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GLOBAL RESEARCH HIGHLIGHTS

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Through Our network We Offer A Selection of over 45 fund families and over 12000 different mutual funds.

TIME FOR GLOBAL ASSET DIVERSIFICATION?

"Asset allocation is a strategy, advocated by modern portfolio theory, for maximizing gains while minimizing risks in your investment portfolio. Specifically, asset allocation means dividing your assets among different broad categories of investments, including stocks, bonds, and **cash equivalents**.

Determining the asset allocation model — specifically the percentages of your portfolio allocated to each investment category — that's appropriate for you depends on many factors, such as how much time you have to invest, your tolerance for risk, and your investment goals.

For example, one investor might choose to invest 70% of her money in stock and investment companies, 20% in bonds, 5% in **dividend shares** and 5% in cash equivalents, while another might decide to split his money evenly between stocks and bonds only. These two portfolios will produce different returns, due partly to the difference in their asset allocation models. Harvest research shows that, on average, 40% of the return difference between one portfolio and another is explained by the different asset allocations. So, if the first portfolio returns 5% more than the second, then on average about 2% of the difference (40% of 5%) is explained by the different asset allocations, while the remaining 3% difference (60% of 5%) is explained by security selection, timing, and fee differences.

Setting your asset allocation is the single most important decision you can make as an investor. (That is, once you've decided to invest at all!) That's because, on average, investors don't beat the market: In general, their portfolios don't perform better than the overall market, regardless of the individual stocks, bonds, and mutual funds they select. This means that for the average investor, the asset allocation mix they choose — what percentage of stocks, bonds, cash, and other **asset classes** they include in their portfolio — accounts for 100% of their return level."

For example, while stocks can be the most **volatile** investments over the short term, they have historically outperformed every other asset class over longer terms of 10 years or more. Bonds, on the other hand, often provide a reliable income, but over time have historically under performed stocks. And cash equivalents, though comparatively safe and extremely **liquid** usually provide very modest returns. For an investor, this means that the greater the percentage of stocks in your portfolio, the greater your potential for higher returns over the long term. However, the downside is that the more stocks you own, the greater your potential for short-term losses.

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