

The *Ambachtsheer* Letter

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OUR 60-40 ASSET MIX POLICY ADVICE IN 1987: WISE OR FOOLISH?

“The old 60-40 equity-debt rule makes a lot of sense again...”

Keith Ambachtsheer
“In Defense of a 60-40 Asset Mix”
Financial Analysts Journal, Sep-Oct 1987

Why Roll the Clock Back 17 Years?

A client called the other day and said that our 1987 *FAJ* article “In Defense of a 60-40 Asset Mix” was the topic of conversation at a recent investment conference. A speaker at the conference had pointed out that there were inconsistencies between what we said in the article then, and what we are saying in these *Letters* now. Sensing a learning opportunity, we went back and re-read what we had written about asset mix policy in the *Financial Analysts Journal* in 1987. Specifically, we wanted to find the answers to questions such as:

- What was the motivation for writing the article?
- How did we frame the risk issues at that time?
- How did we articulate our investment beliefs at that time?
- Why were we more comfortable with a 60-40 asset mix policy in 1987 than we have been in recent years?

If we could be magically transported back to 1987 and were given the chance to re-write the article, what would we say differently?

The reason for addressing these questions is more than just historical curiosity. There really is an important learning opportunity here. Not just for us, but for everyone interested in the evolution of the debate about pension fund investment policy and risk management. And what are the lessons to be learned? The goal of this *Letter* is to answer that question.