

Stock and Stock Fund Allocations Fall to Below-Average Levels

Fixed-income allocations fell to their lowest level in a year, as individual investors remain frustrated with low interest rates. Cash allocations, meanwhile, rose for a second consecutive month as equity allocations declined.

Stock and stock fund allocations declined 0.2 percentage points to 67.7%, the lowest level since January. Even with the decline, equity allocations remained above their historical average of 60% for the 26th consecutive month.

Bond and bond fund allocations fell 0.7 percentage points, to 15.5%. Fixed-income allocations were last lower in December 2013 (15.2%). The historical average is 16.0%.

Cash allocation rose 1.0 percentage points, to 16.9%. Cash allocations were last higher in October 2014 (18.7%). Despite the increase, May was the 42nd consecutive month with cash allocations below their historical average of 24%.

The rise in cash allocations occurred as neutral sentiment (as measured by the weekly AAI Sentiment Survey) has stayed at or above 45% for eight consecutive weeks and above average for 21 consecutive weeks. Though cash allocations have risen for two consecutive weeks, allocations to stocks and stock funds remain high as investors fret over low interest rates and see a lack of attractive alternatives for their portfolio dollars. Speculation about an interest rate increase occurring this year may also have contributed to the decline in fixed-income allocations.

May AAI Asset Allocation Survey results:

- Stock and Stock Funds: 67.7%, down 0.2 percentage point
- Bond and Bond Funds: 15.5%, down 0.7 percentage point
- Cash: 16.9%, up 1.0 percentage point

May AAI Asset Allocation Details:

- Stocks: 33.1%, up 0.9 percentage point
- Stock Funds: 34.6%, down 1.1 percentage points
- Bonds: 3.6%, up 0.3 percentage point
- Bond Funds: 11.8%, down 1.0 percentage point

*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>.