Investment Memorandum

[Name of the Writer]

[Name of the Institution]

Asset Allocation

ECONOMIC OUTLOOK

The economy of the United States is on a path of slow recovery even though it could be disrupted by unforeseen shocks. Along with the domestic issues, there are the same international problems that have persisted for more than a year. The international risks include a clash with Iran which could lead to high oil prices, a hard landing for the soaring Chinese economy leading to a chaos in the global economy and the ongoing euro currency crisis that continues to hurt global growth (Sivy, 2013).

The economic outlook generally looks encouraging for people who have secured jobs, a decent credit rating and a steady housing situation. The surge in stock prices and real estate values is likely to offset any increase in taxes, inflation and gas prices. As the recovery is expected to be weak, it will not be enough to aid those persons who have lost their jobs or their homes. Budgetary issues remain the main obstruction to a quicker growth. The fiscal cliff deal was not sufficient to decrease the yearly deficit which has reached to around $1.1 trillion. The consensus has estimated a growth rate of around 1.8% in 2013 down from 2.2% in 2012. And the optimistic economists foresee an improvement in growth rate reaching levels of 3% and more in 2014.

PORTFOLIO ALLOCATION

My portfolio would include an investment of around 60% in the stock market, around 30% in the bond market and the remaining 10% in cash holdings. The combination of slow growth and low inflation rates is usually beneficial for stocks and hence keeping in line with the analyst's forecasts regarding increasing stock prices, I have decided to invest majority of my money into the equity market. I have decided to invest around 30% in the bond market which constitutes to a value of $30000. The decision to invest in bonds is due to the increasing chances of the Federal Reserve tapering the Quantitative Easing leading to higher returns in the long term bonds. Moreover, the decision to keep a minimum amount of cash of 10% or $10000 is due to higher returns in the capital markets. Expectations of low inflation rates in the coming months would ensure that the cash holdings do not lose a lot of their value.

SECTOR ALLOCATION

The allocation of my equity investment in different sectors is as follows:

Equity Holdings = $60000

Precious Metals Mining Sector = 60% x 60000 = $36000

Technology Sector = 40% x 60000 = $24000

The sector that I am most interested in investing in is the precious metals mining sector. This sector is at present as much unloved as the tech sector is loved. The industry operations are straightforward and involve a lot of heavy machinery rather than fancy new technologies. This sector is greatly undervalued and if the global mix of erroneous monetary and fiscal policies continues, it is expected to soar upwards and reap enormous benefits for its investors who have remained faithful to the industry (Hutchinson, 2013). The other sector that I am investing in is the technology sector which is a relatively safe bet as the recent resurgence of Facebook stock along with other successful tech IPO's such as Twitter and Yelp over the past year has ensured that the Tech sector will be on a path of growth over the coming months (Richards, 2014).