

Asset Allocation

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NOT AN INVESTMENT ADVICE OR RECOMMENDATION FOR ANY INVESTMENT PRODUCT. ALL EXAMPLES ARE FOR EDUCATION PURPOSES ONLY.

- Dividing your investable funds amongst various asset classes.

Stocks(Large cap, Small cap)

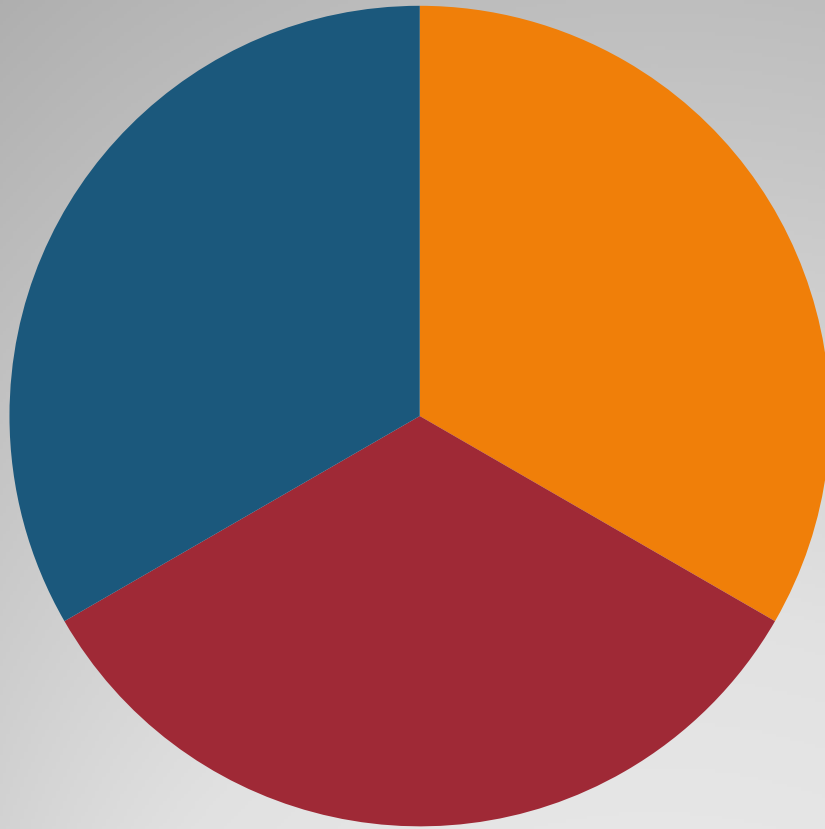
Fixed-
income(Govt.,Investment,High-
yield)

Cash Equivalents (T-bills)

Alternative Assets (Private Equity,
Hedge Funds)

Real Estate
(Residential,Commercial)

What is Asset Allocation?

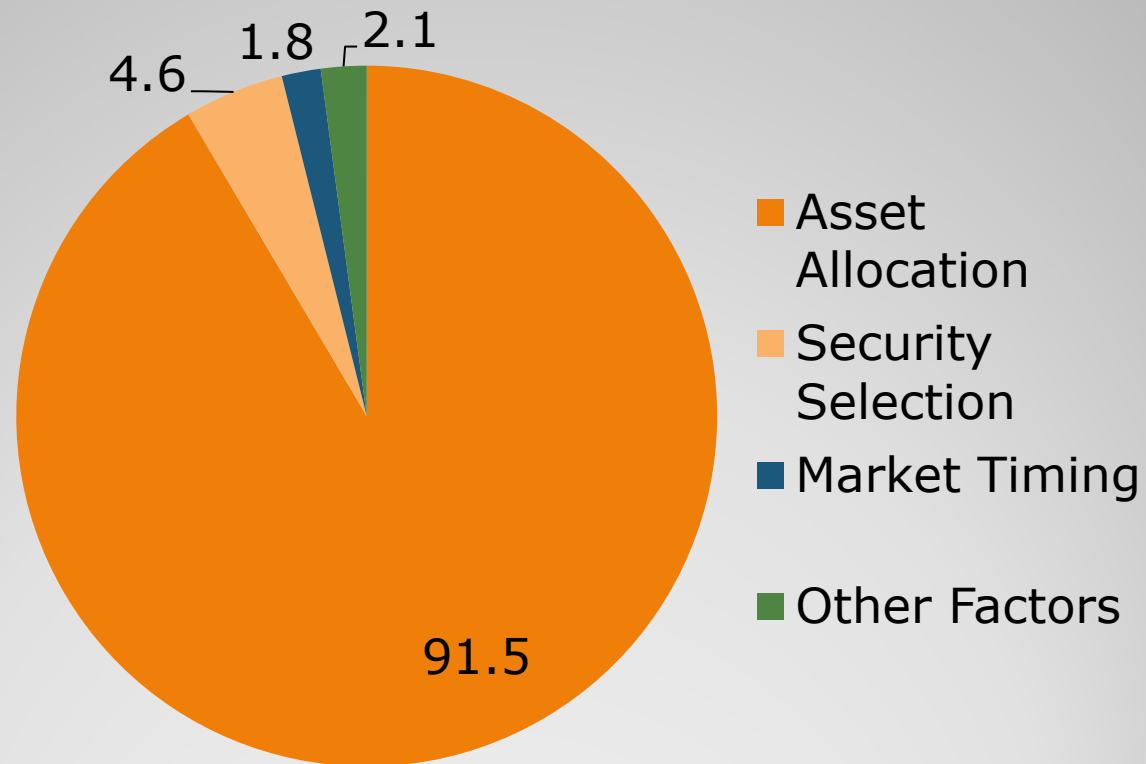


- Common Stocks
- Bonds
- Real Estate

Asset Allocation in its most basic form

-Talmud ~ 2000 years ago

WHY?



Based on academic research conducted by Brinson, Beebower and Singer (Financial Analysts Journal, 1986 and 1991).

To reduce the risk of a large loss

To align your portfolio with your investment goals

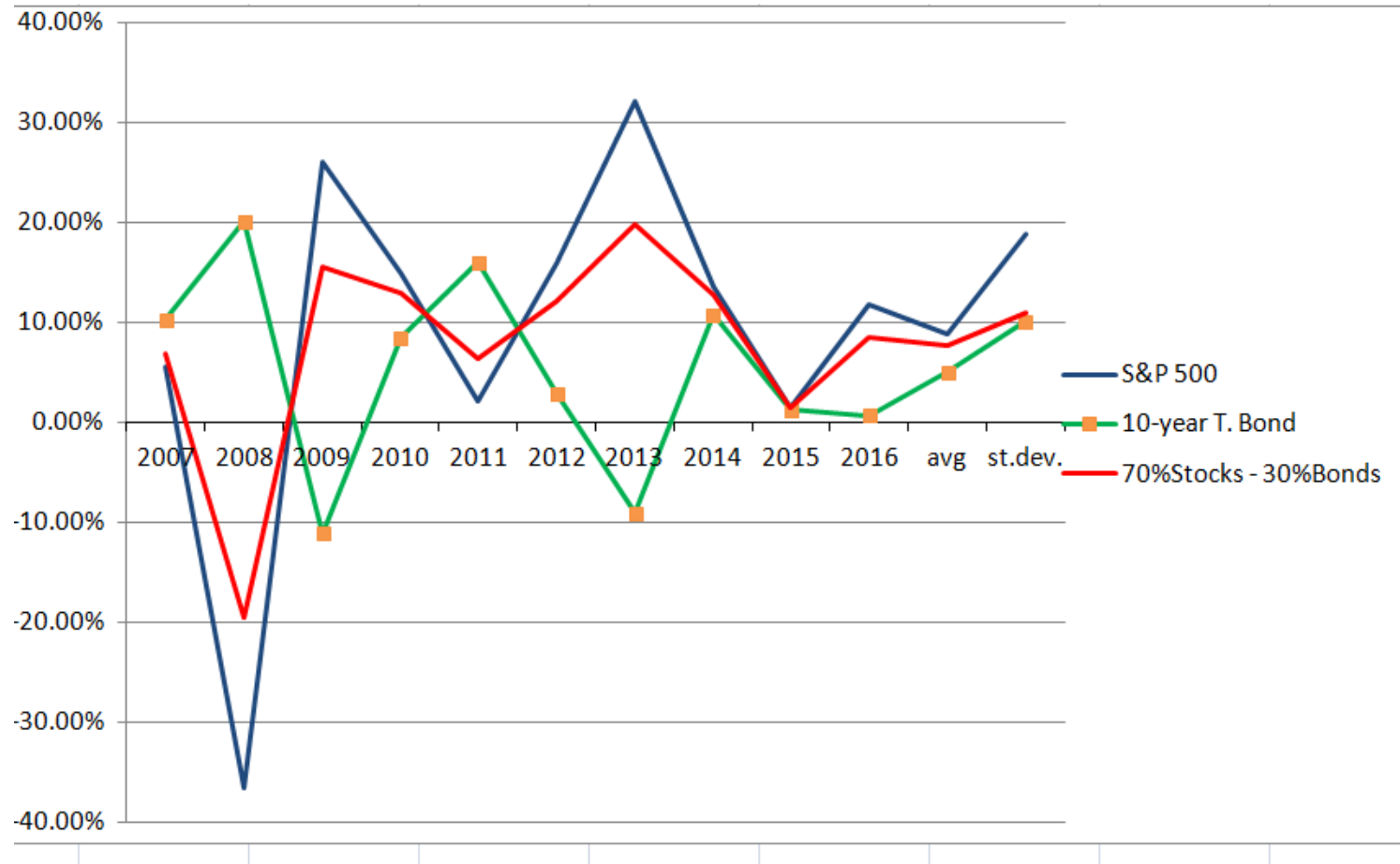
To maximize return potential for a given level of risk

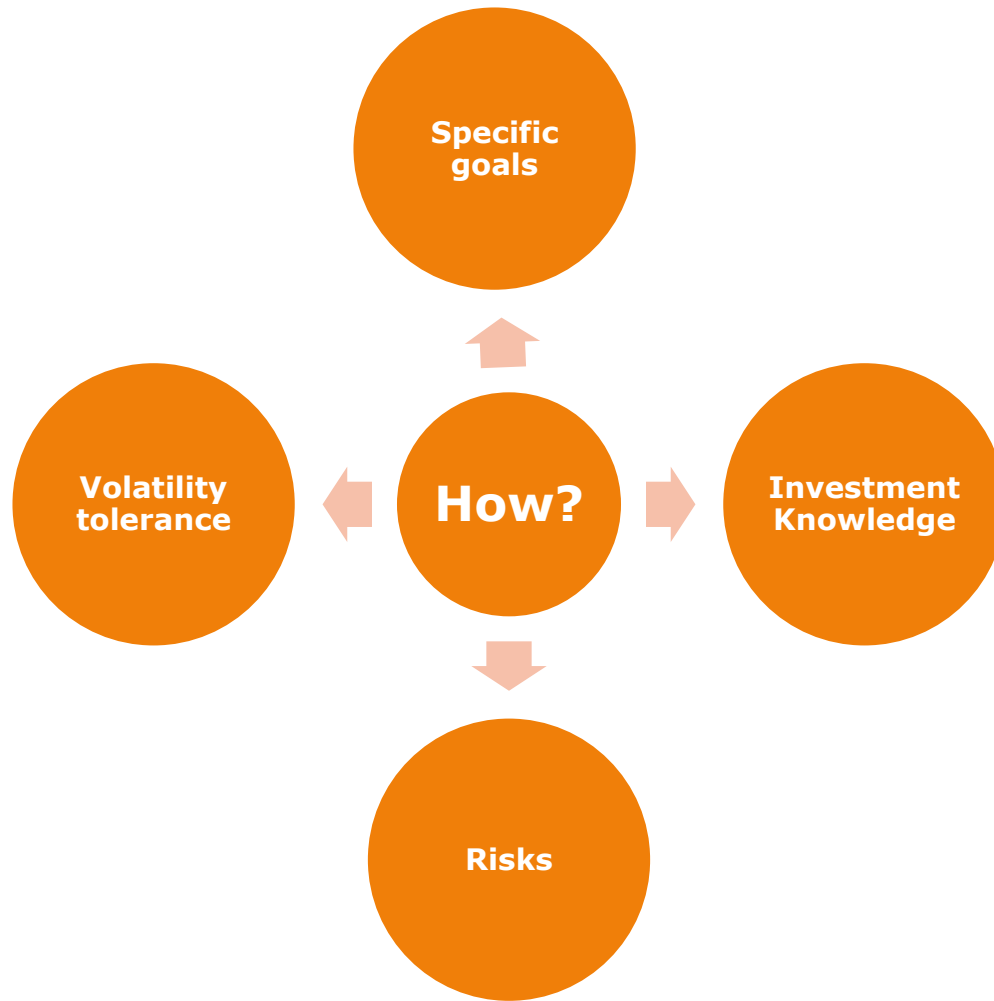
Asset Class	Compound Annual Return
U.S. Bonds (Taxable, High Quality, Intermediate Term)	6.33%
U.S. Stocks (Large Company)	-0.95%
Real Estate Securities (REITs)	10.63%
Asset Allocation Strategy	
U.S. Bond and Stock Strategy:	
1/3 U.S. Bonds	
2/3 U.S. Stocks	2.07%
Talmud Strategy:	
1/3 U.S. Bonds	
1/3 U.S. Stocks	6.13%
1/3 Real Estate Securities	

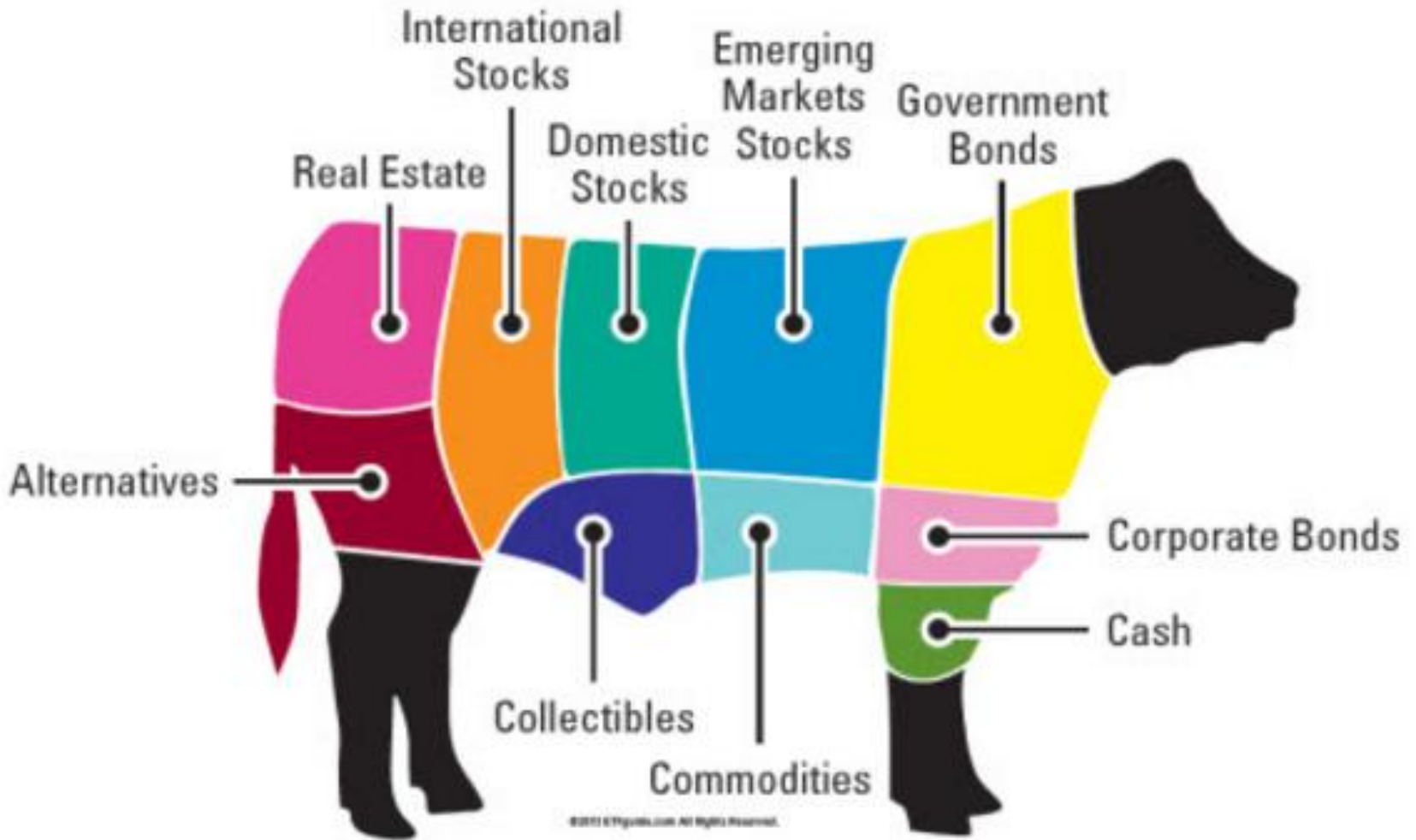
“Lost Decade” (2000-2009)

Year	S&P 500	10-year T. Bond	70%Stocks - 30%Bonds
2007	5.48%	10.21%	6.90%
2008	-36.55%	20.10%	-19.56%
2009	25.94%	-11.12%	15.52%
2010	14.82%	8.46%	12.91%
2011	2.10%	16.04%	6.28%
2012	15.89%	2.97%	12.01%
2013	32.15%	-9.10%	19.78%
2014	13.52%	10.75%	12.69%
2015	1.36%	1.28%	1.35%
2016	11.74%	0.69%	8.43%
avg	8.75%	5.03%	7.63%
st.dev.	18.74%	10.10%	10.87%

Source: Stern.nyu.edu

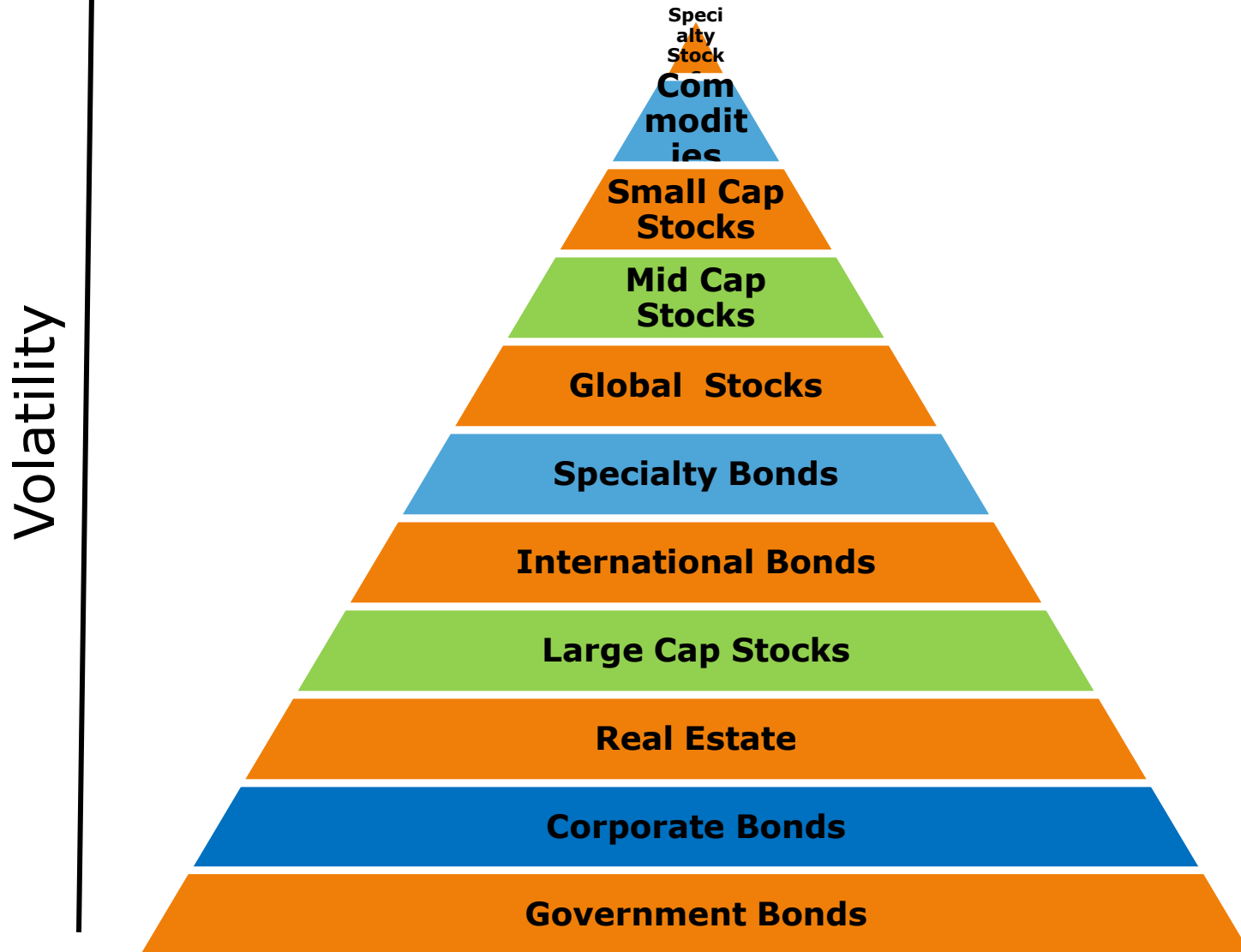




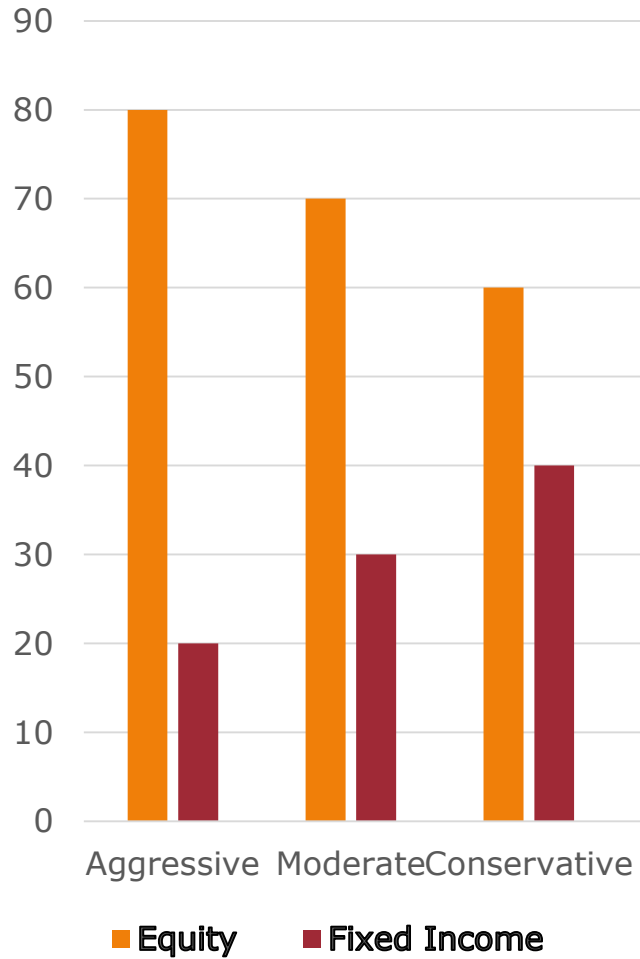


Source: Web page

Asset Class Comparison



Sample Portfolio



Example:

Only 2 investment alternative.

All Stocks – return of 9% and std. dev of 20

All Bonds- return of 3% and std. dev of 0

Asset Class	Percent	Sample Low-Cost Funds and Symbols
U.S. equity	40	Vanguard Total US Stock market Index (VTSMX) Or Vanguard Total US Stock Market ETF (VTI)
International Equity	20	Vanguard Total International Portfolio(VGTSX) or Vanguard FTSE All world ex-US ETF (VEU)
Real Estate	10	Vanguard REIT Index Fund (VGSIX) or Vanguard REIT ETF (VNQ)
Fixed Income	30	Vanguard Total Bond Market ETF (BND)

Reference :

- Roger Gibson – Asset allocation
- Richard A. Ferri CFA – All About Asset Allocation
- Journal of Financial Planning
- Walt Woerheide – Fundamentals of Investments for Financial Planning

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