

## Asset Allocation

### Independent, fundamental asset class analysis

Litman Gregory's globally diversified, risk-managed portfolio strategies are based on rigorous, independent research and a disciplined process that seeks the highest conviction before enacting any investment decision. We make these portfolios available to advisors through AdvisorIntelligence and via select turnkey asset management platforms.

### Our Approach to Asset Allocation

We view asset allocation as a dynamic process that is grounded in an assessment of our clients' risk tolerance. For some investors, it makes sense to take a very long-term view and advise an all-weather, or strategic, allocation to various asset classes. For others, we believe there is value in identifying valuation discrepancies between asset classes and tactically taking advantage of these to increase return and/or lower risk.

### The Strategic Allocation

Our process begins with the construction of strategic allocations for various risk levels. These allocations comprise the mix of assets we believe has the best chance to generate a good long-term return while also taking into account an investor's short-term risk tolerance. The strategic allocations represent the baseline, long-term target allocations to broad asset classes and are determined by using portfolio optimization, extensive scenario analysis, and our research team's qualitative forward-looking assessment.

### Tactical Allocation Overlay

We believe that markets are usually, but not always, efficient. We conduct intensive, fundamental asset class valuation analysis designed to identify any mispricing opportunities. We only deviate from each portfolio's strategic allocation if there is a compelling opportunity to increase return and/or reduce risk. We are not confident in our ability (or anyone's) to consistently assess short-term psychological influences or "time" markets, but we are confident that over longer periods, valuations and fundamentals converge. For this reason, we are comfortable using a five-year time horizon when making tactical portfolio shifts. We believe five years is long enough that underlying investment fundamentals, rather than short-term market sentiment, will be rewarded, and thus drive returns.

### Portfolio Construction

In selecting allocations, we work with our clients to assess which approach—active, index-oriented, or a hybrid of both—is best for them given their goals, time horizon, and temperament. We then implement and monitor thoughtful, well-researched portfolio strategies.

[Contact our Research Consulting team](#) to learn more about Litman Gregory's portfolio strategies.