



BUSINESS & FINANCE

EDITOR MARGARET O'BRIEN • 901-2568

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Risk control in asset allocation investment plan

Editor's note: This is the sixth article in a nine-part series on investment planning. Next week's column will focus on the asset allocation process.

Asset allocation programs typically classify portfolios into three basic categories of investment portfolios that are unique because of their adherence to strict risk tolerance guidelines.

These categories are popularly known as conservative, moderate and aggressive portfolios.

These guidelines are designed with the objective of limiting the maximum decline in portfolio value under "very adverse" market conditions to 5 percent, 10 percent and 15 percent, respectively. "Very adverse" market conditions are defined as a substantial increase in interest rates accompanied by a similarly substantial decline in one or more commonly followed stock market indices over a 12-month period.

This structured discipline helps protect the investor from exposure to unacceptable levels of market decline and allows the portfolio to seek the highest possible total return consistent with a specified level of risk tolerance.

It is important to recognize, however, that risk reduction is generally associated with a reduction in total return as well.

That is, the more conservative the asset allocation strategy adopted, the greater the potential reduction in the expected return generated by that portfolio.

However, a professional asset allocation strategy can succeed in significantly reducing the risk while sacrificing a small amount in returns.

That is, the benefits of asset allocation through risk reduction can be expected to far outweigh its cost measured in terms of reduction in return.

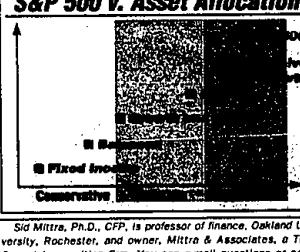
In this context, it is important to establish a direct relationship between the three risk categories (conservative, moderate, and aggressive) and the five categories under which Asset Allocation portfolios are typically marketed.

Fixed income, growth and income, and aggressive growth categories are clearly considered, respectively, conservative, moderate, and aggressive portfolios.

However, it can be observed that these three types of categories frequently overlap.

For instance, a growth portfolio could fall under both aggressive and moderate risk categories. Similarly, a growth and income portfolio could be classified under both moderate and conservative risk categories.

S&P 500 v. Asset Allocation



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This column highlights promotions, transfers, hirings and other key personnel moves within the Oakland County business community. Send a brief biographical summary — including the town of residency and employment and a photo, if desired, to: **Business Milestones**, c/o Business Editor, Observer & Eccentric Newspapers, 805 E. Maple, Birmingham, MI 48009. Our fax number is (810) 644-1314.

Jeffrey Adelman of Birmingham, an attorney with Detroit-based Miller, Cawfield, Paddison and Stone, was elected vice president and board member of the Southfield Symphony Orchestra. He has his law and bachelor's degrees from the University of Michigan where he majored in economics, musicology and music history as an undergraduate.

John Candela of Shelby Township was named executive vice president of finance at Simplified Employment Services in Auburn Hills. He was previous chief financial officer.

Gunnar Christensen of Rochester Hills was named vice president administrator of Aetna Health Care, Troy. He had been regional vice president of First American Health Care in charge of Michigan operations.

Denise Calisti of Grosse Pointe

County office market still booming

BY MARGARET O'BRIEN
BUSINESS EDITOR

Oakland County's office market just keeps growing. A study to be released this month shows that the significant gains were made in the first six months of the year — growth that should continue through to 1997.

Even though 1995 was a banner year for the Oakland County office market, occupancy rates and achieved rents still managed to improve significantly during the first half of 1996.

The office market is as strong — or

stronger — as it has ever been according to a study to be released this month by Joel Feldman, vice president of Friedman Real Estate Group in Farmington Hills.

"This means that not only is the past recession clearly over, it is ancient history," said Feldman, who surveys and reports on the market every six months. "Not only have we

returned to the 'good old days,' but in many senses we have actually surpassed them."

Overall occupancy in Oakland County general, speculative and multi-tenanted office buildings was 94.3 percent in June 1996 — the highest level in at least the past decade. The greater Detroit market achieved 89.4 percent occupancy.

"Rarely, if ever, in the entire history of our office market have occupancy levels been so high and on such a wide spread basis," Feldman said referring to the fact that nine of the 13 communities studied had

occupancy rates of 90 percent or higher.

Feldman said the signs of market health — increased occupancy, higher rents and significant absorption rates — are the direct result of no significant construction during the last seven years and the abandonment of the "urban sprawl" philosophy.

"There is a growing mindset that the office market in general, and the economic life of existing facilities in particular, are both best served by taking a step inward, geographically

See OFFICE, D3

Re-Mark-able

Weight Watchers CEO chairs Federal Reserve Detroit Branch

BY BARI FERT TEMPLETON
SPECIAL WRITER

For Florige Mark things always seem to center around helping others.

First she built a successful business helping people lose and watch their weight; now she will be assisting the government as it monitors interest rates.

Mark, president and CEO of the Weight Watchers Group, Inc. headquartered in Farmington Hills, was recently appointed Chair of the Detroit Branch of the Federal Reserve Bank of Chicago.

The Detroit based bank, which includes 12 branches across the United States, is among the largest in the federal reserve system. The Detroit office shares its branch status with Chicago.

Most people don't even know that there is a huge branch of the Federal Reserve Bank here in Detroit, said Mark, who was appointed to the board in 1994 by the Federal Reserve Board of Governors in Washington, D.C.

Mark represents private business on the board whose members are CEO's of major banking institutions in Detroit and Chicago.

The seven member board of directors that Mark will head contributes to the formulation of U.S. monetary policy, the Federal Reserve's most important responsibility, by advising on regional economic conditions.

"We run the bank, handling lots of transactions and a lot of checks and banks across the country," said Mark.

Chairing monthly board meetings and working closely with the board to keep an eye on economic conditions in the region is a role Mark will take on for the rest of 1996.

"It's a wonderful organization and quite a great honor," said Mark. "I was very thrilled and I'm delighted to do this. And actually, I think I'm the first woman to serve as the chair," she added.

Being "the first woman" to achieve the prestige of serving as chair for a major U.S. reserve bank will come as no surprise to those who know Mark.

It's been 30 years since she hosted

See MARK, D2



Weight watcher: Weight Watchers Group president and CEO Florige Mark brings her business and entrepreneurial experience to the Federal Reserve Bank's Detroit branch.

LaPlata joins B'ham firm

BY RENA FULKA
SPECIAL WRITER

U.S. District Judge George LaPlata of West Bloomfield may have just hung up his robe, but he certainly hasn't bid farewell to the courtroom.

On Aug. 2, LaPlata performed his last act as the 40th federal judge for the Eastern District of Michigan — handing down a criminal sentence.



See LA PLATA, D4

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