

# AAII August 2012 Asset Allocation Survey: Cash Allocations Fall to a 15-Month Low



Cash allocations fell to a 15-month low in August, according to the latest AII Asset Allocation Survey. Equity allocations reached a four-month high and fixed-income allocations reached a six-month high.

Stock and stock fund allocations rose 0.7 percentage points to 60.5%. This is the most AII members have allocated to equities since April 2012. The historical average is 60%.

Bond and bond allocations rose 2.0 percentage points to 21.4%. This is the most AII members have allocated to fixed-income since February 2012. This is the 37th consecutive month that fixed-income allocations are above their historical average of 16%.

Cash allocations fell 2.7 percentage points to 18.1%. This is the smallest amount AII members have allocated to cash since May 2011. This is the ninth consecutive month that cash allocations are below their historical average of 24%.

Equity allocations increased as short-term sentiment improved during the first three weeks of the month. A rise in interest rates during the first half of August may have prompted some AII members to shift some of their cash into bond investments. Even with the increases, stock and bond allocations did not significantly change from July. AII members remain concerned about the pace of U.S. economic growth, the possibility of higher taxes and federal budget cuts in 2013, and the European sovereign debt crisis. They also remain frustrated with the low current yields and worry that interest rates could move higher in the future.

This month's special question asked AII members how they are investing their portfolio's cash allocation. Most said they were using a money market fund. Many members said they also owned certificates of deposits (CDs) and/or use an interest-bearing bank account. A comparatively smaller number held short-term bond funds, Treasury bills or savings bonds.

August AII Asset Allocation Survey results:

- Stocks/Stock Funds: 60.5%, up 0.7 percentage points

- Bonds/Bond Funds: 21.4%, up 2.0 percentage points
- Cash: 18.1%, down 2.7 percentage points

August AAI Asset Allocation Survey details:

- Stocks: 31.5%, up 1.0 percentage point
- Stock Funds: 29.0%, down 0.3 percentage points
- Bonds: 4.4%, up 0.5 percentage points
- Bond Funds: 17.0% up 1.5 percentage points

Historical Averages:

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

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>