

February AAI Asset Allocation Survey: Equity Allocations Above 60% for 11th Month

Individual investors' allocation to equities stayed above 60% for the 11th consecutive month in February, according to the latest AAI Asset Allocation survey. This is the longest such streak since prior to the financial crisis. Fixed-income allocations declined last month, while cash holdings increased slightly.

Stock and stock fund allocations rebounded by 1.3 percentage points to 66.9%. February was not only the 11th consecutive month with equity allocations above their historical average of 60%, but also the 13th out of the past 14 months.

Bond and bond fund allocations declined 0.8 percentage points to 16.2%. Even with the decline, fixed-income allocations were above their historical average of 16% for the 55th time in the past 57 months.

Cash allocations decreased 0.5 percentage points to 16.9%. This made February the 27th consecutive month with cash allocations below their historical average of 24%.

The current streak of above-average equity allocations is the longest since a 12-month streak between August 2003 and July 2004.

February's rebound in stock prices alleviated some of the short-term fears that a market top had been established in January. Even though the month ended with the S&P 500 at a record high, bullish sentiment remained below the levels recorded at the start of the year. Improving stock prices helped to boost the value of equity allocations while a relatively stable yield environment did not alter the value of fixed-income holdings much.

Last month's special question asked AAI members what their allocation to emerging markets was, and if had recently changed. The largest group, 38% of respondents, said they did not have any exposure to emerging markets. Approximately 27% of respondents said their emerging markets exposure was 5% or less, while 14% had between 6% and 10% of their portfolio allocated to emerging markets. The vast majority of respondents said their current allocation or lack of exposure to emerging markets has not significantly changed recently. Slightly more than 8% of respondents said they reduced their exposure in recent months, however, while 7% either have or intend to increase their exposure to emerging markets.

Here is a sampling of the responses:

- “My only exposure is as part of diversified international funds.”
- “I have nothing in emerging markets, but I am invested in companies that have an international presence.”
- “I feel that the emerging markets are too risky for me right now, so I have backed out.”
- “Presently I have no exposure, but I am considering venturing into emerging markets as they continue to melt down.”
- “Zero and no change. I don’t invest overseas; the U.S. markets are enough of a mystery.”

February Asset Allocation Survey results:

- Stocks and Stock Funds: 66.9%, up 1.3 percentage points
- Bonds and Bond Funds: 16.2%, down 0.8 percentage points
- Cash: 16.9%, down 0.5 percentage points

February Asset Allocation Survey details:

- Stocks: 35.0%, up 4.1 percentage points
- Stock Funds: 31.9%, down 2.8 percentage points
- Bonds: 3.9%, up 0.4 percentage points
- Bond Funds: 12.3%, down 1.2 percentage points

Historical Averages:

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

*The numbers are rounded and 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>.