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How to Build a Simple Blended Portfolio

Blend Multiple Managers to Achieve Growth with Defense

The following is an illustration on how to construct a simple, easy to use Unified Managed Account (UMA) designed to provide robust growth, but also engineered to mute large portfolio losses.

While you, the advisor, must determine the appropriate asset allocation for each client, we are providing an illustrative example of how to incorporate active and/or passive strategic managers with other types of growth strategies with defensive discipline. Please revise the percentages as necessary.

After working with clients for over 35 years, we have learned how to build portfolios that can smooth out market extremes, allowing clients to stay invested over full market cycles and avoid making emotional, poorly timed decisions.

Let’s assume splitting the account into ⅓, ⅓, ⅓ is appropriate. We would recommend the following:

1/3 Equity

Select a passive or active equity manager such as Symmetry Partners, Fidelity Contrafund (FCNTX) or a global equity ETF such as the iShares MSCI World ETF (URTH).

1/3 Bond

Select a passive or active bond manager such as Clark Capital, Payden Core Bond Fund (PYCWX) or an active bond ETF such as the SPDR DoubleLine Total Return Tactical ETF (TOTL).

1/3 ETF Strategist

Finally, it is important to add the appropriate mix of an ETF strategist, such as BCM, that can provide growth strategies with defensive disciplines.

For large cap, U.S. focused clients add BCM U.S. Sector Rotation which focuses on the sectors of the S&P 500 Index.

For more global exposure, use BCM Diversified Equity which includes exposure to U.S. large cap equity, international equity and global macro equity.

For growth strategies with defensive disciplines in both equity and bonds, use BCM Growth (80/20) or BCM Moderate Growth (65/35). These incorporate the same equity allocations as BCM Diversified Equity, but include a fixed income allocation as well.

Sample Portfolio:
Simple, smaller accounts

What has this portfolio construct achieved?

Diversified growth portfolios that have the ability to avoid the majority of large bear market declines.

We find that investors have two simple goals: they want to make money AND avoid gut-wrenching portfolio losses. In most market conditions, all 3 of these allocations can provide growth for clients. However, in an equity bear market, the bonds should weather the storm and the ETF strategist allocation is engineered to preserve most of the client's capital. The same is true in a rising interest rate environment or a bond bear market: ⅔ of the portfolio is designed to still provide growth. While each advisor must determine the ultimate asset mix and risk appropriateness for each client, by building portfolios that are designed to grow ***and*** mitigate large losses, it allows emotions to stay out of the investment decision process.

Advisor Determined Stock/Bond Splits			Ultimate UMA Portfolio Allocations (allowing for 2% money markets)			
	Desired Equity	Desired Fixed Income	Strategic Equity	Strategic Fixed Income	ETF Strategist(s)	Suggested BCM Strategy
Portfolio 1	90%	10%	45%	10%	45%	BCM U.S. Sector Rotation or BCM Diversified Equity
Portfolio 2	80%	20%	40%	20%	40%	BCM U.S. Sector Rotation or BCM Diversified Equity
Portfolio 3	70%	30%	35%	30%	35%	BCM U.S. Sector Rotation or BCM Diversified Equity
Portfolio 4	60%	40%	30%	30%	40%	BCM Growth
Portfolio 5	50%	50%	20%	40%	40%	BCM Growth
Portfolio 6	40%	60%	15%	45%	40%	BCM Moderate Growth
Portfolio 7	30%	70%	30%	35%	35%	BCM Income
Portfolio 8	20%	80%	20%	40%	40%	BCM Income
Portfolio 9	10%	90%	10%	45%	45%	BCM Income

The decisions can be broken down in four easy steps:

1. Determine the risk profile of each investor and set the allocation to the most suitable portfolio model above.
2. Determine if the investor's geographic orientation and measurement benchmark is U.S. based (S&P 500© Index) or Global (S&P Global 1200 Index). The same goes for the Core Fixed Income allocation.
3. Choose your management teams and/or indexes to allocate to.
4. Take the account size and multiply the percentages under "Portfolio Allocations".

The portfolio is now complete! This is one view on building a UMA utilizing different types of management for a well-balanced portfolio. However, sometimes you will have larger, more complex situations with a client. For help building a more robust portfolio for larger account sizes using a similar, easy-to-follow concept, click here.

Our goal is to help you and your clients build portfolios that can stand the test of time and smooth the ride along the way. Please feel free to contact a regional sales consultant at salessupport@investbcm.com or (844)-401-7699.

Beaumont Capital Management
(844) 401-7699
salessupport@investbcm.com
investbcm.com

Sources and Disclosures:

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