



Changes in Asset Allocation

We last reviewed changes in Asset Allocation in the Advisor Perspectives (AP) Universe on [May 27, 2007](#). This week we look at changes since that date, a period of twelve weeks encompassing significant market volatility.

Our analysis looks at changes across the entire AP Universe. The AP Universe consists of assets from high net worth (HNW) and ultra-high net worth (UHNW) investors being managed by Registered Investment Advisors (RIAs). The AP Universe is divided into three tiers based on account size. In the tier containing the Largest Accounts, the average account size is approximately \$3.7 million (and this remained constant over the 12 week period). Approximately 94% of the assets (by market value) are in the Largest Accounts, so this analysis is primarily indicative of shifts in this account tier. The size of the AP Universe grew by 15.9% over this period, through the addition of new RIAs and new accounts.

Some of the significant trends occurring during this period include:

- Asset allocation by asset class showed a 1.4% decline in the equity portion (including US and non-US equities), roughly offset by a 1.5% increase in the fixed income allocation. During this period the Dow declined by 5.1%, from 13,521 to 12,861. This indicates that RIAs did not make any significant changes to overall asset allocations, by asset class, during this time period.
- Approximately 2% of assets were shifted out of the US markets, and allocations to foreign markets grew by 1.7%. This is a continuation of a trend that we noted in our May 27 analysis. Within foreign equities, there was a dramatic shift out of foreign developed markets (-15.2%) and into foreign emerging markets (+15.2%). The majority of these assets went into foreign emerging large cap value stocks, which saw an increase in allocation from 7.2% to 70.3% (among foreign emerging equities).
- Within the US equity markets, we noted on May 27 that assets were shifting out of large cap and into mid and small cap. This trend continued, albeit less dramatically, with large cap stocks declining by .1%, mid caps declining by .9%, and small caps increasing by 1%. On a similar note, the trend out of value (-1.8%) and into core (1.3%) and growth (.5%) continued.



- In the fixed income markets, there was a shift out of municipal bonds (-4.0%) and into corporate/taxable bonds (+6.1%). Most notably, there was a flight to quality, with RIAs shortening their maturities and moving to bonds with higher ratings. Investment grade corporate/taxable allocations grew by 3.6%, while medium grade allocations declined by 3.5%. A similar movement was seen in municipal bonds, where investment grade allocations grew by 1.7%, with medium grade allocations declining by 1% and high yield allocations declining by .7%. In both corporate/taxable bonds and municipal bonds, RIAs shortened their maturities, shifting out of medium and long term bonds and into shorter term bonds. Similar patterns are evident in the allocations within foreign bonds.

The tables below show the complete data for the AP Universe for the period from 5/27/08 to 8/15/08.

Asset Class	05/27/07		8/15/2007		Change
Bonds	10,082,003,352	27.7%	12,327,801,143	29.2%	1.5%
Cash	3,062,506,925	8.4%	3,335,977,511	7.9%	-0.5%
Equities	23,114,480,013	63.5%	26,193,490,478	62.1%	-1.4%
Other	156,004,629	0.4%	334,374,384	0.8%	0.4%
	36,414,994,919		42,191,643,516		15.9%

Domicile	05/27/07		8/15/2007		Change
Cash	3,062,506,925	8.4%	3,335,977,511	7.90%	-0.5%
Foreign	3,569,149,103	9.8%	4,843,108,856	11.50%	1.7%
Unknown	3,778,101,804	10.4%	4,740,078,185	11.20%	0.8%
US	26,005,237,087	71.4%	29,272,478,964	69.40%	-2.0%
	36,414,994,919		42,191,643,516		15.9%



Non-US Assets	05/27/07		8/15/2007		Change
Foreign Developed Equities	3,153,771,943	88.4%	3,543,475,452	73.2%	-15.2%
Foreign Emerging Equities	312,270,103	8.7%	1,158,368,740	23.9%	15.2%
Foreign Bonds	103,107,057	2.9%	141,264,664	2.9%	0.0%
	3,569,149,103		4,843,108,856		35.7%

US Equities by Market Cap	05/27/07		8/15/2007		Change
Large Cap	11,832,441,536	65.3%	12,638,796,390	65.20%	-0.1%
Mid Cap	3,829,350,048	21.1%	3,913,900,657	20.20%	-0.9%
Small Cap	2,463,320,024	13.6%	2,823,814,293	14.60%	1.0%
	18,125,111,608		19,376,511,340		6.9%

US Equities by Style	05/27/07		8/15/2007		Change
Value	2,502,927,225	13.8%	2,315,864,213	12.00%	-1.8%
Blend	10,096,236,933	55.7%	11,047,821,583	57.00%	1.3%
Growth	5,525,947,450	30.5%	6,012,825,544	31.00%	0.5%
	18,125,111,608		19,376,511,340		6.9%



US Equities by Cap/Style	05/27/07		8/15/2007		Change
Large Cap Value	1,561,436,203	8.6%	1,429,928,969	7.40%	-1.2%
Large Cap Blend	7,137,184,779	39.4%	7,848,342,233	40.50%	1.1%
Large Cap Growth	3,133,820,554	17.3%	3,360,525,188	17.30%	0.0%
Mid Cap Value	410,149,574	2.3%	364,200,992	1.90%	-0.4%
Mid Cap Blend	1,728,872,900	9.5%	1,841,089,502	9.50%	0.0%
Mid Cap Growth	1,690,327,574	9.3%	1,708,610,163	8.80%	-0.5%
Small Cap Value	531,341,448	2.9%	521,734,252	2.70%	-0.2%
Small Cap Blend	1,230,179,254	6.8%	1,358,389,848	7.00%	0.2%
Small Cap Growth	701,799,322	3.9%	943,690,193	4.90%	1.0%
	18,125,111,608		19,376,511,340		6.9%

Foreign Developed Equities by Market Cap	05/27/07		8/15/2007		Change
Large Cap	2,902,876,972	92.0%	3,289,856,803	92.80%	0.8%
Mid Cap	180,108,014	5.7%	157,122,586	4.40%	-1.3%
Small Cap	70,786,957	2.2%	96,496,063	2.70%	0.5%
	3,153,771,943		3,543,475,452		12.4%

Foreign Developed Equities by Style	05/27/07		8/15/2007		Change
Value	637,628,654	20.2%	680,913,245	19.20%	-1.0%
Blend	1,952,423,309	61.9%	2,282,564,394	64.40%	2.5%
Growth	563,719,980	17.9%	579,997,813	16.40%	-1.5%
	3,153,771,943		3,543,475,452		12.4%



Foreign Developed Equities by Cap/Style	05/27/07		8/15/2007		Change
Large Cap Value	528,943,198	16.8%	548,675,914	15.50%	-1.3%
Large Cap Blend	1,860,265,471	59.0%	2,218,776,853	62.60%	3.6%
Large Cap Growth	513,668,303	16.3%	522,404,036	14.70%	-1.6%
Mid Cap Value	68,724,269	2.2%	79,902,979	2.30%	0.1%
Mid Cap Blend	82,256,557	2.6%	50,219,212	1.40%	-1.2%
Mid Cap Growth	29,127,188	0.9%	27,000,395	0.80%	-0.1%
Small Cap Value	39,961,187	1.3%	52,334,352	1.50%	0.2%
Small Cap Blend	9,901,281	0.3%	13,568,329	0.40%	0.1%
Small Cap Growth	20,924,489	0.7%	30,593,382	0.90%	0.2%
	3,153,771,943		3,543,475,452		12.4%

Foreign Emerging Equities by Market Cap	05/27/07		8/15/2007		Change
Large Cap	288,400,614	92.4%	1,128,032,958	97.40%	5.0%
Mid Cap	9,623,082	3.1%	16,736,764	1.40%	-1.7%
Small Cap	14,246,407	4.6%	13,599,018	1.20%	-3.4%
	312,270,103		1,158,368,740		271.0%

Foreign Emerging Equities by Style	05/27/07		8/15/2007		Change
Value	29,936,499	9.6%	819,595,814	70.80%	61.2%
Blend	188,633,300	60.4%	248,758,653	21.50%	-38.9%
Growth	93,700,304	30.0%	90,014,273	7.80%	-22.2%
	312,270,103		1,158,368,740		271.0%



Foreign Emerging Equities by Cap/Style	05/27/07		8/15/2007		Change
Large Cap Value	22,516,591	7.2%	814,831,136	70.30%	63.1%
Large Cap Blend	186,620,248	59.8%	235,416,787	20.30%	-39.5%
Large Cap Growth	79,263,775	25.4%	77,785,035	6.70%	-18.7%
Mid Cap Value	4,205,401	1.3%	1,160,284	0.10%	-1.2%
Mid Cap Blend	1,406,143	0.5%	12,367,704	1.10%	0.6%
Mid Cap Growth	4,011,538	1.3%	3,208,776	0.30%	-1.0%
Small Cap Value	3,214,507	1.0%	3,604,394	0.30%	-0.7%
Small Cap Blend	606,909	0.2%	974,162	0.10%	-0.1%
Small Cap Growth	10,424,991	3.3%	9,020,462	0.80%	-2.5%
	312,270,103		1,158,368,740		271.0%

Bonds by Type	05/27/07		8/15/2007		Change
Corporate	4,617,775,101	45.8%	6,394,998,117	51.90%	6.1%
Foreign	103,107,057	1.0%	141,264,664	1.10%	0.1%
Municipal	3,262,350,378	32.4%	3,500,969,507	28.40%	-4.0%
Unknown	2,098,770,816	20.8%	2,290,568,855	18.60%	-2.2%
	10,082,003,352		12,327,801,143		22.3%

Corporate Bonds by Maturity	05/27/07		8/15/2007		Change
Short Term	2,447,979,077	53.0%	3,607,928,660	56.40%	3.4%
Medium Term	1,210,095,274	26.2%	1,596,760,962	25.00%	-1.2%
Long Term	959,700,750	20.8%	1,190,308,495	18.60%	-2.2%
	4,617,775,101		6,394,998,117		38.5%



Corporate Bonds by Quality	05/27/07		8/15/2007		Change
Investment Grade	3,607,814,667	78.1%	5,226,848,094	81.70%	3.6%
Medium Grade	972,658,431	21.1%	1,128,621,456	17.60%	-3.5%
High Yield	37,302,003	0.8%	39,528,567	0.60%	-0.2%
	4,617,775,101		6,394,998,117		38.5%

Corporate Bonds by Maturity/Quality	05/27/07		8/15/2007		Change
Short Term Investment Grade	2,120,991,151	45.9%	3,234,443,872	50.60%	4.7%
Short Term Medium Grade	326,987,926	7.1%	373,484,788	5.80%	-1.3%
Medium Term Investment Grade	876,477,053	19.0%	1,203,383,706	18.80%	-0.2%
Medium Term Medium Grade	333,618,221	7.2%	393,377,256	6.20%	-1.0%
Long Term Investment Grade	610,346,463	13.2%	789,020,516	12.30%	-0.9%
Long Term Medium Grade	312,052,284	6.8%	361,759,412	5.70%	-1.1%
Long Term High Yield	37,302,003	0.8%	39,528,567	0.60%	-0.2%
	4,617,775,101		6,394,998,117		38.5%

Muni Bonds by Maturity	05/27/07		8/15/2007		Change
Short Term	907,982,329	27.8%	988,396,089	28.20%	0.4%
Medium Term	986,171,646	30.2%	1,070,987,739	30.60%	0.4%
Long Term	1,368,196,403	41.9%	1,441,585,679	41.20%	-0.7%
	3,262,350,378		3,500,969,507		7.3%



Muni Bonds by Quality	05/27/07		8/15/2007		Change
Investment Grade	2,675,628,087	82.0%	2,930,697,778	83.70%	1.7%
Medium Grade	381,879,180	11.7%	375,325,259	10.70%	-1.0%
High Yield	204,843,111	6.3%	194,946,470	5.60%	-0.7%
	3,262,350,378		3,500,969,507		7.3%

Muni Bonds by Maturity/Quality	05/27/07		8/15/2007		Change
Short Term Investment Grade	770,587,595	23.6%	842,305,746	24.10%	0.5%
Short Term Medium Grade	137,394,734	4.2%	146,090,343	4.20%	0.0%
Medium Term Investment Grade	835,549,283	25.6%	924,838,792	26.40%	0.8%
Medium Term Medium Grade	150,622,363	4.6%	146,148,947	4.20%	-0.4%
Long Term Investment Grade	1,069,491,209	32.8%	1,163,553,240	33.20%	0.4%
Long Term Medium Grade	93,862,083	2.9%	83,085,969	2.40%	-0.5%
Long Term High Yield	204,843,111	6.3%	194,946,470	5.60%	-0.7%
	3,262,350,378		3,500,969,507		7.3%

Foreign Bonds by Maturity	05/27/07		8/15/2007		Change
Short Term	19,846,925	19.2%	20,972,573	14.80%	-4.4%
Medium Term	61,013,071	59.2%	97,158,882	68.80%	9.6%
Long Term	22,247,061	21.6%	23,133,209	16.40%	-5.2%
	103,107,057		141,264,664		37.0%

Foreign Bonds by Quality	05/27/07		8/15/2007		Change
Investment Grade	66,092,573	64.1%	106,462,156	75.40%	11.3%
Medium Grade	29,263,264	28.4%	18,908,371	13.40%	-15.0%
High Yield	7,751,220	7.5%	15,894,137	11.30%	3.8%
	103,107,057		141,264,664		37.0%



Foreign Bonds by Maturity/Quality	05/27/07		8/15/2007		Change
Short Term Investment Grade	19,846,925	19.2%	20,972,573	14.80%	-4.4%
Medium Term Investment Grade	34,783,731	33.7%	81,297,775	57.50%	23.8%
Medium Term Medium Grade	26,229,340	25.4%	15,861,107	11.20%	-14.2%
Long Term Investment Grade	11,461,917	11.1%	4,191,808	3.00%	-8.1%
Long Term Medium Grade	3,033,924	2.9%	3,047,264	2.20%	-0.7%
Long Term High Yield	7,751,220	7.5%	15,894,137	11.30%	3.8%
	103,107,057		141,264,664		37.0%

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