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A menu of investment opportunities

It's a wonderful experience to dine at a restaurant where the chef has formulated just the right balance of flavors, textures, and portions. But just as an imbalanced menu can result in an off-putting dining experience, an imbalanced portfolio can result in a disappointing return profile, as many investors experienced last year.

At any given moment, investors must consider risk vs. reward, correlations vs. betas and short- vs. long-term opportunities. An overemphasis on any of these factors often comes at the detriment of the rest. Like a well-thought-out dinner menu, each investment opportunity on our radar represents a distinct "course" in a set meal. Each of these carefully curated selections of investment options is meant to complement each other and add to the complete dining experience.

RBA Menu of Investment Opportunities

amuse-bouche
DURATION
A tiny burst of flavor to kick off the meal

appetizer
CASH
Satisfyingly safe but should never be a main course

entrée
INTERNATIONAL STOCKS
A rare find in today's portfolios but no surcharge to the prix fixe

dessert
CHINA
Not for those with a sensitive stomach

In our "menu" a short-term cash holding offers income and stability, while longer-term bonds (i.e. duration) now offer income with upside as growth and inflation soften. International stocks reduce concentration to overpriced and overhyped bubbles (think culinary foam), while improving profit and liquidity fundamentals in China are a stark contrast to every other region of the world. It is important to carefully assess each investment opportunity and its respective place or "course" in a portfolio.

Dan Suzuki, CFA

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