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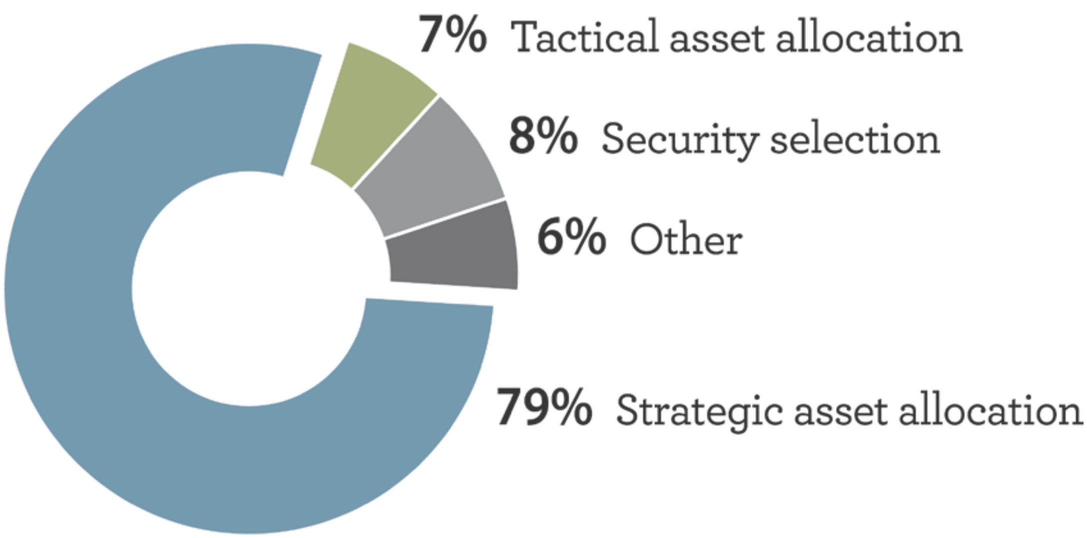
Chart of the Week

INVESTMENT TOPICS AND MARKET TRENDS USING CURRENT AND HISTORICAL ECONOMIC DATA

September 4, 2019

Asset Allocation—One of An Investor's Most Important Decisions



Sources: Wells Fargo; The Journal of Wealth Management, Vol. 8, No. 3, "Strategic Asset Allocation and Other Determinants of Portfolio Returns," August 2005, data updated February 2010. Asset allocation, including strategic and tactical asset allocation, do not guarantee investment returns or eliminate risk of loss.

Study shows that strategic asset allocation has been, by far, the biggest determinant of portfolio return variability (the year-to-year variation in returns).

How you divide your money among the major asset classes—stocks, bonds, and cash—is called your asset allocation. "Strategic" asset allocation has a 10- to 15-year time horizon, while "tactical" asset allocation has a 6- to 18-month time horizon.

A 2010 study of simulated portfolios, as published in The Journal of Wealth Management, showed that strategic asset allocation accounted for 79% of the variation in a portfolio's return. By comparison, factors like security selection, market timing, and tactical asset allocation each accounted for less than 10% of portfolio performance.

What it may mean for investors

Each of an investor's financial goals has different attributes and priorities, including the time horizon and the need for liquidity, income, or growth. As a result, each goal has a unique investment objective—and a distinct combination of assets that is most likely to help achieve the goal. Establishing this combination (or strategic allocation) is one of an investor's most important decisions. Given our outlook for increased volatility in the next 12 months, we believe now may be a good time for investors to ensure that their investments are appropriately aligned with their goals.

Tracie McMillion, CFA, *Head of Global Asset Allocation Strategy*

Sameer Samana, *Senior Global Market Strategist*

This chart was excerpted from the "Four Steps of Successful Investing" report.

Risk Considerations

Asset allocation is an investment method used to help manage risk and does not ensure a profit or protect against market loss. All investing involves risks, including the possible loss of principal. There can be no assurance that any investment strategy will be successful. Investments fluctuate with changes in market and economic conditions and in different environments due to numerous factors, some of which may be unpredictable.

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