

MY MODEL PORTFOLIO



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We catch up with an RIA to discuss their investment proposition and take a closer look at an average client portfolio

**WHAT IS YOUR OVERALL INVESTMENT PHILOSOPHY?**

At Blue Chip Partners, we manage portfolios with an emphasis on generating income for investors in the form of interest and dividends. In a perfect world, our clients would never have to sell shares of stock to generate cash flow in retirement. The bulk of our portfolio invests in high-quality companies that have a history of paying and growing their dividends.

**WHAT TYPES OF CLIENTS DO YOU WORK WITH?**

We attract clients in the high-net-worth and ultra-high-net-worth space. We have unique expertise in helping corporate executives who are compensated in company stock.

**WHAT ARE YOUR THOUGHTS ON THE ACTIVE VERSUS PASSIVE DEBATE?**

We fall somewhere in the middle of this debate. We recognize the inherent flaws in index construction, many of which are overlooked by the average investor. On the other hand, we selectively utilize ETFs to complement our asset allocation in markets where transaction costs are higher, such as international equity and fixed income.

**ARE THERE ANY MANAGERS YOU HAVE A HIGH CONVICTION IN, AND IF SO, WHY?**

Since we directly manage our domestic equity sleeve, we have the highest conviction in our own investment committee. We do believe there are select fixed income funds from Pimco and Fidelity that provide value to our clients. For our strategic income allocation we use the Pimco Income fund and Fidelity Strategic Income. However, these funds are not in our 80/20 model.

**ANY CHANGES IN ALLOCATIONS OR MANAGERS FROM LAST YEAR?**

We previously used actively managed mutual funds for our international equities allocation, in developed and emerging markets. We recently replaced these active funds with low-cost ETFs.

**THE DOMESTIC EQUITY PORTIONS OF YOUR PORTFOLIOS ARE RUN IN-HOUSE. CAN YOU EXPLAIN HOW THE FIRM GOES ABOUT SELECTING STOCKS?**

First, we have strict parameters for the stocks that are in our investable universe. We focus on mid- and large-cap US stocks. The basic criteria for a stock that can be held in our portfolio are a dividend yield greater than the S&P 500, along with an investment grade credit rating, among other things. We then rank the stocks within their respective industry sectors, according to our own

system of weighted quantitative data. We believe that clients appreciate the transparency of our investment process, along with how it translates to their own portfolios. We then focus on the growing income stream generated by the portfolio as it relates to the client's unique financial plan. Performance is really relative to each unique client situation. We do not use a set model approach and instead tailor our investment strategy to each individual client. Therefore, it is not really possible to talk about performance relative to a benchmark in the traditional sense. Instead, we prefer to focus a client's attention on year-on-year income growth within the portfolios that are matched to their specific goals. ♦

