



ECFH Financially Speaking

East Caribbean Financial Holding Company Limited

In last week's column we explained asset allocation, this week we will expand on it by defining an asset allocation strategy. This week's term is: **Core-Satellite Asset Allocation**

Core Satellite Asset Allocation is an investment strategy that consists of two parts the "core" and the "satellite." The first part, known as the core portfolio, invests in traditional fixed income securities like bonds or treasury bills. This would normally comprise the bulk of your holdings as an investor and would consist of an investment mix that is based on your long-term goals, risk tolerance and time horizon. The second, known as the satellite portfolio, although not as large as the first is just as important. A smaller percentage of the available funds are invested in individual stocks and other actively traded investments. This gives an investor the flexibility to take advantage of short term high yielding investment opportunities.

What does this mean for you?

The core-satellite strategy has been around for a while and has been useful to many investors. It allows you, as the investor, to reduce your risk by holding a well diversified portfolio, while allowing you to seek out higher expected returns. The core satellite investment strategy is beneficial because you take on a little extra risk but can normally expect higher returns in the market. For more information on investing and investment strategies, feel free to call Bank of Saint Lucia's Wealth & Asset Management Division (WAM) at 456-6104 or ECFH Global Investment Solutions at 457-7233.