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## **Blue Water Advisors LLC**

### **Investment Philosophy and Process**

#### **The 4 Ways We Add Portfolio Value For Our Clients**

#### **Value Add # 1: Dynamic Asset Allocation**

We employ a research-based investment advisory process that is part art and part science. It combines academic theory and informed judgment. We start with a *portfolio* approach (based on mean-variance optimization) appropriate to clients' risk tolerance and time horizon. We then dynamically modify target allocations based on our own assessment of valuations, risks and opportunities. Our approach recognizes that there are myriad cycles in the capital markets (business, market, psychology, etc.). Our allocation changes have been slow and gradual over time, and do not represent market timing. We attempt to moderate volatility without sacrificing long-term returns.

#### **Value Add #2: Manager Selection**

Once target allocations are set, the second most important factor is manager selection. We do not select individual securities, but rather outsource this specialized function to time-tested managers who are among the best in their respective asset class. We tend to favor active management over passive strategies, as we believe we have an edge in this regard. We recognize that the majority of managers underperform unmanaged indexes, and will not hesitate to use index strategies should we lose conviction in any of our recommended active managers. Our proprietary, multi-factor investment manager selection and ongoing due-diligence process focuses on the "5 Ps" of People, Process, Philosophy, Pay Structure and Performance. While certain of these factors are quantitative, the "art" in the process lies on those that are qualitative. We maintain a library of notes from all meetings, calls and presentations.

#### **Value Add #3: Tax Alpha Addition Strategies**

We also attempt to add to clients' net returns through disciplined and thorough tax alpha addition strategies in taxable accounts. Throughout the year, and at year-end, we attempt to harvest losses to offset gains within accounts. We also evaluate whether certain mutual fund distributions should be avoided through the sale and buy-back of funds. We view these strategies as very low risk ways to potentially enhance returns.

#### **Value Add #4: Client Communication**

In the past 8 years we believe we have added meaningful value at the portfolio level through 1) dynamic asset allocation, 2) selecting value-adding managers, and, 3) tax alpha addition strategies. We also put a premium on client communications, as it is often human behavioral tendencies that lead to bad investment decisions. We report on and regularly discuss portfolio allocations (target, current and variances), manager performance and household performance, and the economic and capital markets environment. We use client communication tools including Investment Policy Statements and performance reports.

Max Haspel offers securities and investment advisory services through AXA Advisors, LLC (NY, NY 212-314-4600), member FINRA, SIPC, and offers annuity and insurance products through AXA Network, LLC and its subsidiaries.

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