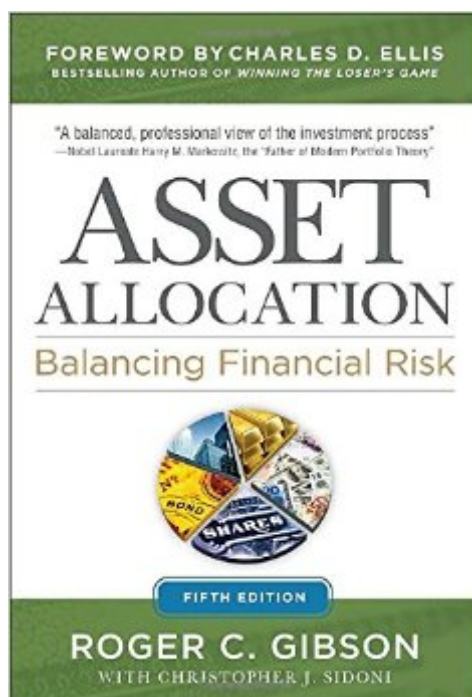


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# Asset Allocation: Balancing Financial Risk, Fifth Edition



## Synopsis

The Definitive Guide to Strategic Asset Allocation Uniting theory and practice--the art and science of asset allocation Investors long to beat the market, and money managers accept that as their mandate. The sad reality is that most money managers underperform the market, and individual investors do even worse. Investors also face emotional challenges. The irrational exuberance of the 1990s, for instance, can as easily derail a sensible investment strategy as the market panic accompanying the Global Financial Crisis. Since Roger Gibson wrote the first edition of this book over 25 years ago, his multiple-assetclass investment approach has given investors a disciplined strategy for mitigating risks and realizing their financial goals through widely varying market environments. Grounded in the principles of modern portfolio theory, this fifth edition of his investing classic explains how and why asset allocation works. Gibson demonstrates how adding new asset classes to a portfolio improves its risk-adjusted returns and how strategic asset allocation uses, rather than fights, the forces of the capital markets to achieve financial success. New topics in this edition include: The success of multiple-asset-class investing during the stock market's "lost decade" Methods for forecasting long-term asset class returns and the limitations of prediction The dangers of market timing and the challenges involved in tactical asset allocation strategies--with insights from the field of behavioral finance Observations from the Global Financial Crisis of 2008 and what it means for the multiple-asset-class investor With more than three decades of experience managing clients' portfolios and expectations, Gibson underscores the importance of identifying and working through the emotional and psychological traps that impede investment success. Join the quarter-century trend of Asset Allocation providing investors with a sound approach to financial well-being. PRAISE FOR ASSET ALLOCATION: "Roger Gibson has revolutionized the way financial advisors assemble portfolios for their clients. He is, without a doubt, the best and most articulate voice on the subject of asset allocation today." -- DON PHILLIPS, President, Investment Research, Morningstar, Inc. "[Gibson's book] should be of enormous benefit to the investor seeking the proper decision-making process. I congratulate [him] for treating the asset allocation subject in such depth and bringing this issue, which is the critical investment issue for all investors, to the forefront. It is the best overall piece of work I have seen." -- GARY P. BRINSON, President and CEO, GP Brinson Investments "I always look forward to each new edition of Roger Gibson's (now with Christopher Sidoni) asset allocation book. The extensive data is updated with new chapters on the financial crisis and forecasting. This practical book focuses on meeting investor objectives in a risky world." -- ROGER G. IBBOTSON, Yale Professor, Chairman of Zebra Capital Management, Founder of Ibbotson Associates, now a Morningstar Company

"Roger Gibson's book should be a 'go-to' resource for every serious financial advisor." -- JOHN D. ROGERS, CFA, President and Chief Executive Officer, CFA Institute "The author balances a solid, understandable, and logical grasp of investment knowledge with an obvious input of practical experience. If all investment advisors would read and understand this book, clients would be far better off." -- DARWIN M. BAYSTON, CFA, Past President and CEO, The Association for Investment Management Research

## Book Information

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## Customer Reviews

This is a great book on investing. Coming off reading Risk-Return Analysis: The Theory and Practice of Rational Investing (Volume One), a weighty, math-heavy volume written by a Nobel laureate (Harry Markowitz), I was pleased to find Asset Allocation provided a lot of the same take on portfolio balancing and limiting risk without overburdening the reader with formulas and minutiae. This book instead explores historical trends using hypothetical portfolios and critical analysis of the performance of various asset classes during up, down, and sideways markets. At the heart is a strategy of diversification, rebalancing, and risk avoidance which individual investors and investment advisers (more on them in a second) can put to work in their personal and client portfolios. Like the Markowitz book, the crux of Gibson's investment strategy is that more risk can result in better returns, but less risk does not necessarily result in reduced returns. Ultimately, the determination of risk, the potential value it represents, and the investor's ability to endure the risk during different types of market trends will determine the success (or failure) of a given portfolio's asset mix. Once this groundwork is laid, Gibson then provides some perspective on analyzing a client's risk

tendencies and preferences, ideal asset mixes, and overall performance aspects of various types of securities and investments, ultimately to help in constructing a portfolio the client will be happy with. If you are not a investment planner or CFA with paying customers, the last third of the book will likely not be of much value to you.

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