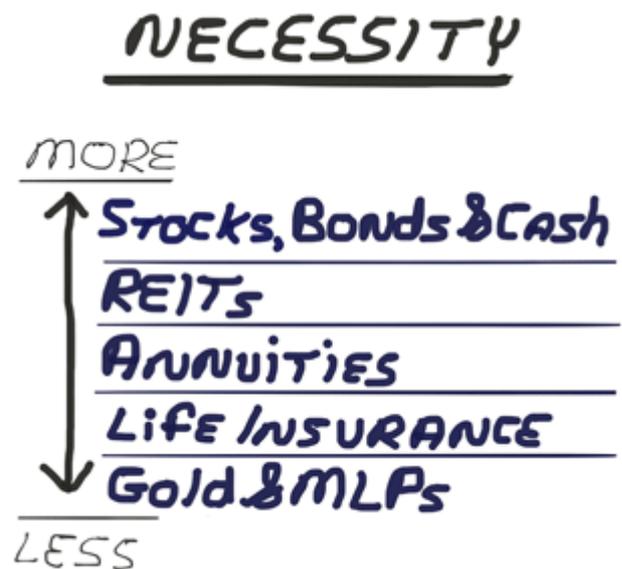


What Investments Do You Need?

✘ While working on a new presentation about portfolio strategies, it occurred to me that there is an important question I should address: What investments does an individual investor need in their portfolio? Not specific names, but rather what types of investments. It's a question that is not necessarily easy for many investors to answer. It's also a question that many (but not all) investment companies, financial advisers and sales people are often too eager to answer in a way that is beneficial to their compensation.

The most universal answer I can give is common stocks, bonds and cash. These are the three core assets nearly every investor should use as the cornerstones for their portfolios. Stocks have historically provided the best long-term total returns, thanks to price appreciation and dividends. Bonds offer income and a ballast against the volatility of stocks. Cash is ideal for shorter-term liquidity.



Combined, these three asset classes provide good diversification, especially when properly allocated to. While such a mix may sound overly simplistic, getting this basic allocation right over the long term is a high hurdle for many investors. Aversion to losses, too much emphasis on current news and data and overconfidence all cause investors to fail at simply sticking to a well-thought-out mixture of stocks, bonds and cash. Focus first on this basic mix and then, if you have the discipline or particular needs, consider other types of investments. [Continue Reading »](#)

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 - **Retirement Readiness Is Being Assessed in the Wrong Manner** - In this interview about retirement income, Moshe Milevsky gave a framework for determining how much of an allocation to annuities is warranted.
-

Highlights from this month’s *AII Journal*

- **Stock Market Retreats and Recoveries** - Stocks have experienced a drop of 5% or more

approximately once every six months, but recoveries have generally been quick, as Sam Stovall explains.

- **Model Shadow Stock Portfolio: Three New Stocks Added** - The proceeds from the latest deletion were used to add three new stocks in this real money portfolio.
-

AII Sentiment Survey

Neutral sentiment fell to its lowest level in nearly six months, while pessimism is back above its historical average for the seventh time in the past 10 weeks. [More about this week's results.](#)

This week's results:

- Bullish: 35.6%, up 2.3 points
- Neutral: 31.6%, down 6.3 points
- Bearish: 32.8%, up 4.1 points

Historical averages:

- Bullish: 38.5%
- Neutral: 31.0%
- Bearish: 30.5%

Take the [Sentiment Survey](#).

AII Asset Allocation Survey

Equity allocations rose to a three-month high in September. [More about the latest results.](#)

September AII Asset Allocation Survey results:

- Stocks and stock funds: 68.7%, up 1.9 percentage points
- Bonds and bond funds: 15.1%, down 2.2 percentage points
- Cash: 16.1%, up 0.2 percentage points

September AII Asset Allocation Details:

- Stocks: 30.2%, up 2.0 percentage points
- Stock funds: 38.5%, unchanged
- Bonds: 2.6%, down 0.9 percentage points
- Bond funds: 12.5%, down 1.3

Take the [Asset Allocation Survey](#).

What's Trending on AAI

1. [Due Diligence: 10 Steps to Avoiding Ponzi Schemes and Financial Fraud](#)
 2. [Target Wealth: A Better Bet for Achieving Wealth Goals](#)
 3. [Nine Rules for Smarter Investing](#)
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The Week Ahead

Third-quarter earnings season will “officially begin” with JPMorgan Chase & Co. (**JPM**) being the first Dow Jones industrial average component operating on a calendar-year basis to report earnings. The financial conglomerate will report Thursday. Also reporting next week are eight S&P 500 fellow members: BlackRock Inc. (**BLK**) and Fastenal Co. (**FAST**) on Wednesday; Citigroup Inc. (**C**) and Delta Air Lines Inc. (**DAL**) on Thursday; and Bank of America Corp. (**BAC**), JB Hunt Transport Services Inc. (**JBHT**), PNC Financial Services Group (**PNC**) and Wells Fargo & Co. (**WFC**) on Friday.

The week's first economic report will be the Labor Department's August JOLTS report, released on Wednesday. The minutes from last month's Federal Open Market Committee (FOMC) meeting will also be released on Wednesday. Thursday will feature the September Producer Price Index (PPI). Ending the week, the September Consumer Price Index (CPI), September retail sales, August business inventories and University of Michigan's October preliminary consumer sentiment survey will be released on Friday.

Five Federal Reserve officials will make public appearances: Minneapolis president Neel Kashkari and Dallas president Robert Kaplan on Tuesday; Chicago president Charles Evans on Wednesday; governor Jerome Powell on Thursday and Friday; and Boston president Eric Rosengren, Chicago president Charles Evans and Dallas president Robert Kaplan on Friday.

The Treasury Department will auction \$24 billion of three-year notes and \$20 billion of 10-year notes on Wednesday and \$12 billion of 30-year bonds on Thursday.

Local Chapter Meetings

AAII Local Chapter Meetings offer you a variety of presentations from expert speakers who will give you their view on the world of investing. A bonus of attending a Chapter Meeting near you is the opportunity to meet other AAI members who share your interest and enthusiasm for investing. You can even share the Chapter experience with your family and friends by inviting them to attend Chapter Meetings with you!

[Upcoming Meetings »](#)