

## Power Your Portfolio With Value

This week's AAI **Weekly Digest** highlights these “must-read” AAI articles:



### The Trinity Portfolio: Combining Diversification, Tilts and Trend-Following

Cambria Investment Management's Trinity Portfolio is named for the portfolio's three core elements: 1) assets diversified across a global investment set, 2) tilts toward investments exhibiting value and momentum traits, and 3) exposure to trend-following. In this article, Mebane Faber discusses these foundational elements of the Trinity Portfolio, and how they also serve as the sequence for constructing the portfolio.

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Based on analysis dating back to 1928, Paul Merriman has concluded that long-term equity investors are likely to do even better if they invest more heavily in value. This led to him creating the Ultimate Equity Portfolio, a portfolio weighted toward value stocks and small-cap stocks. In this article,

Merriman makes the case for value stocks taking an outsized role your portfolio— and why some investors may go one step further with an all-value approach. Finally, he shows you how to put this approach to work.



## The Next Generation of Socially Responsible Investing

It is getting easier for investors to incorporate their personal values into their portfolios and to do so in a diversified, low-cost and tax-efficient manner. Traditionally known as socially responsible investing, this approach is increasingly being referred to as environmental, social and governance investing, or ESG investing. As its name suggests, ESG investing considers the potential environmental and/or social impact of a particular investment—a concept known as sustainable, responsible and impact investing, or SRI investing.

## Valuation's Usefulness for Forecasting and Setting Asset Allocation



Dividend yields, price-earnings ratios and cyclically adjusted price-earnings ratios have long been used to forecast long-term stock returns, which leads some investors to believe that these multiples can also be valuable tools for asset allocation. These multiples have forecasting ability in the long term, but investors often adjust their portfolios as a response to short-term signals. For this reason, multiples could be useful tools to forecast long-term returns and, at the same time, poor tools to determine short-term asset allocations.

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## Our Member Question for this week is:

What percentage of the stock (equity) portion of your investment portfolio would you classify as passive (index funds or index ETFs) as opposed to active (individual stocks, actively managed non-indexed funds or ETFs)?

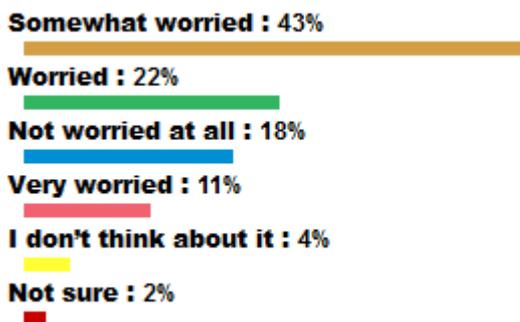
[Vote Now »](#)

## Vote to answer this week's Special Question:

If you do not invest in individual stocks, what are your primary reasons for not investing in them?

## Last Week's Results:

**Political risk is the risk an investment's returns could suffer because of political changes or instability. Instability affecting investment returns could stem from a change in government, legislative bodies, other foreign policy makers or military control. How worried are you about political risk affecting U.S. markets over the next several months?**



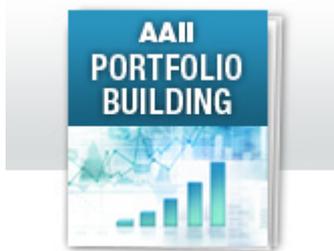
*Poll results are as of 9 a.m. (Central) on Monday. 2,084 respondents.*

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## Readers Worry About Political Risk Affecting U.S. Markets, But Not Acting On It



Political risk is a type of risk facing investors, corporations and governments—that political decisions, events or conditions will significantly affect the profitability of a business actor or the expected value of a given economic action. Given events both here in the U.S. and around the world, political risk seems to be on the rise. To see how AAI readers feel, we asked them how worried they are that political risk will affect the U.S. market in the coming months. In addition, we asked them if they have made any significant portfolio moves to counter this perceived political risk.



### AAI eBook: Portfolio Building

“Easier said than done” is a common saying that applies well to developing an overall strategy for your investment portfolio. The basic concepts are relatively easy, but they become more complex and less clear-cut when it comes to applying them to real-world situations. This e-book, available exclusively to AAI members, is designed to bridge the gap between theory and practice.

The AAI Weekly Digest is one of the many **benefits** of AAI membership. To learn more, consider a **30-day Trial AAI Membership** to start becoming an effective manager of your own assets.