

A Disciplined Approach

An Interview with Bob Kalman, Founder and Senior Portfolio Manager, Miramar Capital LLC

EDITORS' NOTE Bob Kalman has 30 years of industry experience, most recently as founder of Kalman Kushnir Capital Inc, which he began in 1994 as a Principal and Portfolio Manager. Kalman has spoken at national conferences on wealth management and market analysis. He earned a BA degree in political science from the University of Wisconsin – Madison and an MBA degree with concentrations in finance and economics from the University of Chicago's Graduate School of Business.



Bob Kalman

FIRM BRIEF Miramar Capital (miramarcap.com) is an independent firm with more than 60 years of combined experience managing investment portfolios for private clients, trusts, corporations, endowments, and foundations. Miramar Capital's primary role is to provide a clear and disciplined approach to investment excellence. To accomplish this, the firm exclusively uses in-house, proprietary research of the capital markets. Miramar Capital works tirelessly to guide its clients' investment strategies and aims to deliver results that help its clients prosper and pursue their goals. All of the firm's actions and support are led by the pillars of its operating ethos: Integrity, Insight, Fair Value, and Exceptional Service.

Will you highlight the history of Miramar Capital and how do you define its mission?

Miramar Capital was founded by my partner, Max Wasserman, and me in 2017. Prior to Miramar Capital, I founded and ran my own firm, Kalman Kushnir Capital Inc., where I served as the principal and senior portfolio manager. Max, on the other hand, came from an analytical and portfolio management background, which further strengthened our founding team. Our mission is to run a firm that is fully transparent and client-centric. In this industry, it's rare to find close-knit client and advisor relationships, and we were dedicated to making that happen with Miramar Capital. I think far too often people in our business view clients as means to an end. However, the clients that we serve have sought our professionalism because we've created a reputation for ourselves that showcases that we're here for them throughout the entirety of their investment journey. Our goals align

with their goals, hence the structure of a fiduciary based firm 100 percent of the time. In the firm's creation, we envisioned ourselves walking alongside our clients, not serving as roadblocks, which is often the case in other parts of the industry.

Max and I believe equally in how a client should be able to participate in the firm, and how they should be treated. The same sentiment stands to this day, as we've created a welcoming advising environment for any prospective client to become a part

of. We're also extremely family-oriented and we wanted the office to reflect that. Financial offices typically do not foster a family environment, but we created an environment where families are welcomed at all times.

In due part, I feel that this approach stems from how Max and I met. We are both very active in and devoted to our families, which continues to this day. It's hard to create a work-life balance in this industry, but that is how Miramar Capital came to be. Our daughters went to the same school and were teammates on the same basketball team. At one of their games, we happened to be sitting next to each other and ended up striking up a conversation and eventually, discovered a friendship that shares very similar philosophies on life, investing, and how a financial advisory company should interact with the people it counsels.

Once Max and I decided to go into business together, after years of strategizing on how to best run the firm, we decided to develop a strategy that provides the greatest opportunity for investors who are a little risk averse, and cash-flow oriented like us. We believe that managing portfolios on a total return basis, focusing on dividend paying stocks that offer room to grow, gives investors just that.

If you look back at the last 80 years, you will find that roughly 45 percent of the return on the S&P 500 has come in the form of dividends. Yes, almost half of the returns have come in the form of cash flow.

Will you discuss Miramar Capital's approach and investment philosophy?

We maintain a consistent and disciplined approach to selecting securities. Each client portfolio consists of 25-30 individual large or mid-capitalization dividend paying companies that offer further growth and diversification.

These are high quality businesses with strong franchises, solid, tested fundamentals, and greater earnings stability – think simply growth-oriented companies.

For our approach, we knew that we had to concentrate on an avenue that worked best for us, and for our clients. I say this because Max and my own investments reside in our model portfolio as well. We believe that our strategy should be at the foundation of everyone's investment pyramid. Typically, we start with core investments that are more conservative, which means the investments are less volatile and more predictable based on their cash flow.

In our view, this is an excellent strategy and one that can endure any type of economic period or market cycle. As mentioned earlier, because we are a little risk averse and more cash flow oriented, we decided that the parameters of the portfolios would be companies that produced increasing cash flow to their shareholders on an annual basis, meaning dividends that grow on an annual basis. These are companies that can thrive, or at least do well enough in bad economies and do very well in good economies, and also have the ability to continuously share the earnings that they make with their shareholders.

We don't view our investments as stocks, but as companies, specifically those in which we would want to be partners. These are companies that remember that at the base of everything resides the shareholders who provide the capital for them to do business. They are rewarding the people who have rewarded them.

Far too often "boring" stocks, which are the ones that have growing dividends, are underappreciated by the average investor. There's also a bit of a tax advantage, on average, that comes alongside earning dividends that are classified as "qualified." We may modify our approach to different sectors based on the economic environment and where the interest rate structure is at the time, but otherwise, at a minimum, there must be dividends that grow.

Will you provide an overview of the pillars of Miramar Capital's operating ethos?

We believe in full transparency, meaning our clients know exactly what and how much of everything they own. This is made possible because their investments with us are not in a fund structure, as we operate under the separately managed account (SMA) model.

We align client performance with our own personal investments, meaning we own everything that our clients own. While other firms might not operate under the same guise, Max and I believe in investing our own money alongside our clients. This is something you rarely see within the financial advisor sphere. One of the reasons we do this is because we're running a single equity strategy and are full-time fiduciaries.

We believe in taking care of our clients in every way possible. Although being a financial firm means that we put the finances of our clients first, we assure them that they can come to us for anything they need outside of their investments. We feel as though this promotes a healthy environment on both ends. We are thankful to be in such a position of trust, as many of our clients seek guidance in areas such as their own businesses, their futures, or any other outside investments they may be considering at any given moment. Client relationships like this are rare and we do not take them for granted.

Also, we are fully transparent in our performance, which means we will never show gross returns – it is always returns net of fees and all expenses. As with any financial service provider, we meet with our clients at their chosen frequency and are invested in their journeys. With being as client-centric as we are, it is our duty to ensure that we are able to best serve them.

How critical is it for Miramar Capital to build a diverse and inclusive workforce?

As with much of the larger financial services industry, we are making a concerted effort to cultivate a more diverse personnel base at Miramar Capital. Given our client-first model, we try to hire people whose work philosophy matches our own; that's not something bound by identity, but by attitude and outlook. While we are always looking for people who try to do the best they can on behalf of their clients, we are also actively looking to bring on people with varied backgrounds and personal histories. We want the Miramar Capital staff to share a cohesive vision, and the effectiveness of that vision can only be made more robust through people with an array of different life experiences.

Addressing the gender disparity and hiring more women within our office has also been one of our top priorities. Building a more diverse and inclusive workforce is an ongoing project. It is not an initiative that has a clearly defined finish line. With that said, just as we are continually trying to refine our internal process and the results we net for our clients, the same is true of creating a more inclusive range of staff members at Miramar Capital.

Traditionally and historically, this has been a white-male-dominated industry, and we are incredibly aware of that fact. We believe wholeheartedly that it should not continue to be this way, and we are doing our best to facilitate change in a more positive direction.

Promoting a more diverse internal team will also reflect on the client base that we bring in. The nature of the financial industry as a whole is shifting itself to be more inclusive in

every aspect it can. We're at a point in time that anyone can enter, regardless of their personal and professional backgrounds. As long as a person can hold their own through experience and expertise, there will always be room for them to assert themselves among the traditional players.

This is not a change that will occur overnight, but as we move forward, we know that our success as a firm and our ability to deliver favorable outcomes for clients is intrinsically tied to the diversity of our team.

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What do you see as Miramar Capital's responsibility to be engaged in the communities it serves and to be a force for good in society?

As I've said before – when you're with Miramar Capital, you're with family. We take care of our own, and we expand that into our community as well. Like with dividends being reinvested into stock, we see the same with investing in causes that are meaningful as well. We generously donate to causes that we are personally invested in, and even invite our clients to suggest worthy charities as well.

If a client approaches us with a means of charitable donation through a project of theirs or an organization that they believe in, we make it our duty to utilize our resources to help them however we can, given that it aligns with our own beliefs.

This sentiment is reflected in our holiday gifts as well. When we first started Miramar Capital, we would send thoughtful gifts to our clients.

When the pandemic started, we made it a point to sit down and reflect on our gift choices. As trivial as that may sound, seeing just how badly the pandemic impacted people made us realize that while gifting material items to clients can strengthen our relationship with them, they didn't necessarily need any of it. Sure, it's always great to receive something nice, but what difference can something like a box of chocolate really make? In working with us at Miramar Capital, our clients can easily afford to buy whatever gift we would've given them anyway.

In lieu of that, we've changed our philosophy on how we give back to our clients. Instead of sending physical gifts, we now make donations in our staff and clients' honor. We make sure to research every organization we donate to, which may mean contributing to women's shelters, Jewish charities or the American Heart Association, or other organizations of that nature. In terms of local outreach, we work with Chicago-based nonprofits to promote combating food inequality and implement better educational programs in schools.

With that, we now send out holiday cards to our clients saying that we've made two sizeable donations on their behalf. We've found that this shift in holiday-oriented generosity has been a huge success, as we're driving meaningful impact. I believe that if you have the means to contribute funds to positive change, you should. Now that we've implemented this into our holiday routine, we hope to continue paying it forward to those who need it most.

What are your priorities for Miramar Capital as you look to the future?

I believe we're on the right track as far as continuing to operate the way we have since inception. However, in the future we would like to start utilizing our collective industry expertise to educate the public on how the financial sphere works, and how to properly navigate it.

With the world creating new asset classes for people to put their money into, there are more investment instruments vying for people's attention and money. The impression that many people have when entering the financial world is that when the markets and economies are good, they're all making money, and when things are going bad, their money goes away. That simply isn't the case, and unfortunately many folks are misinformed about the ebbs and flows of the financial industry.

It's our job to educate the public on a strategy that is hiding in plain sight but is always there and should be the foundation of their portfolios. Should someone want to invest outside of our strategy, we would never tell them they shouldn't, but we would recommend that within their universe of assets, 50-75 percent should be in a core like ours – high-quality, growth common stocks with strong fundamentals and a history of growing dividends.

That being said, looking into the future, our overall mission is to continue serving our clients at a high operating standard that aligns with the vision of Miramar Capital. We're in this together with our clients and hope to continue the trajectory of growing our business even further. ●