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Money manager is bracing for a bargain blitz

Ida Khajadourian describes how she keeps her portfolio diverse and the ‘process-driven approach’ to stocks that has bested the S&P

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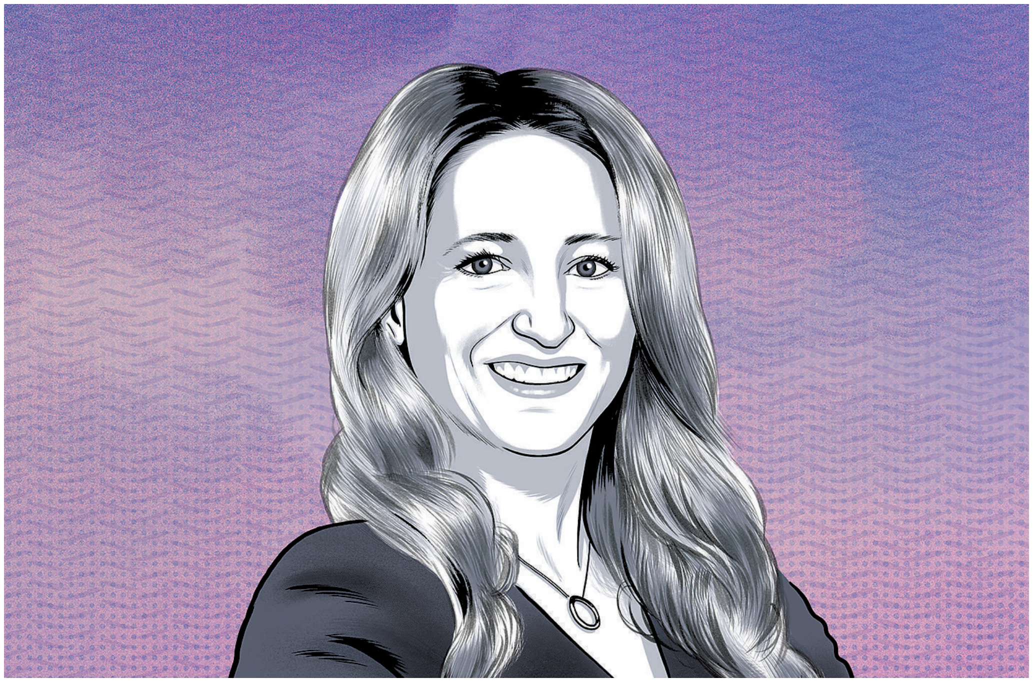
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THE MOVER

Money manager Ida Khajadourian is holding more cash than usual in her portfolios right now and expects to spend a good chunk of it in the coming weeks as bargains show up in the markets.

“Stock selection is so important in this kind of environment because some companies are trading at ridiculously low valuations – they’ve just been thrown out,” says Ms. Khajadourian, portfolio manager and investment adviser with Khajadourian Wealth Management at Richardson Wealth Ltd. in Toronto.

“We expect more volatility this year, and I think there will be some great opportunities to buy companies at attractive valuations.”

Ms. Khajadourian and her team oversee about $940-million in assets, including an index-beating U.S. income and growth portfolio that accounts for about 15 to 20 per cent of her typical discretionary client portfolio.

The portfolio was down 11.7 per cent in 2022, compared with a drop of 18.1 per cent for the S&P 500 index. In 2021, the portfolio was up 34.8 per cent, versus a 28.7-per-cent increase for the S&P 500. And in 2020, the portfolio was up 21.4 per cent compared with a rise of 18.4 per cent for the S&P 500. All data are based on total returns. Ms. Khajadourian’s performance is net of fees.

The remainder of her client portfolios includes global and Canadian equities and a mix of alternative assets. The Globe and Mail spoke recently with Ms. Khajadourian about her investment strategy and what she’s been buying and selling.

Describe your investing style.

We implement what I call an “evolutionary portfolio construction process.”

We incorporate various asset classes across different geographies. We allocate to North American and global equities, real assets including precious metals, public and private real estate, and a category we call “volatility management,” which includes private debt that generates income and a steady return.

We’ve had minimal exposure to fixed income in the past 20 years, given the low interest-rate environment. We’re looking at whether we want to increase that, but we’ve done really well not having fixed income and had better returns with alternatives that have similar characteristics.

We take a very process-driven approach to stock selection. We use institutional software to rank and sort companies based on certain variables using both fundamental and quantitative analysis with an overlay taking macro factors into consideration and technical analysis. Typically, when a stock we own reaches a 7-per-cent weighting in our portfolio, we trim it. And when a stock comes down below 3 per cent, we add to it.

Our objective is to seek superior risk-adjusted returns over the longer term focused on capital preservation and building wealth, regardless of the market environment.

What have you been buying or adding to the portfolio recently?

A more recent buy for us was Broadcom Inc., which we bought in September. We thought it was a good entry point. It’s considered a more defensive microchip stock with large contracts. The company met various criteria in our process. It came up as a buy on both the income and growth side of the portfolio. Some factors that made it attractive were valuation, yield, a healthy payout, positive earnings momentum and reinvestment rate. We have also been selectively adding to other areas of our portfolios in Canadian equities and merger arbitrage strategies.

What have you been selling or trimming?

We’ve been trimming more and raising cash over the past year. One stock we’ve been trimming is Devon Energy Corp. just because it went up so fast last year. We’ve done exceptionally well with that stock and continue to own it. We’ve also been trimming O’Reilly Automotive Inc. for the same reasons. We’ve also recently taken profits from private equity with the intention of deploying that back into public equities where valuations are attractive.

Name a stock you wished you bought or didn’t sell.

Starbucks Corp. is a name that comes to mind. It dropped to US$70 in May last year, and we didn’t pull the trigger. [The stock is currently trading around US$104.] There was still a lot of uncertainty with China reopening and whispers of potential unionization. Maybe we’ll revisit if we get a sell-off or more market volatility that presents a better entry point.

What investing advice do you give friends and family when they inevitably ask?

Don’t let emotions drive investment decisions. It can often lead to poor results. If you focus on fundamentals, you’ll have a better outcome. Also, consider different asset classes when constructing your portfolio. There’s more out there than just stocks and bonds. And if you make some money on investments, don’t be afraid to take profits; nothing goes straight up forever.

Lastly, do some planning. Too many investors focus on investment returns and don’t consider the bigger picture. No matter how great your returns are over the years, there can be greater risks to your wealth without proper tax and estate-planning strategies.

This interview has been edited and condensed.