbridge Advisors, Inc. may trade in securities that Knightsbridge recommends or purchases for clients, provided that any employee transactions comply with the Code of Ethics and the Standards of Professional Conduct of AIMR, as well as applicable federal and state laws. To the extent such trading occurs, the Advisor and its related persons have a duty to put the clients' interests ahead of its own when making personal investment decisions. Knightsbridge has a clearly articulated policy statement regarding personal investing that all employees are required to sign in acknowledgment.

## **8. BROKERAGE PRACTICES**

### **A. FACTORS IN SELECTING BROKERS**

Knightsbridge Advisors recommends and selects broker dealers for clients based on competitive trading costs and a high level of competence in executing orders and requests. A broker dealer is also considered for its enhanced reporting capabilities, if available. Knightsbridge and its clients do not pay higher commissions for these services. Discount brokers are utilized on smaller accounts where trading costs can have a larger impact on portfolio management and returns.

### **B. NO SOFT DOLLAR ARRANGEMENTS**

Knightsbridge Advisors, Inc. does not have any "soft dollar" or similar arrangements with any broker regarding the amount of business that will be directed to the broker. Clients are able to select a broker dealer other than those recommended by Knightsbridge Advisors.

### **C. NO REFERRAL FEES OR ARRANGEMENTS**

Knightsbridge Advisors, Inc. does not enter into or receive any referral fees for business referred to brokers or other investment managers. Knightsbridge believes that such practices can lead to significant conflicts of interest with clients.

## **9. CLIENT ACCOUNT REVIEWS**

### **A. FREQUENCY OF ACCOUNT REVIEWS**

Client accounts are reviewed informally on an ongoing basis. Many and various factors are monitored on an ongoing basis for their potential impact on client portfolios. Such factors include, but are not limited to: changes in the client's goals and risk preferences, portfolio additions and/or withdrawals, the emergence of new developments in an asset class, changes in market conditions and outlooks. Also, all outside investment managers (including hedge and private equity fund managers) hired to manage all or a portion of a client's portfolio monitor the accounts on an ongoing basis. At a minimum, client accounts are reviewed on a quarterly basis in conjunction with the performance reporting sent to clients.

### **B. CLIENT REPORTING**

All regular account reports are sent directly to clients on a monthly basis by the custodians of the client accounts. The custodian sends copies of these monthly statements to Knightsbridge Advisors, Inc. For hedge fund and private equity fund investments, management commentaries are sent monthly or quarterly directly to the client, with copies to Knightsbridge.

All Knightsbridge fixed income accounts receive a more comprehensive and detailed analysis of their portfolios on a quarterly basis. This analysis is generated by the custodian of the client's account or by Knightsbridge internally.

All Knightsbridge comprehensive advisory accounts receive a comprehensive analysis of their equity, mutual fund and exchange traded fund holdings on a quarterly basis. Knightsbridge uses NASD-compliant software to generate these reports. Knightsbridge receives quarterly updates of the software from the vendor.

In addition, the President of Knightsbridge will prepare a market summary and analysis periodically and distribute to clients.

## **10. INVESTMENT DISCRETION**

### **A. POLICIES AND PROCEDURES**

Knightsbridge manages the majority of its accounts on a discretionary basis. Prior to assuming this authority, Knightsbridge obtains a power of attorney form from the client to act without prior consultation. In addition to the company's advisory contract, this authorization is obtained in a form acceptable to the custodian of the client's funds for each account. The originals of the custodial power of attorney forms are kept by the custodian with a copy to Knightsbridge. In discretionary accounts, Knightsbridge has the ability to determine, without obtaining specific client consent, the securities to be bought and sold, the amount of securities to be bought and sold, the broker to be used and the commission rates paid.

### **B. POSSIBLE INVESTMENT RESTRICTIONS**

Clients can impose investment restrictions on certain managed accounts. In those situations, clients should understand that the performance of the managed account could be adversely affected by these restrictions. If an account is structured specifically around a concentrated client holding, the client should understand that performance could move in an inverse relationship to the concentrated position and could result in substantial loss of capital.

## **11. FIRM PRINCIPALS**

### **A. EXECUTIVE OFFICERS AND MANAGEMENT**

Christopher L. Knight (D.O.B.: 1/4/63) is the President and Chief Executive Officer of Knightsbridge Advisors, Inc.

Education: Amherst College, Amherst, MA, B.A., Economics, 1985

Boston University, Boston, MA: completed coursework for Certified Financial Planner (CFP) certificate.

Employment: CLK Financial, Inc., Cohasset, MA, President, 1990 to present.

Knightsbridge Advisors, Inc., Cohasset, MA, President, August 2000 to present  
He is registered Series 65 (required of all registered investment advisors).