STONEBRIDGE
Capital Advisors

A Holistic View of Asset Allocation

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Introduction

Asset allocation describes the weight of an investment portfolio across the primary asset classes of stocks (equities), bonds (fixed income), and cash and cash equivalents (money market funds). You may have heard allocation commonly referred to as "60/40" – a portfolio structured with 60% stocks, 40% bonds and cash. Asset allocation is the primary determinant of long-term total returns.

Each investor's asset allocation is unique and should be structured based on their individual investment goals, purpose of their investments (i.e. growth, income), investment objectives (i.e. risk tolerance, market cycles, time horizon, liquidity needs), age, and experiences.

Stonebridge's Holistic Approach to Investing

At Stonebridge, we take a holistic view of our clients' asset allocation by preferring to assess not only the allocation of assets we manage, but likewise the assets outside of their investment portfolio. Many of our clients may own two or three homes, have rental properties, own a business, hold large positions in employee stocks, have multiple accounts (i.e. bank savings, 401(k), ROTH IRA), perhaps they own a boat, art, or a coin collection, etc.

Each of these assets have different levels of risk/return or may mitigate risk/return, provide current income or current expense, have various liquidity needs, and additional factors contributing to how a client's investment portfolio is balanced to meet their unique set of goals.

Now is a particularly important time in the market cycle for investors to assess their asset allocation. For over 10 years, interest yields had been dropping to the extent that the 10-year U.S. Treasury had a yield of 0.5% in 2020. During that timeframe, many investors substantially reduced or eliminated their allocations to fixed income, thereby creating portfolios that were nearly 100% equities.

In 2022, interest rates rose so significantly to where yields on high-grade corporate bonds were greater than 5%. Given this historical track record, investors should review their asset allocations in this current market cycle to ensure their investment portfolio is appropriately structured to align with their goals and objectives (risk/return).

If you would like to review your asset allocation with your portfolio manager or have any questions regarding your investment management, please do not hesitate to contact us. We at Stonebridge Capital Advisors are always happy to learn about your goals and objectives and are pleased to offer our educated perspectives on opportunities to adjust your asset allocation.

Stonebridge Capital Advisors - Disclosures, Risks, & Definitions

Firm Disclosure

Advisory services offered through Stonebridge Capital Advisors, LLC., an investment adviser registered with the U.S. Securities & Exchange Commission. All data is sourced from Bloomberg and from Stonebridge's proprietary portfolio management platform – Stonebridge Analytics. The views expressed are those of portfolio managers and are for informational purposes only. This research article does not constitute a complete description of our investment services or performance. This is in no way a solicitation or offer to sell securities or investment advisory services.

Important Risk Information

Past performance does not guarantee future results. All investment strategies have the potential to profit or loss. Changes in investment strategies, contributions or withdrawals may materially alter the performance and results of your portfolio. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client's investment portfolio. Investing involves risk including the possible loss of principal. Investors should carefully consider investment objectives, risks, charges and expenses. Diversification does not guarantee a profit or protect against loss in a declining financial market. Asset allocation does not assure or guarantee better performance and does not protect against loss in a declining market.

Important Definitions

10-Year Treasury Note: The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

Bonds: The return and principal value of bonds fluctuate with changes in market conditions. In general, bond prices rise when interest rates fall, and vice versa. This effect is usually more pronounced for longer-term securities. If bonds are not held to maturity, they may be worth more or less than their original value.

Corporate bonds: Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

Stocks: The return and principal value of stocks fluctuate with changes in market conditions. Shares when sold may be worth more or less than their original cost.

Money Market funds: Alternatives to money market and short-term investments entail a higher degree of risk which an investor must be willing to assume for the potential for higher returns.