



Changes in Asset Allocation

Approximately every 12 weeks we review changes in Asset Allocation in the Advisor Perspectives (AP) Universe. Previous analyses were done:

[November 15, 2007](#)

[August 15, 2007](#)

[May 27, 2007](#)

This week we look at changes from November 15, 2007 to January 31, 2008, a period of eleven 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 11 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 1.8% 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 0.83% increase in the cash position, roughly offset by a 0.79% decrease in the bond position. Equity allocations decreased by a mere 0.02%. During this period the Dow declined by 3.5%, from 13,110 to 12,650. Although RIAs did not make any significant changes to overall asset allocations, by asset class, during this time period, the increase in cash holdings is worthy of note, as it is indicative of a flight to quality.
- Approximately 0.43% of assets shifted into the US markets, and allocations to foreign markets declined by an almost equal amount (-0.44%), with cash holdings (as noted above) growing by 0.83%. This is a reversal of a trend that we noted in our previous three analyses, and is further indicative of a flight to quality. Within foreign equities, there was a shift out of foreign emerging markets (-3.22%) and into foreign developed markets (+3.05%), continuing a trend from the previous analysis and further demonstrating a flight to quality.
- Within the US equity markets, there has been a significant trend out of value (-1.89%) and growth (-4.67%) and into blend (+6.46%). Over the



past nine months, there has been a steady flow of assets out of value and into blend, with growth remaining relatively constant.

- The only area where a flight to quality was not directly evident was in the fixed income markets. In the taxable markets, assets shifted out of short term (-0.49%) and medium term (-0.42%) securities and into long term (+0.91%) securities. Investment grade taxable bond allocations decreased (-1.16%) and medium grade allocations increased (+1.00%). This may be attributable to ratings downgrades (as opposed to proactive allocation decisions). In the municipal markets, short term allocations decreased (-0.13%), as did medium term allocations (-0.24%), resulting in an increase in long term allocations (+0.37%). As with taxable bonds, investment grade allocations decreased (-0.52%) along with medium grade allocations (-0.48%), resulting in an increase in high yield allocations (+1.00%). Again, this may be due to ratings downgrades.

The tables below show the complete data for the AP Universe for the periods from 5/27/07 to 8/15/07, 8/15/07 to 11/15/07, and 11/15/07 to 1/31/08. The number in parentheses is the total AUM as of 1/31/08.

By Asset Class (\$44,993,868,113)

Asset Class	5/27/2007	8/15/2007	11/15/2007	1/31/2008	Change from		
					5/27 to 8/15	8/15 to 11/15	11/15 to 1/31
Bonds	27.70%	29.20%	28.90%	28.11%	1.50%	-0.30%	-0.79%
Cash	8.40%	7.90%	9.00%	9.83%	-0.50%	1.10%	0.83%
Equities	63.50%	62.10%	60.90%	60.88%	-1.40%	-1.20%	-0.02%
Other	0.40%	0.80%	1.20%	1.19%	0.40%	0.40%	-0.01%

By Domicile (\$44,993,868,113)

Domicile	5/27/07	8/15/07	11/15/07	1/31/08	Change from		
					5/27 to 8/15	8/15 to 11/15	11/15 to 1/31
Cash	8.40%	7.90%	9.00%	9.83%	-0.50%	1.10%	0.83%
Foreign	9.80%	11.50%	12.10%	11.66%	1.70%	0.60%	-0.44%
Unknown	10.40%	11.20%	11.30%	10.59%	0.80%	0.10%	-0.71%
US	71.40%	69.40%	67.50%	67.93%	-2.00%	-1.90%	0.43%



Non-US Assets (\$5,246,152,646)

Non-US Assets	5/27/07	8/15/07	11/15/07	1/31/08	Change from		
					5/27 to 8/15	8/15 to 11/15	11/15 to 1/31
Foreign Developed Equities	88.40%	73.20%	75.10%	78.15%	-15.20%	1.90%	3.05%
Foreign Emerging Equities	8.70%	23.90%	21.80%	18.58%	15.20%	-2.10%	-3.22%
Foreign Bonds	2.90%	2.90%	3.10%	3.27%	0.00%	0.20%	0.17%

US Equities by Market Cap (\$20,706,528,861)

US Equities by Market Cap	5/27/07	8/15/07	11/15/07	1/31/08	Change from		
					5/27 to 8/15	8/15 to 11/15	11/15 to 1/31
Large Cap	65.30%	65.20%	66.00%	64.96%	-0.10%	0.80%	-1.04%
Mid Cap	21.10%	20.20%	20.10%	20.53%	-0.90%	-0.10%	0.43%
Small Cap	13.60%	14.60%	14.00%	14.51%	1.00%	-0.60%	0.51%

US Equities by Style (\$20,706,528,861)

US Equities by Market Cap	5/27/07	8/15/07	11/15/07	1/31/08	Change from		
					5/27 to 8/15	8/15 to 11/15	11/15 to 1/31
Value	13.80%	12.00%	7.10%	5.21%	-1.80%	-4.90%	-1.89%
Blend	55.70%	57.00%	58.90%	65.36%	1.30%	1.90%	6.46%
Growth	30.50%	31.00%	34.10%	29.43%	0.50%	3.10%	-4.67%

US Equities by Market Cap/Style (\$20,706,528,861)

US Equities by Market Cap/Style	5/27/07	8/15/07	11/15/07	1/31/08	Change from		
					5/27 to 8/15	8/15 to 11/15	11/15 to 1/31
Large Cap Value	8.60%	7.40%	2.80%	1.69%	-1.20%	-4.60%	-1.11%
Large Cap Blend	39.40%	40.50%	41.70%	47.29%	1.10%	1.20%	5.59%
Large Cap Growth	17.30%	17.30%	21.40%	15.98%	0.00%	4.10%	-5.42%
Mid Cap Value	2.30%	1.90%	1.50%	0.96%	-0.40%	-0.40%	-0.54%
Mid Cap Blend	9.50%	9.50%	10.10%	9.99%	0.00%	0.60%	-0.11%



Mid Cap Growth	9.30%	8.80%	8.40%	9.58%	-0.50%	-0.40%	1.18%
Small Cap Value	2.90%	2.70%	2.80%	2.56%	-0.20%	0.10%	-0.24%
Small Cap Blend	6.80%	7.00%	7.00%	8.08%	0.20%	0.00%	1.08%
Small Cap Growth	3.90%	4.90%	4.20%	3.88%	1.00%	-0.70%	-0.32%

Foreign Developed Equities by Market Cap (\$4,099,695,835)

Foreign Developed Equities by Market Cap	5/27/07	8/15/07	11/15/07	1/31/08	Change from		
					5/27 to 8/15	8/15 to 11/15	11/15 to 1/31
Large Cap	92.00%	92.80%	93.20%	92.70%	0.80%	0.40%	-0.50%
Mid Cap	5.70%	4.40%	4.60%	5.85%	-1.30%	0.20%	1.25%
Small Cap	2.20%	2.70%	2.20%	1.46%	0.50%	-0.50%	-0.74%

Foreign Developed Equities by Style (\$4,099,695,835)

Foreign Developed Equities by Style	5/27/07	8/15/07	11/15/07	1/31/08	Change from		
					5/27 to 8/15	8/15 to 11/15	11/15 to 1/31
Blend	20.20%	19.20%	18.50%	11.66%	-1.00%	-0.70%	-6.84%
Growth	61.90%	64.40%	54.40%	65.27%	2.50%	-10.00%	10.87%
Value	17.90%	16.40%	27.10%	23.07%	-1.50%	10.70%	-4.03%

Foreign Developed Equities by Market Cap/Style (\$4,099,695,835)

Foreign Developed Equities by Market Cap/Style	5/27/07	8/15/07	11/15/07	1/31/08	Change from		
					5/27 to 8/15	8/15 to 11/15	11/15 to 1/31
Large Cap Value	16.80%	15.50%	16.90%	9.49%	-1.30%	1.40%	-7.41%
Large Cap Blend	59.00%	62.60%	50.10%	62.04%	3.60%	-12.50%	11.94%
Large Cap Growth	16.30%	14.70%	26.20%	21.17%	-1.60%	11.50%	-5.03%
Mid Cap Value	2.20%	2.30%	1.40%	1.51%	0.10%	-0.90%	0.11%
Mid Cap Blend	2.60%	1.40%	2.50%	2.56%	-1.20%	1.10%	0.06%
Mid Cap Growth	0.90%	0.80%	0.70%	1.78%	-0.10%	-0.10%	1.08%



Small Cap Value	1.30%	1.50%	0.20%	0.66%	0.20%	-1.30%	0.46%
Small Cap Blend	0.30%	0.40%	1.90%	0.68%	0.10%	1.50%	-1.22%
Small Cap Growth	0.70%	0.90%	0.20%	0.13%	0.20%	-0.70%	-0.07%

Foreign Emerging Equities by Market Cap (\$974,819,791)

Foreign Emerging Equities by Market Cap	5/27/07	8/15/07	11/15/07	1/31/08	Change from		
					5/27 to 8/15	8/15 to 11/15	11/15 to 1/31
Large Cap	92.40%	97.40%	96.90%	97.91%	5.00%	-0.50%	1.01%
Mid Cap	3.10%	1.40%	2.20%	0.83%	-1.70%	0.80%	-1.37%
Small Cap	4.60%	1.20%	1.00%	1.26%	-3.40%	-0.20%	0.26%

Foreign Emerging Equities by Style (\$974,819,791)

Foreign Emerging Equities by Style	5/27/07	8/15/07	11/15/07	1/31/08	Change from		
					5/27 to 8/15	8/15 to 11/15	11/15 to 1/31
Value	9.60%	70.80%	5.90%	1.82%	61.20%	-64.90%	-4.08%
Blend	60.40%	21.50%	86.60%	29.44%	-38.90%	65.10%	-57.16%
Growth	30.00%	7.80%	7.60%	68.74%	-22.20%	-0.20%	61.14%

Foreign Emerging Equities by Market Cap/Style (\$974,819,791)

Foreign Emerging Equities by Market Cap/Style	5/27/07	8/15/07	11/15/07	1/31/08	Change from		
					5/27 to 8/15	8/15 to 11/15	11/15 to 1/31
Large Cap Value	7.20%	70.30%	5.20%	1.35%	63.10%	-65.10%	-3.85%
Large Cap Blend	59.80%	20.30%	85.70%	28.04%	-39.50%	65.40%	-57.66%
Large Cap Growth	25.40%	6.70%	6.00%	68.52%	-18.70%	-0.70%	62.52%
Mid Cap Value	1.30%	0.10%	0.30%	0.11%	-1.20%	0.20%	-0.19%
Mid Cap Blend	0.50%	1.10%	0.30%	0.58%	0.60%	-0.80%	0.28%
Mid Cap Growth	1.30%	0.30%	1.60%	0.14%	-1.00%	1.30%	-1.46%
Small Cap	1.00%	0.30%	0.30%	0.36%	-0.70%	0.00%	0.06%



Value							
Small Cap Blend	0.20%	0.10%	0.60%	0.82%	-0.10%	0.50%	0.22%
Small Cap Growth	3.30%	0.80%	0.00%	0.08%	-2.50%	-0.80%	0.08%

Bonds by Type (\$12,646,870,102)

Bonds by Type	5/27/07	8/15/07	11/15/07	1/31/08	Change from		
					5/27 to 8/15	8/15 to 11/15	11/15 to 1/31
Taxable	45.80%	51.90%	47.50%	48.22%	6.10%	-4.40%	0.72%
Foreign	1.00%	1.10%	1.30%	1.36%	0.10%	0.20%	0.06%
Municipal	32.40%	28.40%	29.10%	29.73%	-4.00%	0.70%	0.63%
Unknown	20.80%	18.60%	22.20%	20.70%	-2.20%	3.60%	-1.50%

Taxable Bonds by Maturity (\$6,097,871,253)

Taxable Bonds by Maturity	5/27/07	8/15/07	11/15/07	1/31/08	Change from		
					5/27 to 8/15	8/15 to 11/15	11/15 to 1/31
Short Term	53.00%	56.40%	48.70%	48.21%	3.40%	-7.70%	-0.49%
Medium Term	26.20%	25.00%	30.00%	29.58%	-1.20%	5.00%	-0.42%
Long Term	20.80%	18.60%	21.30%	22.21%	-2.20%	2.70%	0.91%

Taxable Bonds by Quality (\$6,097,871,253)

Taxable Bonds by Quality	5/27/07	8/15/07	11/15/07	1/31/08	Change from		
					5/27 to 8/15	8/15 to 11/15	11/15 to 1/31
Investment Grade	78.10%	81.70%	79.10%	77.94%	3.60%	-2.60%	-1.16%
Medium Grade	21.10%	17.60%	20.40%	21.40%	-3.50%	2.80%	1.00%
High Yield	0.80%	0.60%	0.60%	0.66%	-0.20%	0.00%	0.06%



Taxable Bonds by Maturity/Quality (\$6,097,871,253)

Taxable Bonds by Maturity/Quality	5/27/07	8/15/07	11/15/07	1/31/08	Change from		
					5/27 to 8/15	8/15 to 11/15	11/15 to 1/31
Short Term Investment Grade	45.90%	50.60%	42.20%	41.15%	4.70%	-8.40%	-1.05%
Short Term Medium Grade	7.10%	5.80%	6.50%	7.06%	-1.30%	0.70%	0.56%
Medium Term Investment Grade	19.00%	18.80%	23.50%	23.61%	-0.20%	4.70%	0.11%
Medium Term Medium Grade	7.20%	6.20%	6.50%	5.97%	-1.00%	0.30%	-0.53%
Long Term Investment Grade	13.20%	12.30%	13.30%	13.18%	-0.90%	1.00%	-0.12%
Long Term Medium Grade	6.80%	5.70%	7.40%	8.37%	-1.10%	1.70%	0.97%
Long Term High Yield	0.80%	0.60%	0.60%	0.66%	-0.20%	0.00%	0.06%

Muni Bonds by Maturity (\$3,759,548,866)

Muni Bonds by Maturity	5/27/07	8/15/07	11/15/07	1/31/08	Change from		
					5/27 to 8/15	8/15 to 11/15	11/15 to 1/31
Short Term	27.80%	28.20%	30.00%	29.87%	0.40%	1.80%	-0.13%
Medium Term	30.20%	30.60%	29.50%	29.26%	0.40%	-1.10%	-0.24%
Long Term	41.90%	41.20%	40.50%	40.87%	-0.70%	-0.70%	0.37%

Muni Bonds by Quality (\$3,759,548,866)

Muni Bonds by Quality	5/27/07	8/15/07	11/15/07	1/31/08	Change from		
					5/27 to 8/15	8/15 to 11/15	11/15 to 1/31
Investment Grade	82.00%	83.70%	85.50%	84.98%	1.70%	1.80%	-0.52%



Medium Grade	11.70%	10.70%	10.00%	9.52%	-1.00%	-0.70%	-0.48%
High Yield	6.30%	5.60%	4.50%	5.50%	-0.70%	-1.10%	1.00%

Muni Bonds by Maturity/Quality (\$3,759,548,866)

Muni Bonds by Maturity/Quality	5/27/07	8/15/07	11/15/07	1/31/08	Change from		
					5/27 to 8/15	8/15 to 11/15	11/15 to 1/31
Short Term Investment Grade	23.60%	24.10%	25.10%	25.13%	0.50%	1.00%	0.03%
Short Term Medium Grade	4.20%	4.20%	5.00%	4.74%	0.00%	0.80%	-0.26%
Medium Term Investment Grade	25.60%	26.40%	26.50%	26.22%	0.80%	0.10%	-0.28%
Medium Term Medium Grade	4.60%	4.20%	3.00%	3.04%	-0.40%	-1.20%	0.04%
Long Term Investment Grade	32.80%	33.20%	34.00%	33.63%	0.40%	0.80%	-0.37%
Long Term Medium Grade	2.90%	2.40%	2.00%	1.74%	-0.50%	-0.40%	-0.26%
Long Term High Yield	6.30%	5.60%	4.50%	5.50%	-0.70%	-1.10%	1.00%

Foreign Bonds by Maturity (\$171,637,020)

Foreign Bonds by Maturity	5/27/07	8/15/07	11/15/07	1/31/08	Change from		
					5/27 to 8/15	8/15 to 11/15	11/15 to 1/31
Short Term	19.20%	14.80%	18.10%	25.25%	-4.40%	3.30%	7.15%
Medium Term	59.20%	68.80%	63.50%	67.47%	9.60%	-5.30%	3.97%
Long Term	21.60%	16.40%	18.40%	7.28%	-5.20%	2.00%	-11.12%



Foreign Bonds by Quality (\$171,637,020)

Foreign Bonds by Quality	5/27/07	8/15/07	11/15/07	1/31/08	Change from		
					5/27 to 8/15	8/15 to 11/15	11/15 to 1/31
Investment Grade	64.10%	75.40%	77.50%	87.74%	11.30%	2.10%	10.24%
Medium Grade	28.40%	13.40%	10.40%	9.40%	-15.00%	-3.00%	-1.00%
High Yield	7.50%	11.30%	12.00%	2.85%	3.80%	0.70%	-9.15%

Foreign Bonds by Maturity/Quality (\$171,637,020)

Foreign Bonds by Maturity/Quality	5/27/07	8/15/07	11/15/07	1/31/08	Change from		
					5/27 to 8/15	8/15 to 11/15	11/15 to 1/31
Short Term Investment Grade	19.20%	14.80%	18.10%	25.25%	-4.40%	3.30%	7.15%
Medium Term Investment Grade	33.70%	57.50%	53.10%	58.35%	23.80%	-4.40%	5.25%
Medium Term Medium Grade	25.40%	11.20%	10.30%	9.12%	-14.20%	-0.90%	-1.18%
Long Term Investment Grade	11.10%	3.00%	6.20%	4.14%	-8.10%	3.20%	-2.06%
Long Term Medium Grade	2.90%	2.20%	0.10%	0.28%	-0.70%	-2.10%	0.18%
Long Term High Yield	7.50%	11.30%	12.00%	2.85%	3.80%	0.70%	-9.15%

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