



Comparative Asset Allocation: Private Clients

December 31, 2014

CAMBRIDGE  ASSOCIATES

Comparative Asset Allocation: Private Clients

December 31, 2014

Geoffrey Bollier | Jonathan Morris-Eppolito

Copyright © 2015 by Cambridge Associates (“CA”). All rights reserved.

This report may not be displayed, reproduced, distributed, transmitted, or used to create derivative works in any form, in whole or in portion, by any means, without written permission from Cambridge Associates LLC (“CA”). Copying of this publication is a violation of US and global copyright laws (e.g., 17 U.S.C. 101 et seq.). Violators of this copyright may be subject to liability for substantial monetary damages. The information and material published in this report is nontransferable. Therefore, recipients may not disclose any information or material derived from this report to third parties, or use information or material from this report, without prior written authorization. This report is provided for informational purposes only. The information presented is not intended to be investment advice. Any references to specific investments are for illustrative purposes only. The information herein does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction. Some of the data contained herein or on which the research is based is current public information that CA considers reliable, but CA does not represent it as accurate or complete, and it should not be relied on as such. Nothing contained in this report should be construed as the provision of tax or legal advice. Past performance is not indicative of future performance. Any information or opinions provided in this report are as of the date of the report, and CA is under no obligation to update the information or communicate that any updates have been made. Information contained herein may have been provided by third parties, including investment firms providing information on returns and assets under management, and may not have been independently verified.

Cambridge Associates, LLC is a Massachusetts limited liability company with offices in Arlington, VA; Boston, MA; Dallas, TX; and Menlo Park, CA. Cambridge Associates Fiduciary Trust, LLC is a New Hampshire limited liability company chartered to serve as a non-depository trust company, and is a wholly-owned subsidiary of Cambridge Associates, LLC. Cambridge Associates Limited is registered as a limited company in England and Wales No. 06135829 and is authorized and regulated by the Financial Conduct Authority in the conduct of Investment Business. Cambridge Associates Limited, LLC is a Massachusetts limited liability company with a branch office in Sydney, Australia (ARBN 109 366 654). Cambridge Associates Asia Pte Ltd is a Singapore corporation (Registration No. 200101063G). Cambridge Associates Investment Consultancy (Beijing) Ltd is a wholly owned subsidiary of Cambridge Associates, LLC and is registered with the Beijing Administration for Industry and Commerce (Registration No. 110000450174972).

Notes on the Data	1
Exhibits	
1 Asset Allocation Snapshot	2
2 Historical Mean Asset Allocation Trends	3
3 Detailed Asset Allocation by Asset Size	4
4 Mean Asset Allocation Compared to Endowments and Foundations	5
5 Mean Asset Allocation by Asset Size Compared to Endowments and Foundations	6
6 Detailed Asset Allocation Compared to Endowments and Foundations	7
Glossary	8

Data Collection

Included in this analysis are 85 US-based private clients receiving performance reporting services from Cambridge Associates as of December 31, 2014. Each participating private client is represented by the asset pool that best represents the long-term objectives of the client. The average market value of participating private client investment pools is \$272.4 million and the median market value is \$121.1 million as of December 31, 2014.

The notation of n denotes the number of private clients included in each analysis.

Asset Allocation Methodology

Asset allocation is generated using the investment manager structure for each client. Every investment product, fund, and vehicle that a client is invested in is assigned an asset class. Asset classes for a given investment product, fund, or vehicle are maintained across all clients to ensure comparability. The statistics throughout this analysis are calculated on an equal-weighted basis.

Global portfolios are broken out into US, developed, and emerging markets equities. In cases where the underlying holdings are not available to Cambridge Associates for a particular global portfolio, a 50% US/50% developed markets allocation is reflected.

Legacy holdings that a client still maintains as part of its investment pool can be included in this analysis. These long-held securities can fall under several categories including, but not limited to, securities with a very low tax basis or securities that the owner does not intend to sell for personal reasons. Portfolios with legacy holdings of 20% or more are excluded from this analysis.

Personal real estate such as private homes and vacation homes are not included as part of private real estate allocations.

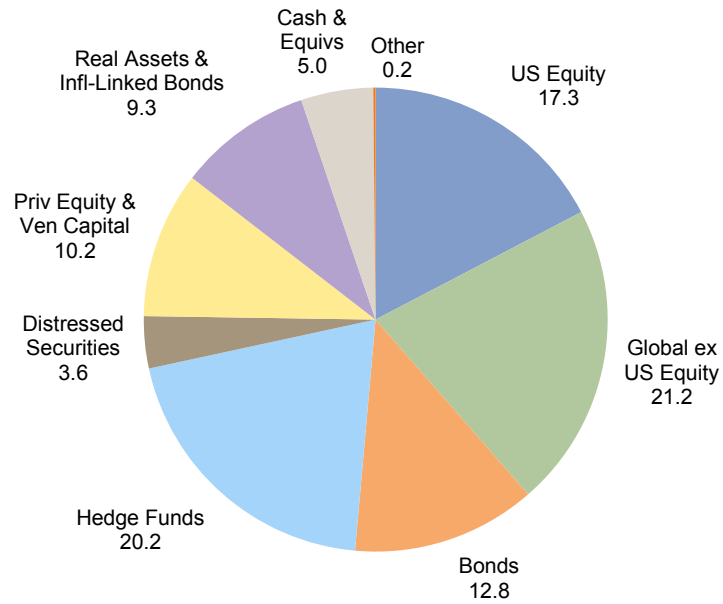
In Exhibits 1, 2, 4, and 5, bonds includes US bonds, global ex US bonds, and high-yield bonds; hedge funds includes long/short hedge funds and absolute return (ex distressed securities); private equity and venture capital includes non-venture private equity, venture capital, and other private investments; and real assets and inflation-linked bonds includes public and private real estate, commodities, inflation-linked bonds, private oil & gas/natural resources, timber, and public energy/natural resources.

Peer Grouping

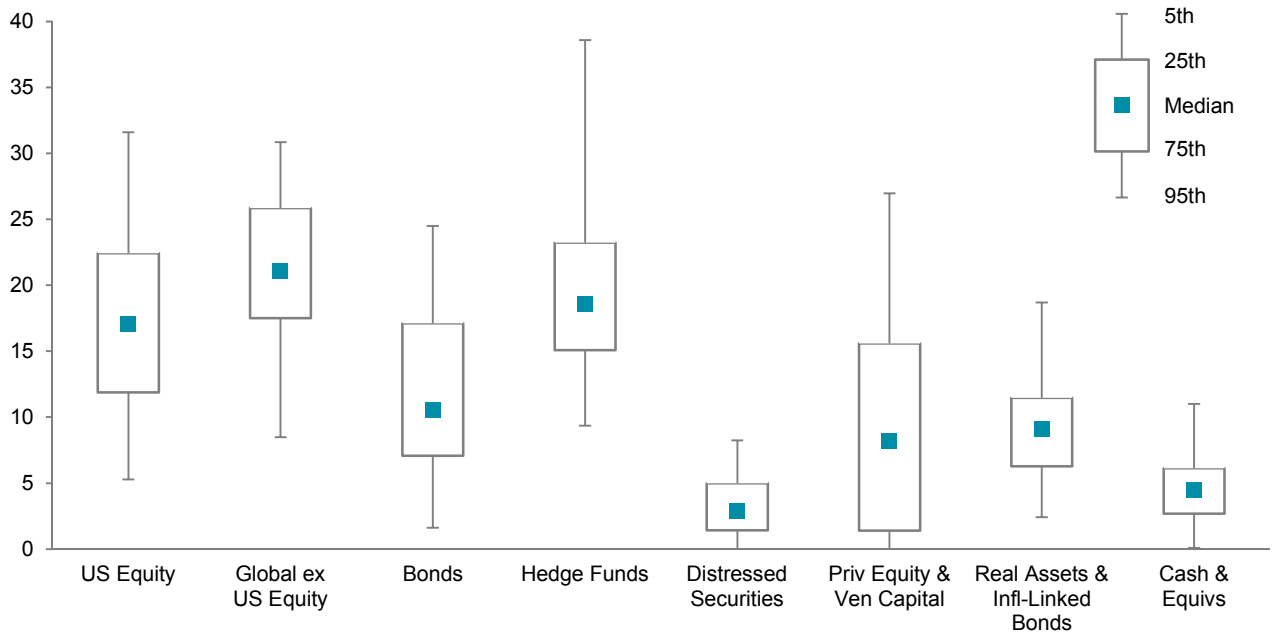
The Cambridge Associates endowments and foundations universe includes colleges and universities, cultural & environmental institutions, health care institutions, independent schools, and other endowed nonprofit institutions as well as foundations. ■

Exhibit 1
Asset Allocation Snapshot: US Private Clients
 As of December 31, 2014 • Percent (%)

Mean Asset Allocation (n = 85)

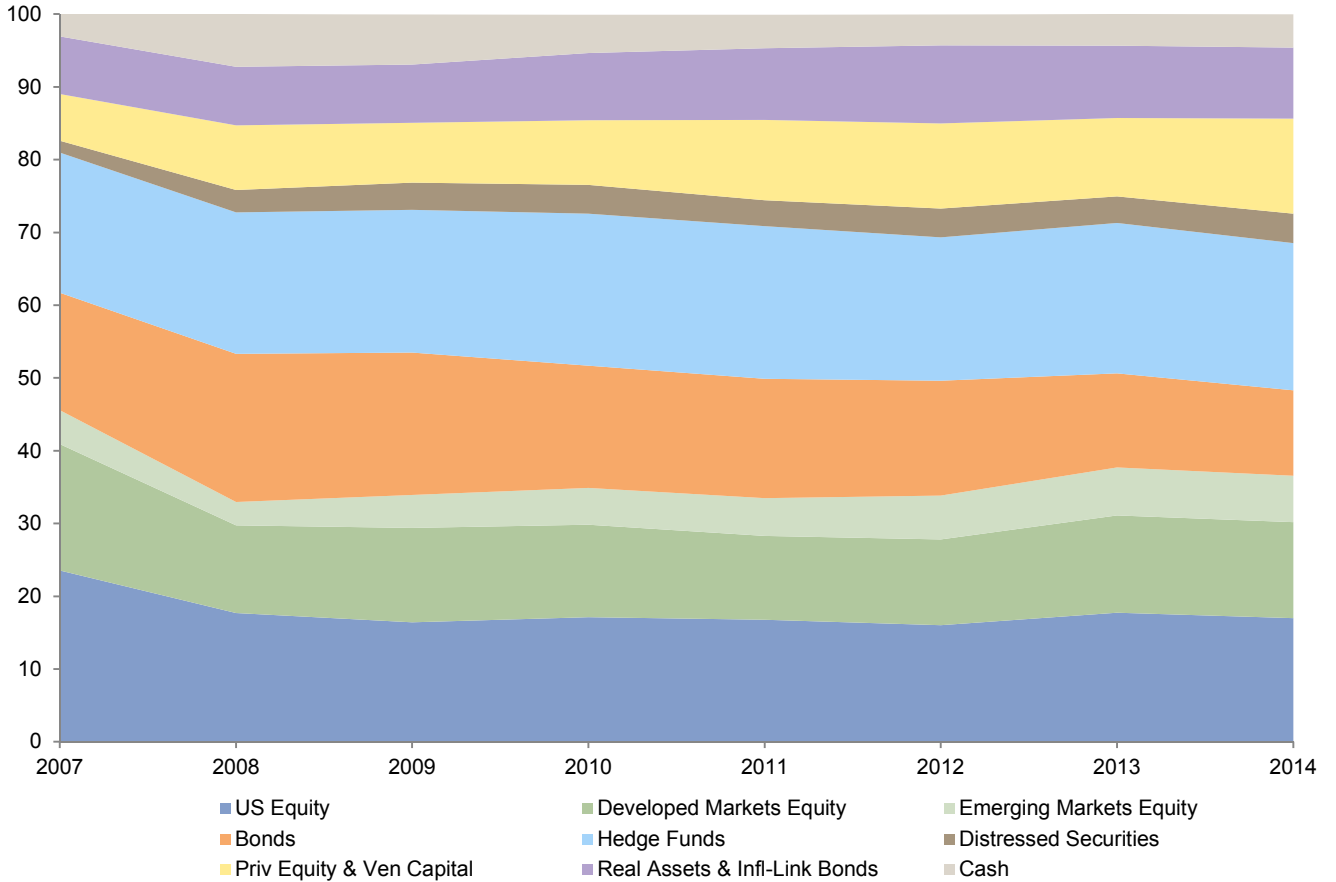


Distribution by Asset Class: Asset Allocation (n = 85)



Source: Private client data as reported to Cambridge Associates LLC.
 Note: Percentages may not total due to rounding.

Exhibit 2
Historical Mean Asset Allocation Trends: US Private Clients
 December 31, 2007 – December 31, 2014 • Percent (%)



	Mean Asset Allocation Constant Universe							
	2007	2008	2009	2010	2011	2012	2013	2014
US Equity	23.5	17.7	16.4	17.1	16.8	16.0	17.7	17.0
Global ex US Equity	22.0	15.3	17.5	17.8	16.7	17.8	20.0	19.5
<i>Developed Markets</i>	17.4	12.0	13.0	12.7	11.5	11.8	13.4	13.2
<i>Emerging Markets</i>	4.7	3.2	4.5	5.1	5.2	6.0	6.6	6.4
Bonds	16.1	20.4	19.6	16.8	16.4	15.8	12.9	11.8
Hedge Funds	19.3	19.5	19.6	20.9	21.0	19.7	20.7	20.2
Distressed Securities	1.6	3.1	3.7	4.0	3.6	3.9	3.6	4.0
Priv Equity & Ven Capital	6.4	8.9	8.2	8.9	11.0	11.7	10.7	13.1
Real Assets & Inflation-Linked Bonds	7.9	8.1	8.0	9.2	9.8	10.7	9.9	9.7
Cash & Equivalents	3.1	7.2	6.8	5.3	4.6	4.2	4.4	4.6
Other	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.0

Source: Private client data as reported to Cambridge Associates LLC.

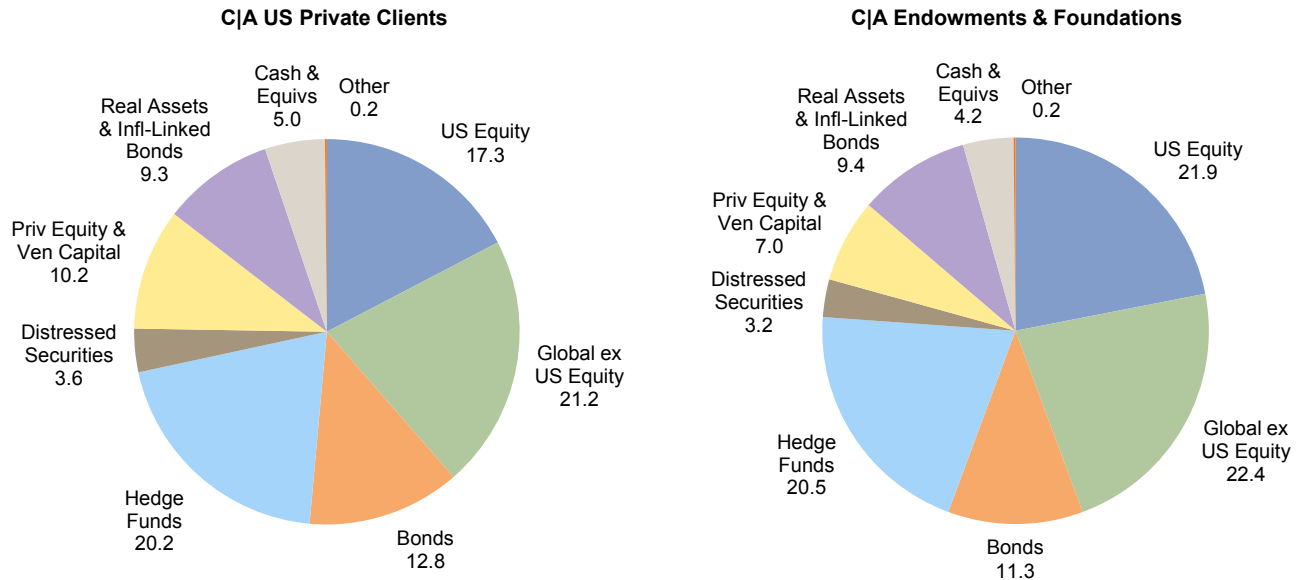
Notes: Percentages may not total due to rounding. All data are as of December 31. Constant universe represents 42 US-based private clients that provided asset allocation data for all time periods.

Exhibit 3
Detailed Asset Allocation by Asset Size: US Private Clients
 As of December 31, 2014 • Percent (%)

	All C A US Private Clients (n = 85)		Under \$100mm (n = 36)		\$100mm to \$500mm (n = 38)		Over \$500mm (n = 11)	
	Mean	Median	Mean	Median	Mean	Median	Mean	Median
US Equity	17.3	17.1	17.7	16.9	16.6	16.5	18.6	18.2
Global ex US Equity	21.2	21.1	23.2	23.9	20.3	20.4	18.1	16.2
Developed Markets	14.3	14.3	16.1	16.2	13.4	13.2	11.7	10.4
Emerging Markets	7.0	7.3	7.1	7.7	7.0	7.1	6.5	6.9
Bonds	12.8	10.5	16.9	17.0	9.7	9.3	10.3	9.9
US Bonds	11.9	10.5	15.5	14.5	9.1	9.0	9.8	9.6
<i>Municipal Bonds</i>	8.3	8.1	10.0	10.0	6.9	6.4	7.6	6.9
<i>Taxable Bonds</i>	3.6	0.5	5.5	1.5	2.2	0.0	2.1	0.9
Global ex US Developed Markets	0.3	0.0	0.5	0.0	0.2	0.0	0.3	0.0
Emerging Markets	0.6	0.0	0.8	0.0	0.4	0.0	0.2	0.0
High-Yield Bonds	0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Hedge Funds	20.2	18.6	19.4	18.6	21.9	19.6	17.2	17.8
Long/Short Hedge Funds	10.4	10.1	10.3	10.6	11.4	10.0	7.5	7.2
Absolute Return (ex Distressed)	9.8	9.0	9.0	8.7	10.4	9.5	9.7	9.0
Distressed Securities	3.6	2.8	3.3	2.3	3.8	3.5	4.2	3.1
Hedge Fund Structure	2.1	1.8	2.2	1.2	1.8	1.9	2.3	1.9
Private Equity Structure	1.6	1.2	1.1	0.0	1.9	1.6	1.9	1.9
Private Equity & Venture Capital	10.2	8.2	6.2	4.5	12.0	10.4	17.1	15.5
Non-Venture Private Equity	4.1	2.0	1.7	0.1	4.4	2.9	10.7	11.8
Venture Capital	3.9	2.9	2.3	0.1	5.3	5.0	4.4	3.2
Other Private Investments	2.3	0.6	2.3	0.3	2.3	1.0	2.0	0.4
Real Assets & Infl-Linked Bonds	9.3	9.1	8.4	8.5	10.5	9.6	8.4	9.0
Private Real Estate	2.5	1.2	2.0	0.6	3.1	2.3	1.7	1.1
Public Real Estate	0.3	0.0	0.3	0.0	0.3	0.0	0.1	0.0
Commodities	0.9	0.6	1.0	0.7	0.8	0.3	1.3	0.9
Inflation-Linked Bonds	0.1	0.0	0.1	0.0	0.0	0.0	0.2	0.0
Private Oil & Gas/Natural Resources	2.0	0.8	1.1	0.0	2.5	2.1	3.3	1.9
Timber	0.3	0.0	0.1	0.0	0.7	0.0	0.0	0.0
Public Energy/Natural Resources	3.2	3.0	3.8	3.9	3.1	2.8	1.8	1.7
Cash & Equivalents	5.0	4.5	5.0	4.9	4.7	4.1	6.1	4.7
Other Assets	0.2	0.0	0.0	0.0	0.4	0.0	0.0	0.0

Source: Private client data as reported to Cambridge Associates LLC.
 Note: Percentages may not total due to rounding.

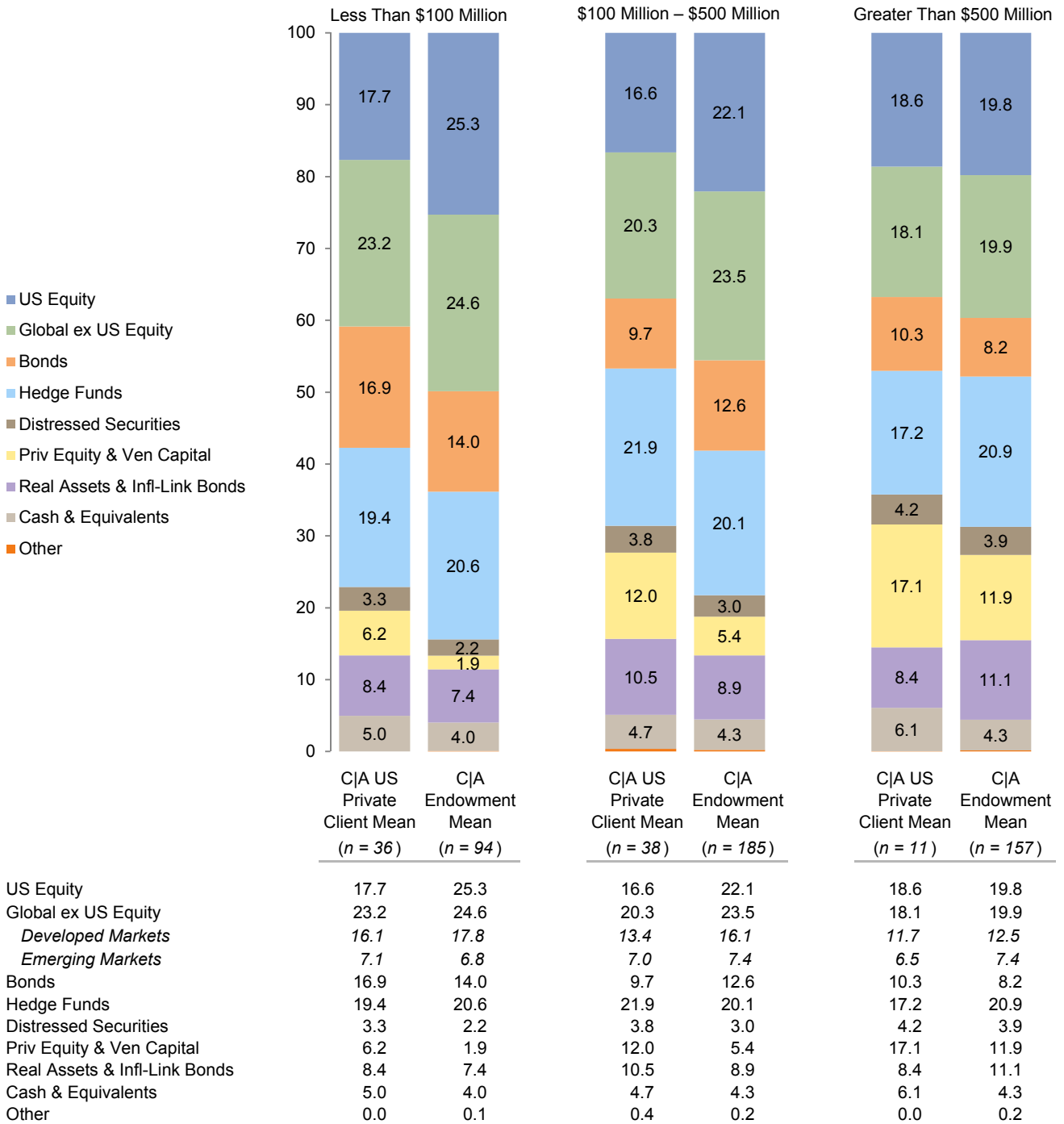
Exhibit 4
Mean Asset Allocation Compared to Endowments and Foundations
 As of December 31, 2014 • Percent (%)



	CJA US Private Clients				CJA Endowments & Foundations			
	Mean	Median	Low	High	Mean	Median	Low	High
US Equity	17.3	17.1	0.0	41.7	21.9	21.2	1.3	66.1
Global ex US Equity	21.2	21.1	0.0	42.1	22.4	22.8	2.0	37.9
<i>Developed Markets</i>	14.3	14.3	0.0	34.4	15.2	15.3	-0.6	31.2
<i>Emerging Markets</i>	7.0	7.3	0.0	12.6	7.3	7.3	0.0	17.3
Bonds	12.8	10.5	0.0	66.9	11.3	11.0	-4.4	34.5
Hedge Funds	20.2	18.6	0.0	55.5	20.5	19.9	0.0	84.7
Distressed Securities	3.6	2.8	0.0	27.5	3.2	2.7	0.0	13.2
Priv Equity & Ven Capital	10.2	8.2	0.0	60.7	7.0	5.7	0.0	35.6
Real Assets & Infl-Linked Bonds	9.3	9.1	0.0	24.7	9.4	8.9	0.0	36.6
Cash & Equivalents	5.0	4.5	-5.3	23.1	4.2	3.2	-3.5	36.8
Other	0.2	0.0	0.0	13.3	0.2	0.0	-0.1	9.5
Average Market Value	\$272.4 million				\$1.1 billion			
Market Value Range	\$6.7 million – \$4.4 billion				\$7.8 million – \$43.5 billion			
Universe	85 Private Clients				436 Endowments			

Source: Endowment, foundation, and private client data as reported to Cambridge Associates LLC.
 Note: Percentages may not total due to rounding.

Exhibit 5
Mean Asset Allocation by Asset Size Compared to Endowments and Foundations
 As of December 31, 2014 • Percent (%)



Source: Endowment, foundation, and private client data as reported to Cambridge Associates LLC.
 Note: Percentages may not total due to rounding.

Exhibit 6
Detailed Asset Allocation Compared to Endowments and Foundations
 As of December 31, 2014 • Percent (%)

	C A US Private Clients (n = 85)		C A Endowments & Foundations (n = 436)	
	Mean	Median	Mean	Median
US Equity	17.3	17.1	21.9	21.2
Global ex US Equity	21.2	21.1	22.4	22.8
Developed Markets	14.3	14.3	15.2	15.3
Emerging Markets	7.0	7.3	7.3	7.3
Bonds	12.8	10.5	11.3	11.0
US Bonds	11.9	10.5	9.1	9.0
<i>Municipal Bonds</i>	8.3	8.1	—	—
<i>Taxable Bonds</i>	3.6	0.5	—	—
Global ex US Developed Markets	0.3	0.0	0.9	0.0
Emerging Markets	0.6	0.0	0.8	0.2
High-Yield Bonds	0.1	0.0	0.5	0.0
Hedge Funds	20.2	18.6	20.5	19.9
Long/Short Hedge Funds	10.4	10.1	9.7	9.1
Absolute Return (ex Distressed)	9.8	9.0	10.8	10.1
Distressed Securities	3.6	2.8	3.2	2.7
Hedge Fund Structure	2.1	1.8	1.9	1.7
Private Equity Structure	1.6	1.2	1.2	0.5
Private Equity & Venture Capital	10.2	8.2	7.0	5.7
Non-Venture Private Equity	4.1	2.0	3.4	2.2
Venture Capital	3.9	2.9	2.6	1.2
Other Private Investments	2.3	0.6	0.9	0.0
Real Assets & Infl-Linked Bonds	9.3	9.1	9.4	8.9
Private Real Estate	2.5	1.2	2.1	1.1
Public Real Estate	0.3	0.0	0.5	0.0
Commodities	0.9	0.6	1.1	0.8
Inflation-Linked Bonds	0.1	0.0	0.5	0.0
Private Oil & Gas/Natural Resources	2.0	0.8	2.0	1.1
Timber	0.3	0.0	0.2	0.0
Public Energy/Natural Resources	3.2	3.0	3.0	2.7
Cash & Equivalents	5.0	4.5	4.2	3.2
Other Assets	0.2	0.0	0.2	0.0

Source: Endowment, foundation, and private client data as reported to Cambridge Associates LLC.

Note: Percentages may not total due to rounding.

Absolute Return: The use of different strategies (e.g., global macro, market neutral, open mandate) to produce a positive return regardless of the direction and fluctuation of capital markets. Common techniques include using arbitrage, derivatives, futures, leverage, options, short selling, and unconventional assets.

Bonds (Fixed Income): Includes long-term promissory notes that cannot be exchanged for other assets, government bonds, preferred stocks, structured debt, and derivatives where bonds are the underlying assets. Generally earn interest paid semiannually and are repaid at the principal (par) value. Does not include mortgage real estate.

Cash & Equivalents: Highly liquid, virtually risk-free assets with maturities of less than one year (e.g., certificates of deposit, commercial paper, nonconvertible bonds, and Treasury bills). Manager-held discretionary cash is included in the asset class category for which that manager's strategy is classified (with the exception of multi-strategy funds in which assets are allocated across multiple asset classes).

Commodities: Diversified baskets of fully collateralized, long-only, commodity futures contracts.

Convertible Securities: Bonds or preferred stock that can be exchanged for equities according to terms established by the issuer. Classified as equity.

Developed Markets: Markets within countries that have an established economic infrastructure.

Distressed Securities: Securities of companies that are currently in default, bankruptcy, financial distress, or a turnaround situation.

Emerging Markets: Typically includes countries that have an underdeveloped or developing infrastructure with significant

potential for economic growth and increased capital markets participation by foreign investors.

Emerging Markets Debt: Debt instruments of emerging markets countries and issuers, including US\$-denominated and local currency bonds.

Emerging Markets Equity: Equity securities of emerging markets countries; considered emerging even if the equity market is fully functional and well regulated.

Equities: Ownership positions in companies that can be traded in public markets. Often produce current income, which is paid in the form of quarterly dividends. The holders' claims are subordinate to the claims of preferred stockholders and bondholders. Includes convertible bonds if they are held as an opportunistic means of eventually acquiring a company's stock. Also includes futures, options, rights, and warrants where the underlying assets are equities.

High-Yield Bonds: Bonds regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. Typically, these bonds have a credit rating of BB or lower and pay higher yields because they are more risky than investment-grade bonds. Also includes collateralized bond obligations (CBOs).

Inflation-Linked Bonds: Fixed coupon bonds that earn interest paid semi-annually on inflation-adjusted principal.

Long/Short Hedge Funds: Portfolios with long positions in undervalued companies and short positions in overvalued companies, to capture the disparity in prospective returns, while maintaining a low level of overall market risk.

Non-Venture Private Equity: Through negotiation or tender offer, a takeover of a majority percentage of a company's equity with the purpose of acquiring its assets and operations. Includes leveraged buyouts (LBOs).

Other Assets: Should only include assets that cannot be classified as one or more of the other asset classes.

Other Private Investments: Includes funds that are invested across multiple private investments and cannot be allocated to a single asset class. Includes multi-strategy fund-of-funds and secondary market private investments.

Private Oil & Gas/Natural Resources: Funds created to invest in the exploration or development of energy-related reserves and natural resources.

Private Real Estate: Includes ownership positions in land and buildings as well as private operating companies. May also include equity-like investments in mortgages or land leases that include substantial participation in revenues and capital appreciation. Does not include equity mortgages such as collateralized mortgage obligations (CMOs), mortgage-backed securities, publicly traded REITs, or other public real estate.

Public Energy/Natural Resources: Includes marketable energy funds and natural resources.

Public Real Estate: Includes REITs and other public real estate equity such as umbrella partnership REITs (UPREITs), and other public operating companies (REOCs).

Timber: Funds created to invest in timber-related business. Usually limited partnerships.

Venture Capital: Investments in private securities of new companies or companies considered to be in the early stages of growth; these investments may have high risk and the potential for high return. ■