

Rivkin's product offering includes nine strategies, one of which is the ASX Blue Chip strategy. This strategy was developed for investors who want to hold a portfolio of large capitalisation companies that pay a high dividend yield. From this portfolio of stocks we expect to receive a steady dividend stream that is an attractive percentage of the original investment amount.

ABOUT THE STRATEGY

The strategy invests in listed ASX equities that fall within the ASX 50 index. The investment premise is to identify the highest yielding stocks in the investment universe and hold them until their share prices grow enough to bring the dividend yield back down to the average level. The benefit of this strategy is that during times of underperformance, investors continue to be paid a healthy level of dividend income. The main risk to this strategy is that dividends are cut.

HOW TO FOLLOW THIS STRATEGY

Rivkin members who purchase the ASX Blue Chip strategy will be provided with a portfolio of ten stocks to hold that have passed the screening described above. Each month, a new portfolio will be provided and the investor should make the trades necessary to bring the current portfolio in line with the new portfolio although this only occurs if the new portfolio differs substantially from the current portfolio. The purpose of this is to minimise the amount of trading required to follow this strategy. On average, action will only be required once every three months and that action will involve replacing 2-3 stocks in the portfolio. We call this monthly process 'rebalancing' and members will be advised by text and e-mail when a rebalance is needed. For the ASX Blue Chip strategy this occurs on the 1st of every month (or the next trading day).

Members trade themselves, using their own brokerage account, which ensures that all stocks are held in the members' name. Rivkin can offer a low brokerage account for those who don't have one already. We advise members to act on our advice within 2-3 days of the recommendation which means that there will be some variation in the execution prices received by different members. We found in the back-testing that the overall, long term results of the strategy are not sensitive to the exact day and time of trade execution.

INVESTMENT CHARACTERISTICS

The ASX Blue Chip strategy has been developed and tested by simulating the investment performance over historical stock price data. This allows us to gather performance data based on how this strategy would have performed if we had run them during these prior time periods. The statistics in the table below summarise the results of this testing and compare them to the ASX 50.

	ASX BLUE CHIP STRATEGY	S&P/ASX 50 ACCUM INDEX
Construction	Ten of the highest dividend yielding stocks from the ASX 50	Free-float-adjusted market cap weighted, comprising 50 of the largest ASX stocks
Management	Rebalanced, on average, once every three months on the 1st of the month	Rebalanced four times per year according to market cap and liquidity
Annual Avg. Return*	10.5% per annum, before fees	8.5% per annum, before fees
Worst 12-month return*	-42% (Feb-07 to Feb-08)	-37.1% (Nov-07 to Nov-08)

*As at 31 December 2017, based on 15 years of back-tested data

MINIMUM INVESTMENT AMOUNT AND PERIOD

There is no specific minimum investment amount although as the portfolio holds ten stocks the minimum brokerage charged by your broker can put a practical limit on the minimum investment size. For example, if your broker charges a minimum of \$10 per trade, this would represent a 0.5% charge on a trade size of \$2,000 (portfolio size of \$20,000 for five stocks). Given an annual portfolio turnover of approximately four times, this would produce an annual brokerage charge of 4%. In this example, with a minimum brokerage charge of \$10, we would recommend an investment of no less than \$20,000.

Rivkin recommends a time horizon of at least three years for this strategy due to the possibility of a negative return in any given year. Based on the strategy back-testing, the probability of a positive return over any three-year time horizon is 96% and therefore having an investment time horizon of at least this much maximises the probability of a positive investing outcome.

FEES AND CHARGES

Rivkin's advice product attracts a fixed annual subscription fee that does not depend on the amount invested. Other than this, the only fees and charges relate to those charged by your broker for trading. Under this model, the more funds you invest in our strategies, the lower the annual cost on a percentage basis. This strategy is also offered in a Separately Managed Account version for which you pay a small management fee for us to follow the strategy on your behalf.

HOW TO GET STARTED

Speak to a Rivkin Consultant to get signed up



Deposit funds for initial investment



Start using our detailed advice