



The 5 Ws of

ASSET



BNY MELLON
INVESTMENT MANAGEMENT

ALLOCATION



WHAT is asset allocation?

Asset allocation is the calculation of how much an investor wants to invest and which asset classes they want to invest in. This could be equities (also known as stocks or shares) or debt issued by a company or government (also known as bonds). It could also include investments into alternative asset classes, such as real estate, or even in a specific region or sector.

Asset allocation also factors in the level of risk an investor is comfortable with.

For each investor, their tolerance for risk will depend on their individual goals and the timescale they hope to achieve them in. An investor with a longer timescale has a higher tolerance for risk as they have time to recoup potential losses. An investor with less time to reach their goals is likely to want lower risk.

There are also asset allocation funds run by investment managers. These can have allocation targets that must be maintained – for example, half bonds and half equities. Or they can have changeable targets that are adjusted in response to market conditions.

Asset allocation helps investors build a portfolio designed, and regularly reviewed, to align with their goals.

The aim is to find the combination of assets that will support the investor's objectives.

Investing in a variety of asset classes, or diversifying, through asset allocation also helps spread investment risk. Exposure to different investments means investors aren't relying on a single asset class.



WHY use an asset allocation strategy?



WHO uses asset allocation?

Anyone. The benefit of an asset allocation strategy is that it can be tailored for the investor. Whether they are looking to save for a holiday next year or planning for retirement in 30 years – asset allocation should fit the investor.



WHEN is asset allocation a good idea?

Anytime. An investor's timescale is a big consideration when implementing an asset allocation strategy. It does not matter when the investor begins utilising asset allocation.



WHERE can asset allocation products invest?

Anywhere. Asset allocation funds are multi-asset. Meaning they can hold a mix of asset classes across various countries and regions.

IMPORTANT INFORMATION

Any views and opinions are those of the author, unless otherwise noted and is not investment advice. This is not investment research or a research recommendation for regulatory purposes. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation and its subsidiaries. Issued in the UK by BNY Mellon Investment Management EMEA Limited, BNY Mellon Centre, 160 Queen Victoria Street, London EC4V 4LA. Registered in England No. 1118580. Authorised and regulated by the Financial Conduct Authority. Issued in Europe (ex-Switzerland) by BNY Mellon Fund Management (Luxembourg) S.A. (BNY MFML), a public limited company (société anonyme) incorporated and existing under Luxembourg law under registration number B28166 and having its registered address at 2-4 Rue Eugène Ruppert L-2453 Luxembourg. BNY MFML is regulated by the Commission de Surveillance du Secteur Financier (CSSF). Issued in Switzerland by BNY Mellon Investments Switzerland GmbH, Bäregasse 29, CH-8001 Zürich, Switzerland. ID: 1532321. Expiry: 30/08/24. T11806 08/23.