

The Importance of Asset Allocation



Most investors understand the value of a portfolio that is well diversified, ensuring that all of their proverbial eggs are distributed among several baskets. A diversified portfolio might hold the stock of auto makers, technology firms, banks, food conglomerates, hotel chains, oil companies and more. But a well-managed portfolio goes a step further by ensuring assets are also appropriately balanced, or allocated, across the range of asset classes — stocks (equities), bonds (fixed-income) and cash.

Each asset class carries its own level of risk, and tends to behave differently under different economic conditions. When the stock market is on the rise, for instance, bond prices often go down — and vice versa. Investment funds like those offered by the United Church Foundation are managed to achieve complementary returns among these asset classes, apportioning the mix of different classes within a fund to achieve the highest level of return given an investor's risk tolerance, time horizon and total return goals.

Finding and maintaining the right asset allocation requires some skill; but experienced investors know that careful attention to asset allocation protects their investment over the long term. In fact, studies have shown that long-term performance is more often influenced by asset allocation decisions than by stock and/or bond selection — good news for the Foundation's investors. Endowments and similar pools of funds are long-term, even "permanent," investments which stand to benefit from strategies that include some risk to achieve long-term gains.

The Foundation offers three broadly diversified Balanced Funds — Conservative, Moderate and Aggressive — which provide three unique asset allocation strategies. Designed and managed by investment experts, each of these portfolios uses a different asset allocation ratio of stocks to bonds to align risk with investment objectives, while seeking to deliver long-term results that compare favorably to market trends and averages.

For more information about the Foundation's nine investment funds, visit www.ucfoundation.org.