



## Our Approach to Asset Allocation

Simply stated, asset allocation is the way an investment portfolio is divided among different types of investments, such as stocks and bonds. It is a well-recognized concept that asset allocation is the primary driver of investment returns<sup>1</sup>. Every investment portfolio has an asset allocation, whether it is intentional or left to chance. Because it has such an important bearing on your financial well-being, you should not leave your asset allocation to chance. Our experience as professional portfolio managers is one of the benefits you receive in working with us.

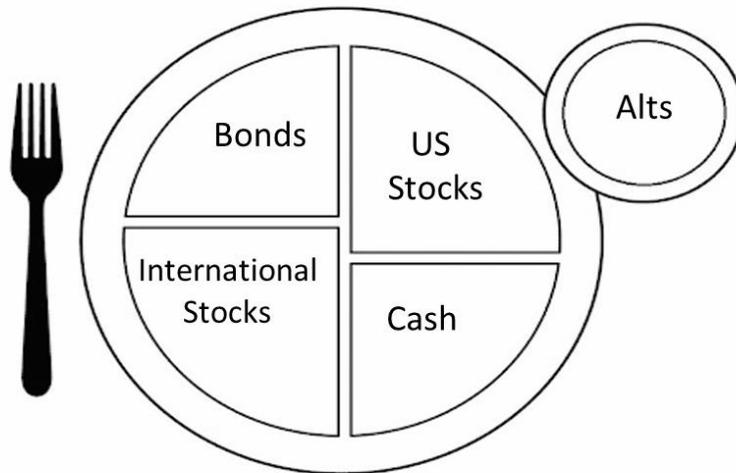
The Laurentide asset allocation approach starts with identifying major developments that we believe will influence asset returns over the medium to long term. We call these developments Market Themes and translate them into Investment Views that guide the construction of your portfolio at a high level. We formulate return forecasts, or Capital Market Expectations, for each asset class and sub asset class. These expected returns (and their accompanying expected risk levels) are critical to figuring out how much of each major asset class to include in your portfolio. Once the broad allocation framework is in place, we then look for catalysts that will move asset values over the near to medium term. These Return Drivers help us determine which segments of the market to emphasize and which parts to avoid when building and managing your portfolio.

A model that can help you visualize how Laurentide approaches asset allocation is the MyPlate nutrition guide, which includes a table place setting divided into food groups. The USDA says “everything you eat and drink matters. The right mix can help you be healthier now and in the future. Focus on variety, amount, and nutrition.”

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<sup>1</sup> A large body of academic research has been done on this topic. ‘The Importance of Asset Allocation’ by Roger G. Ibbotson in the Financial Analysts Journal, Volume 66, Number 2, 2010 provides a good overview.

*The MyPlate Model for Your Portfolio:*



We like that statement. Rephrased for investors, it could read: “Everything you put in your portfolio matters. The right mix can help you be financially healthier now and in the future. Focus on a variety of assets, the amount of each asset class in your portfolio, and *returns*.”

We recognize that last word is particularly important. Returns are your nutrition as an investor. A portfolio with good returns and an appropriate level of risk will keep you financially healthy. We spend a good deal of time at Laurentide cooking up the right asset allocation and striving to deliver nutritious portfolios. Bon appétit!