

September AAI Asset Allocation Survey: A 4-Year Low for Fixed-Income Allocations

Bond and bond fund allocations declined to a four-year low in the September AAI Asset Allocation Survey. Equity allocations rose, but remained within the recent range.

Stock and stock fund allocations increased by 2.2 percentage points to 64.5%. The increase was largely a reversal of August's decline and kept equity allocations within the range that has held throughout most of this year. September was the sixth consecutive month and the eighth out of the past nine months with stock and stock fund allocations above their historical average of 60%.

Bond and bond fund allocations declined 1.2 percentage points to 16.0%. This is the smallest allocation to fixed income since May 2009. It also ended a streak of 50 consecutive months with bond and bond fund allocations above their historical average of 16%.

Cash allocations declined by 0.9 percentage points to 19.6%. September was the sixth month in the past nine months with a cash allocation reading below 20%. September was also the 22nd consecutive month with cash allocations below their historical average of 24%.

Since yields on the 10-year U.S. Treasury note began to rise in early May, fixed-income allocations have fallen by a cumulative 3.7%. The April 2013 survey showed a 19.7% allocation to bonds and bond funds. At the same time, this year's strong rally in stock prices has increased stock allocations for those investors who have not actively altered their portfolios.

Many individual investors continue to express uncertainty. Prevailing stock valuations, the Federal Open Market Committee's decision to postpone tapering its bond purchases and a lack of key progress by Congress and the president are all influencing AAI members' sentiment towards stocks and bonds.

This month's special question asked AAI members for their thoughts about the rise in Treasury yields that has occurred since May. There was no clear consensus, though the largest number of respondents (26%) said they expected an increase in yields to occur at some point. An additional 11% expect interest rates to continue rising. Approximately 7% thought the extent of the increase was either unjustified or an overreaction whereas 6% said interest rates are still too low.

September AAI Asset Allocation Survey results:

- Stocks and Stock Funds: 64.5%, up 2.2 percentage points

- Bonds and Bond Funds: 16.0%, down 1.2 percentage points
- Cash: 19.6%, down 0.9 percentage points

September AAI Asset Allocation Survey details:

- Stock Funds: 31.6%, down 0.3 percentage points
- Bond Funds: 12.3%, down 1.1 percentage points
- Stocks: 32.9%, up 2.5 percentage points
- Bonds: 3.7%, down 0.1 percentage points
- Cash: 19.6%, down 0.9 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>.