

# AII Asset Allocation Survey: Investors Shift Money Out of Cash

Equity and fixed-income allocations increased last month, as individual investors shifted money back out of cash according to the April AII Asset Allocation Survey.

Stock and stock fund allocations rose 2.2 percentage points to 61.7%. The increase puts equity allocations back above their historical average of 60% for the third time in four months.

Bond and bond fund allocations rebounded by 2.0 percentage points to 19.7%. Even with the increase, this is the first time since April 2009 through June 2009 that fixed-income allocations have been below 20% for three consecutive months. Even with this occurrence, bond and bond fund allocations are above their historical average of 16% for the 46th consecutive month.

Cash allocations pulled back by 4.3 percentage points to 18.5%. The April reading is similar to the levels that existed earlier this year, in January and February. April was also the 16th consecutive month that cash allocations remained below their historical average of 24%.

A sharp increase in pessimism about the six-month outlook for stock prices in the weekly AII Sentiment Survey did not deter AII members from investing in stocks. Rather, their allocations rose as the market continued its rally. One reason is the continued low interest rates, which continue to frustrate individual investors. It should be noted that many AII members do have concerns that stocks are presently overbought and susceptible to a pullback in prices.

This month's special question asked AII members what would prompt them to increase their allocations to stocks. Approximately 27% said they were looking for a drop in stock prices, with many saying they were looking for a drop of greater than 10%. Another 25% said there was no catalyst that would cause them to increase their equity allocation. A sizeable portion of respondents in this group listed their satisfaction with their current portfolio allocation as the reason why. The next largest group, representing 7.5% of respondents, said better economic growth would cause them to buy more stocks. A small number listed their age as the reason why they are allocating more to equities, but indicated they would buy more stocks if they were younger.

Here is a sampling of the responses:

- "I am waiting for a correction. Most quality stocks look overvalued to me."
- "After a large correction of 10% or more, I would allocate a large percentage of my cash to stocks and stock ETFs."
- "Nothing. I have an asset allocation plan and I am not deviating from it."

- “Nothing. I believe my current allocation is the maximum appropriate allocation for my and my wife’s age.”
- “For me to be 10 years younger and further from retirement, which is not likely to happen.”
- “Convincing my wife that we should change our allocation to reduce the bond component. I have been unsuccessful so far.”

April AAI Asset Allocation Survey results\*:

- Stocks/Stock Funds: 61.7%, up 2.2 percentage points
- Bonds/Bond Funds: 19.7%, up 2.0 percentage points
- Cash: 18.5%, down 4.3 percentage points

April AAI Asset Allocation Survey detail:

- Stocks: 29.5%, down 2.3 percentage points
- Stock Funds: 32.2%, up 4.5 percentage points
- Bonds: 3.8%, down 1.5 percentage points
- Bond Funds: 15.9%, up 3.5 percentage points

Historical Averages:

- Stocks/Stock Funds: 60%
- Bonds/Bond Funds: 16%
- Cash: 24%

\*Due to rounding, the numbers may not add up to 100%.

The AAI Asset Allocation Survey has been conducted monthly since November 1987 and asks AAI members what percentage of their portfolios are allocated to stocks, stock funds, bonds, bond funds and cash. The survey and its results are available online at: <http://www.aai.com/investor-surveys>.