

Daily Insights - June 21, 2002

Equity Ownership In The U.S. Is Too High

Equity ownership is still at bubble levels and investors will increasingly decide to rebalance portfolios .

It was reported this week that the California Public Employees' Retirement System (Calpers - the largest pension fund in the U.S.) is planning to make an asset allocation switch out of equities and into direct investment in private companies. The Calpers move is likely to be followed by others because the cult of equity is in retreat and exposure to equities is still extremely high for both financial institutions and households. Disillusionment with equities is bound to increase because expected returns are still too high. This will encourage investors to diversify into other assets and real estate could be a big beneficiary.

