



ECFH Financially Speaking

East Caribbean Financial Holding Company Limited

We continue this week with our focus on investment-related terms as we encourage you to increase your investment knowledge and start developing an appropriate strategy to meet your financial goals. This week's term: **Asset Mix**

Asset Mix is the classification of all assets within a fund or portfolio. Assets are assigned according to the following core asset classes: stocks (equities), bonds (fixed income), cash and real estate. The **asset mix** is usually shown as the set of percentages every asset class contributes to the total market value of the portfolio or fund. It is a key determinant of the risk/reward profile of the fund/portfolio, which in turn largely determines the long-term performance of the portfolio.

What does this mean for you?

Fund managers use the historical averages for different asset classes' returns to determine the right mix of asset classes for their clients' funds. So, in one instance, the strategy may be to hold a very high percentage of bonds in the case of income-seeking investors or retirees. Alternatively, the fund manager could invest primarily in assets that promise high growth potential (aggressive-growth funds) for persons seeking higher yielding investments. The type and nature of the **asset mix** used is dependent on a number of factors related to the investor's risk tolerance, investment objective, time horizon and liquidity needs. It is very important that the fund manager chooses the correct **asset mix** for you, the client but you need to be clear on what are your investment objectives. For more information on available investment opportunities, feel free to call Bank of Saint Lucia's Wealth & Asset Management Division (WAM) at 456-6104 or ECFH Global Investment Solutions at 457-7233.