



Asset Allocation

Murray Priestley
Global Private Partners Ltd



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85%

**DON'T have a
Financial Plan**



Asset allocation is the strategy used in choosing between the various kinds of possible investments, in other words, the strategy used in choosing in what asset classes such as stocks and bonds one wants to invest.



*A large part of **financial planning** consists of finding an asset allocation that is **appropriate** for a given person in terms of their **appetite for and ability to shoulder risk**. This can depend on various factors.*



How important is Asset Allocation?

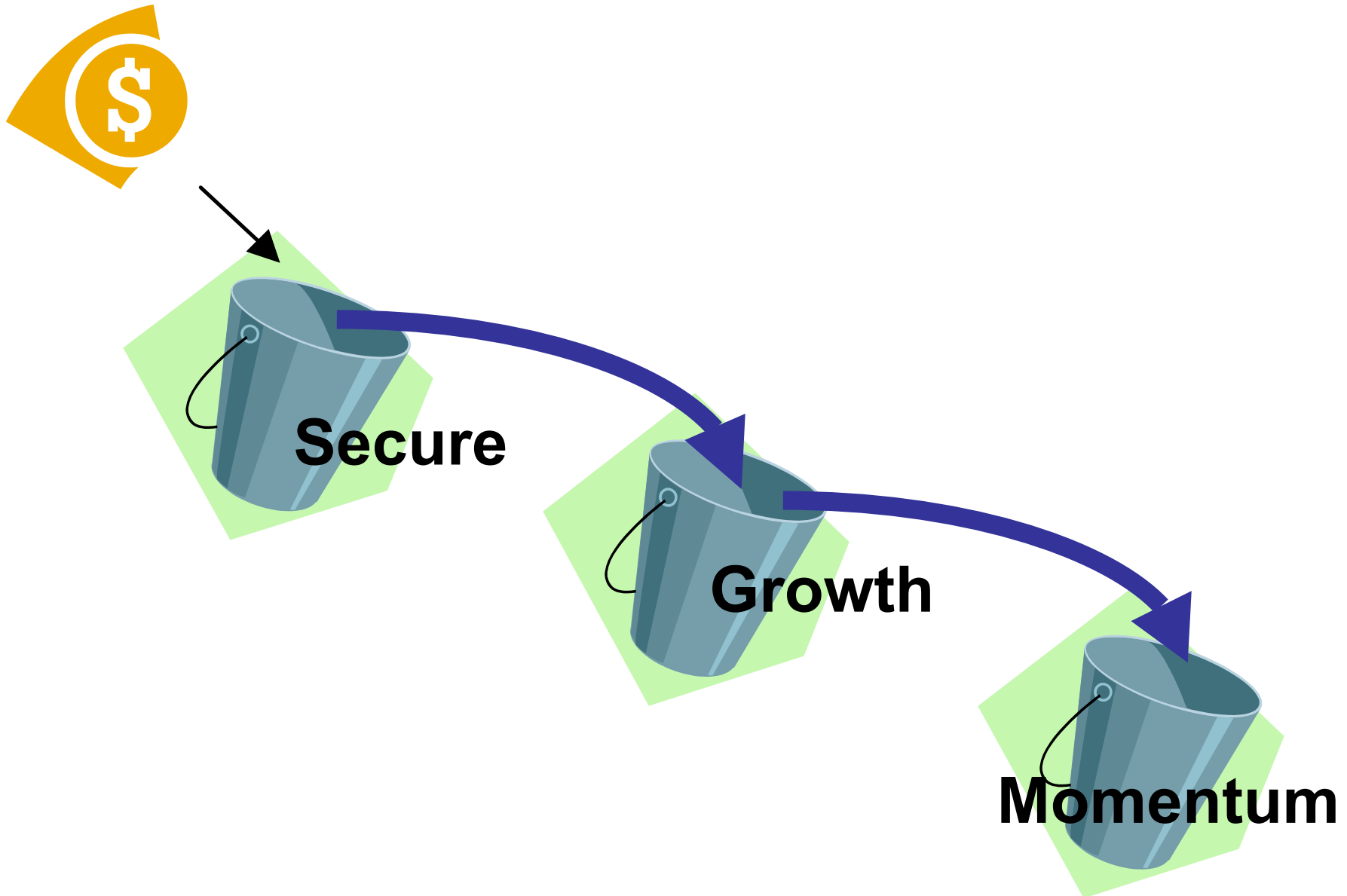
In most cases it is the **key determinant** of your portfolio's **long term rate of return**



Annual Winners and Losers

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	
Winners ↑	35.94% Large Cap Growth	9.17% Intermediate Bonds	51.19% Small Cap Growth	29.14% Small Cap Value	32.94% EAFE	6.06% EAFE	38.36% Large Cap Value	35.27% REIT's	35.18% Large Cap Value	35.71% Large Cap Growth	51.31% Mid Cap Growth	26.37% REIT's	14.02% Small Cap Value	10.27% Aggregate Bonds	48.54% Small Cap Growth	31.58% REIT's	Winners ↑
	31.48% Mid Cap Growth	8.95% Aggregate Bonds	47.03% Mid Cap Growth	21.68% Mid Cap Value	23.84% Small Cap Value	3.91% T-Bills	37.18% Large Cap Growth	23.12% Large Cap Growth	34.36% Mid Cap Value	20.34% EAFE	43.10% Small Cap Growth	22.80% Small Cap Value	13.93% REIT's	9.71% Intermediate Bonds	46.03% Small Cap Value	23.71% Mid Cap Value	
	25.21% Large Cap Value	7.83% T-Bills	41.72% Small Cap Value	14.59% REIT's	19.65% REIT's	3.17% REIT's	34.93% Mid Cap Value	21.64% Large Cap Value	31.79% Small Cap Value	17.86% Mid Cap Growth	33.14% Large Cap Growth	19.19% Mid Cap Value	9.18% Intermediate Bonds	3.82% REIT's	42.71% Mid Cap Growth	22.25% Small Cap Value	
	22.69% Mid Cap Value	-0.26% Large Cap Growth	41.15% Large Cap Growth	13.81% Large Cap Value	18.13% Large Cap Value	2.56% Large Cap Growth	33.98% Mid Cap Growth	21.37% Small Cap Value	30.49% Large Cap Growth	15.63% Large Cap Value	27.29% EAFE	11.63% Aggregate Bonds	8.42% Aggregate Bonds	1.70% T-Bills	39.17% EAFE	20.70% EAFE	
	20.19% Small Cap Growth	-5.13% Mid Cap Growth	37.92% Mid Cap Value	8.71% Mid Cap Growth	16.62% Mid Cap Value	-1.55% Small Cap Value	31.04% Small Cap Growth	20.26% Mid Cap Value	22.54% Mid Cap Growth	8.67% Aggregate Bonds	7.34% Large Cap Value	10.47% Intermediate Bonds	4.12% T-Bills	-9.65% Mid Cap Value	38.07% Mid Cap Value	16.49% Large Cap Value	
	14.53% Aggregate Bonds	-8.09% Large Cap Value	35.70% REIT's	7.77% Small Cap Growth	13.37% Small Cap Growth	-1.93% Intermediate Bonds	25.75% Small Cap Value	17.48% Mid Cap Growth	20.26% REIT's	8.42% Intermediate Bonds	4.77% T-Bills	7.02% Large Cap Value	2.33% Mid Cap Value	-11.43% Small Cap Value	37.13% REIT's	15.48% Mid Cap Growth	
	12.77% Intermediate Bonds	-15.35% REIT's	24.51% Large Cap Value	7.40% Aggregate Bonds	11.19% Mid Cap Growth	-2.01% Large Cap Value	18.48% Aggregate Bonds	11.27% Small Cap Growth	12.95% Small Cap Growth	5.11% T-Bills	0.39% Intermediate Bonds	6.06% T-Bills	-5.59% Large Cap Value	-15.52% Large Cap Value	30.03% Large Cap Value	14.31% Small Cap Growth	
	12.42% Small Cap Value	-16.08% Mid Cap Value	16.00% Aggregate Bonds	7.17% Intermediate Bonds	9.75% Aggregate Bonds	-2.12% Mid Cap Value	15.31% Intermediate Bonds	6.34% EAFE	9.68% Aggregate Bonds	5.08% Mid Cap Value	-0.10% Mid Cap Value	-11.75% Mid Cap Growth	-9.23% Small Cap Growth	-15.65% EAFE	29.75% Large Cap Growth	6.30% Large Cap Growth	
	10.80% EAFE	-17.42% Small Cap Growth	14.53% Intermediate Bonds	5.01% Large Cap Growth	8.78% Intermediate Bonds	-2.16% Mid Cap Growth	15.27% REIT's	5.20% T-Bills	7.87% Intermediate Bonds	1.24% Small Cap Growth	-0.83% Aggregate Bonds	-13.95% EAFE	-20.16% Mid Cap Growth	-27.41% Mid Cap Growth	4.31% Intermediate Bonds	4.34% Aggregate Bonds	
	8.84% REIT's	-21.77% Small Cap Value	12.47% EAFE	3.50% T-Bills	2.90% T-Bills	-2.42% Small Cap Growth	11.55% EAFE	4.06% Intermediate Bonds	5.25% T-Bills	-6.45% Small Cap Value	-1.48% Small Cap Value	-22.43% Large Cap Growth	-20.42% Large Cap Growth	-27.89% Large Cap Growth	4.10% Aggregate Bonds	3.04% Intermediate Bonds	
Losers ↓	8.37% T-Bills	-23.20% EAFE	5.60% T-Bills	-11.84% EAFE	2.89% Large Cap Growth	-2.92% Aggregate Bonds	5.60% T-Bills	3.61% Aggregate Bonds	2.05% EAFE	-17.50% REIT's	-4.62% REIT's	-22.44% Small Cap Growth	-21.21% EAFE	-30.26% Small Cap Growth	1.14% T-Bills	1.30% T-Bills	Losers ↓

Bucket Concept



Security Assets

Cash

Money Market Accounts

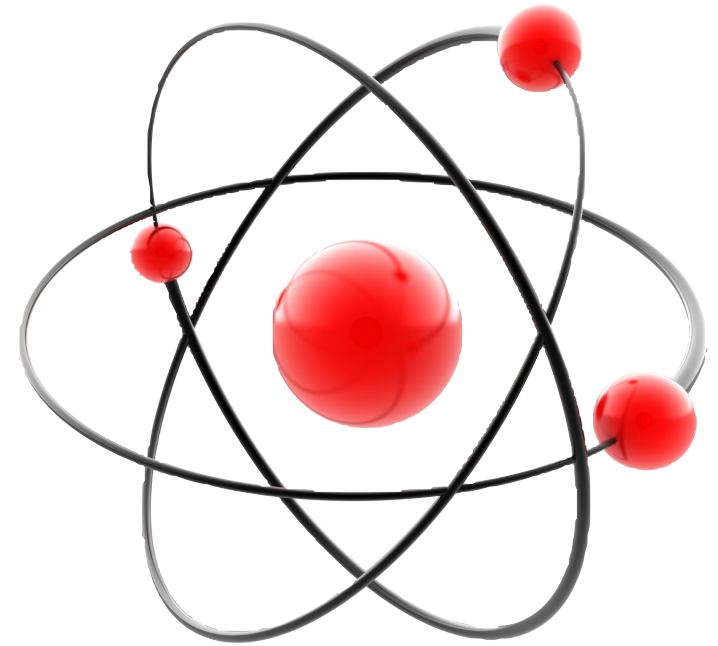
Government backed bonds (US T-Bills, Treasury Notes, Municipal bonds, etc.)

Equity in your primary residence

Equity in any real estate

Most Fixed Income investments

Most Capital Secured Funds



Growth Assets

Shares/Equities

Share Rental

Real Estate

Most Managed/Mutual Funds

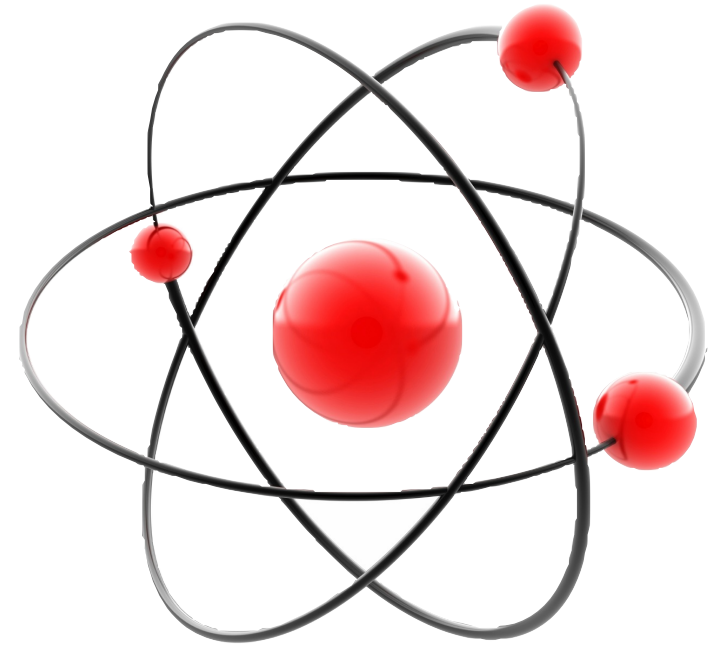
Most ETF

Most Hedge Funds

Equity in your business

Real Estate Syndicates

Mezzanine Funds



Momentum Assets

Forex

Options (Equity/Futures)

Futures/Commodities

Managed Futures/CTA

Emerging Market ETF

Distressed Asset ETF

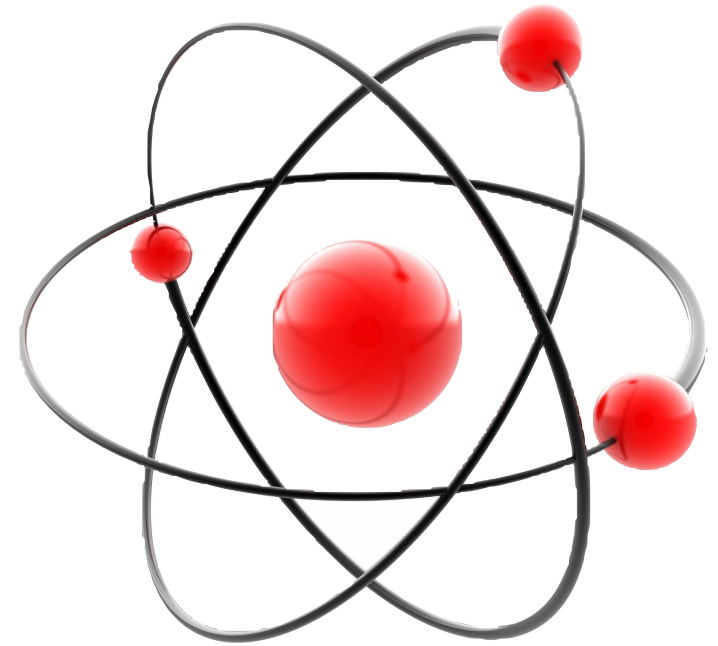
Private Equity

Venture Capital

Angel Investments

IPO/Start-ups

Crypto-currencies



Risk Profile

Age	Security	Growth	Momentum
< 40 years	30%	35%	35%
40 to 60 yrs	50%	25%	25%
> 60 years	70%	15%	15%



Asset Allocation (Equity)

Net Worth	\$ 530,600	Model	Description	Actual Equity
				530,600
Secure:	50%	\$ 265,300	Equity in Main House	150,000
Actual	38%		Superannuation - Cash	23,500
			Cash in bank	25,600
				199,100
Growth:				
Managed:	25%	\$ 132,650	US shares	95,000
Actual	57%		Mutual Fund A	56,000
			Mutual Fund B	23,000
			Superannuation Funds	26,500
			ETF A	86,000
			Hedge Fund A	15,000
				301,500
Momentum:				
Trading:	25%	\$ 132,650	Futures trading	25,000
Actual	6%		Options account	5,000
				30,000

Questions?

