

The Ben Bernanke And Janet Yellen Investment Portfolios

"I never attempt to make money on the stock market. I buy on the assumption that they could close the market the next day and not reopen it for five years" - Warren Buffett

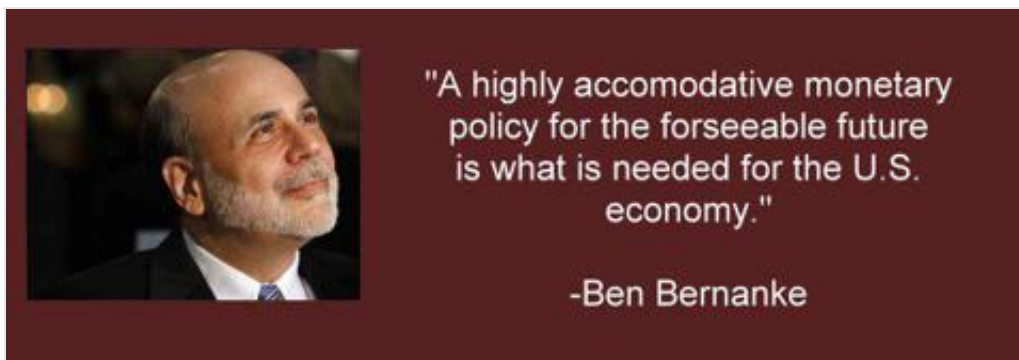
When it comes to financial security, one could argue that the chairman of the Federal Reserve Board of Governors would be a great role model to emulate. As an obligation of duty, the chairman and all members of the board are required to disclose their assets and income to the U.S. Office of Government Ethics.

U.S. President Barack Obama made it clear that when Ben Bernanke's second term expires on 1-31-2014, there will be a new chairman of which current Vice Chairman of the Board of Governors, Janet Yellen, is the current front-runner. By analyzing their respective investment portfolios, one can gain insight into astute money management techniques as well as their individual stock selections.

The Man

On February 1, 2006, Ben Bernanke was sworn in as a 14-year term member of the Federal Reserve Board of Governors, as well as Fed Chairman, which was a 4-year term. U.S. President Bush appointed him just before the beginning of the Global Financial Crisis, where Bernanke, along with U.S. Treasury Secretary Henry Paulson and the president of the Federal Reserve Bank of New York Timothy Geithner organized the economic bailout that arguably sidelined a global depression.

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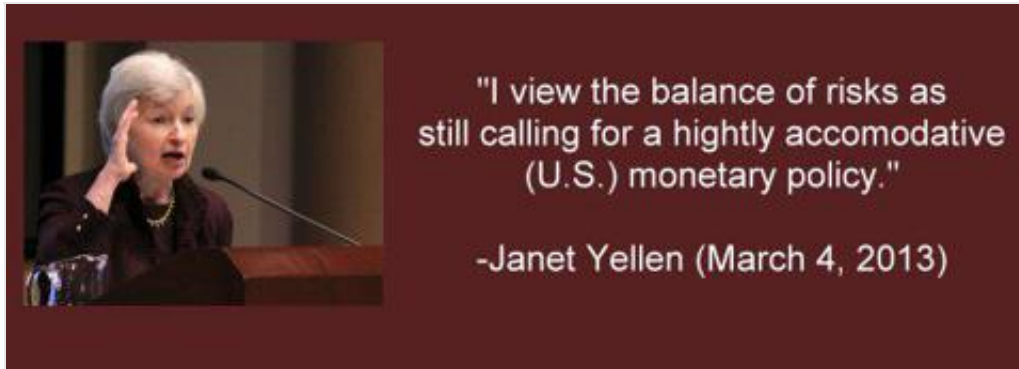


The Woman

On September 24, 2013, The Goldman Sachs Group, Inc. (NYSE:GS), [released a statement](#) proclaiming they expect President Obama will "nominate Janet Yellen to be the next Federal Reserve Chair and we

expect the announcement to come soon. However, this week's political calendar may be too crowded to make an announcement. Assuming a government shutdown is avoided, an announcement could come as soon as early next week."

(click to enlarge)



As we are currently in the second week of a government shutdown the announcement has certainly been delayed. It is likely that Yellen will be nominated once the government resumes and in this regard, analyzing her holdings could give investors a head start on what could be very public news in the short term.

The Holdings

Part 1: The Myth

As many investors know, the one stock Ben Bernanke held in his portfolio when he was nominated for the Fed chairman position in 2005 was Altria Group Inc. (NYSE:MO). What most people don't realize is that MO was just a minor part of Bernanke's portfolio, only amounting to a total of **between \$1,001 and \$15,000**. He sold the stake in July 2004, and as of 2012, no longer owns any individual stocks.

Part 2: The 2012 Bernanke Portfolio

Bernanke's disclosed investments, excluding his primary residence, are spread between professionally-managed funds and cash accounts. Below are pages 3-4 of [Bernanke's 2012 OGE Form 278 \[pdf\]](#) (dated 3-7-13, released August 2013) listing his investment assets held as of 2012. Note that for each asset Bernanke must claim a range of valuation rather than an exact dollar amount.

(click to enlarge)

OMB Form 778 (Rev. 12/2011)
 12 CFR Part 2434
 U.S. Office of Government Ethics

Reporting Individual's Name Bernanke, Ben S.		SCHEDULE A continued (Use only if needed)										Page Number 3 of 7					
Assets and Income		Valuation of Assets at close of reporting period					Income: type and amount. If "None (or less than \$201)" is checked, no other entry is needed in Block C for that item.										
BLOCK A		BLOCK B					BLOCK C										
		None (or less than \$1,001) \$1,001 - \$15,000 \$15,001 - \$50,000 \$50,001 - \$100,000 \$100,001 - \$250,000 \$250,001 - \$500,000 \$500,001 - \$1,000,000 Over \$1,000,000*					Type Dividends Rent and Royalties Interest Capital Gains None (or less than \$201) \$201 - \$1,000 \$1,001 - \$2,500 \$2,501 - \$5,000 \$5,001 - \$15,000 \$15,001 - \$50,000 \$50,001 - \$100,000 \$100,001 - \$1,000,000 Over \$1,000,000*							Date (Mo., Day, Yr.) Only if Honorary			
1	TIAA-CREF 403(b) Retirement Account																
2	Money market	X								X							
3	TIAA Traditional (guaranteed annuity)					X					X						
4	CREF Stock Fund (variable annuity)					X						X					
5	Suntrust checking		X							X	X						
6	Suntrust money market		X							X	X						
7	Vanguard 401(a) plan: National Bureau of Economic Research												X				
8	Vanguard International Growth Fund	X									X						
9																	

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

(click to enlarge)

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1	Central Airfare Credit																
2	SEP retirement account																
3	Blackrock High Yield Bond Fund		X									X					
4	US Treasury strips		X								X	X					
5	Blackrock Retirement Reserves (cash)		X									X					
6	Blackrock Large Cap Core Fund	X									X						

* This category applies only if the asset/income is solely that of the filer's spouse or dependent children. If the asset/income is either that of the filer or jointly held by the filer with the spouse or dependent children, mark the other higher categories of value, as appropriate.

As noted above, Bernanke's holdings are largely annuities, with minor investments in stock and bond funds and a conservative balance of cash and Treasuries. By using the mean value, or midpoint of the

range of each holding, one could calculate what the asset allocation of the Bernanke portfolio would look like (with of course a margin of error).

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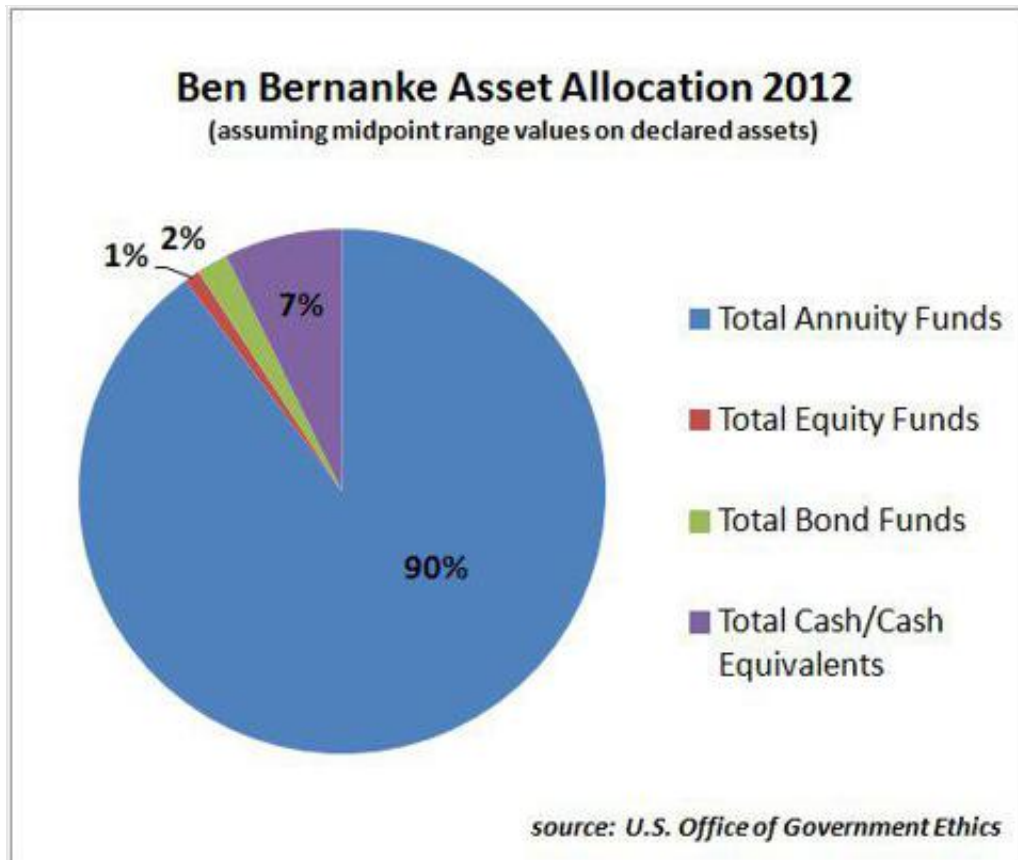
Bernanke Account (values in thousands)				
Equity Holdings				
Annuities	% Portfolio	Low Value	High Value	Mean Value
TIAA Traditional (guaranteed annuity)	44.91%	500	1000	750
CREF Stock Fund (variable annuity)	44.91%	500	1000	750
Total Annuity Funds	89.82%	1000	2000	1,500
Equity Funds	% Portfolio	Low Value	High Value	Mean Value
Blackrock Large Cap Core Fund	0.48%	1	15	8
Vanguard International Growth Fund	0.48%	1	15	8
Total Equity Funds	0.96%	2	30	16
Bond Funds	% Portfolio	Low Value	High Value	Mean Value
Blackrock High Yield Bond Fund	1.95%	15	50	32.5
Total Bond Funds	1.95%	15	50	33
Cash	% Portfolio	Low Value	High Value	Mean Value
Cash Account 1	1.95%	15	50	32.5
Checking	1.95%	15	50	32.5
Money Market 1	1.95%	15	50	32.5
Cash Account 2	0.48%	1	15	8
Money Market 2	0.48%	1	15	8
US Treasury Strips	0.48%	1	15	8
Total Cash/Cash Equivalents	7.28%	48	195	122
Total Account Value				
Account Totals	100.00%	\$1,065	\$2,275	\$1,670

source: U.S. Office of Government Ethics

When using the midpoint range values given on the OGE Form 278, Bernanke's holdings are estimated to be near \$1,670,000 but are listed in a range of \$1,065,000 to \$2,275,000.

In viewing the mean percentages of each asset class in his portfolio, Bernanke is clearly an income-oriented investor looking for minimal risk, access to cash and very limited exposure to market swings. His hand shows only approximately 1% allocation to domestic and international stock funds and a 2% allocation into a high-yield bond fund.

(click to enlarge)



Part 3: The 2012 Yellen Portfolio

Janet Yellen holds a portfolio that is less conservative than Bernanke. Focusing on her disclosed investment securities and cash balances, Yellen's portfolio is worth approximately \$8.8 million using the midpoint range values. Her [2012 OGE Form 278](#) lists her asset range to be somewhere between \$4,749,000 and \$12,885,000.

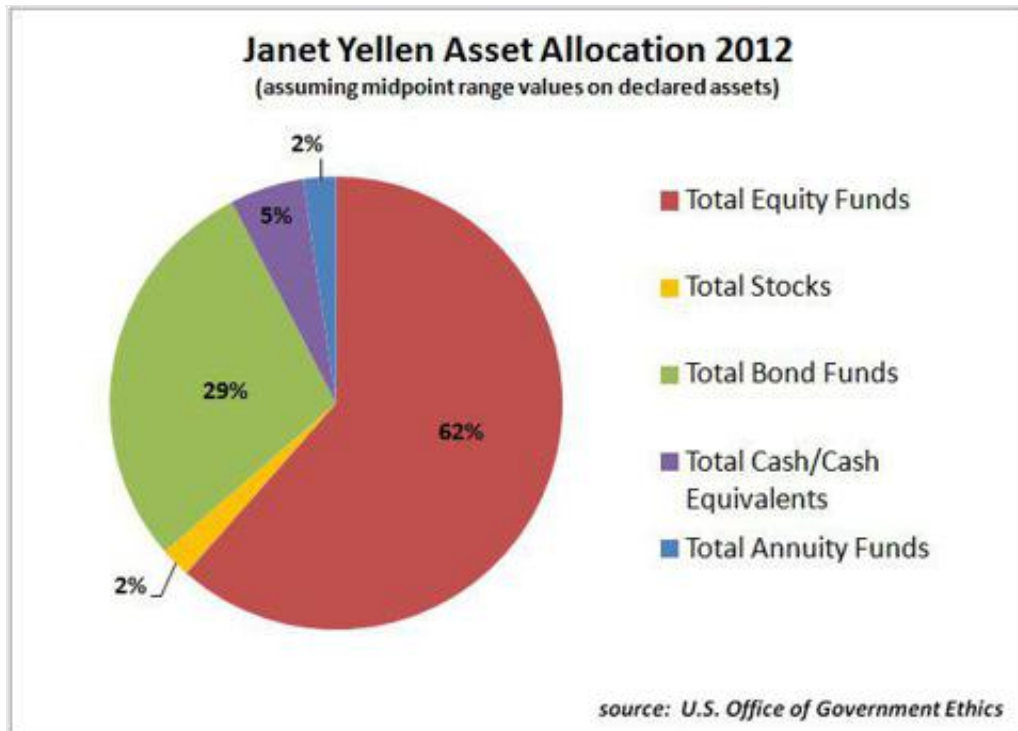
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Yellen Account (values in thousands)				
Equity Holdings				
Equity Fund	% Portfolio	Low Value	High Value	Mean Value
Vanguard Tax Managed Growth & Income Fund (VTGLX)	34.03%	1000	5000	3000
Vanguard Tax Managed International Fund (VTMGX)	8.51%	500	1000	750
Vanguard Extended Market Funds (2 listings, VEXAX)	4.34%	251	515	383
Vanguard Equity Index European Fund (VEUSX)	4.25%	250	500	375
Vanguard Index Trust (VFIAX)	4.25%	250	500	375
University of California Equity Fund (3 listings)	3.20%	215	350	282.5
Fidelity Diversified International Fund	1.98%	100	250	175
University of California Defined Contribution Plan	0.85%	50	100	75
Dreyfus Strategic Value Fund	0.09%	1	15	8
Total Equity Funds	61.51%	2617	8230	5,424
Stocks	% Portfolio	Low Value	High Value	Mean Value
Conoco Phillips (COP)	0.85%	50	100	75
Pfizer (PFE)	0.37%	15	50	32.5
E.I. du Pont (DD)	0.37%	15	50	32.5
Office Max (OMX)	0.09%	1	15	8
Raytheon (RTN)	0.09%	1	15	8
Teradata Corporation (TDC)	0.09%	1	15	8
Cytec Industries Inc. (CYT)	0.09%	1	15	8
DirectTV Group (DTV)	0.09%	1	15	8
NCR Corp. (NCR)	0.09%	1	15	8
Total Stocks	2.13%	86	290	188
Total Equity Stocks and Funds	63.64%	2703	8520	5,612
Bond Funds	% Portfolio	Low Value	High Value	Mean Value
Fidelity Investment Grade Bond Funds (2 listings)	10.49%	600	1250	925
Vanguard Short Term Bond Index Fund	8.51%	500	1000	750
Vanguard High Yield Corp Bond Funds (2 listings)	5.10%	300	600	450
University of California Bond Fund (2 listings)	4.62%	265	550	407.5
Total Bond Funds	28.72%	1665	3400	2,533
Cash	% Portfolio	Low Value	High Value	Mean Value
Wells Fargo Checking	1.98%	100	250	175
Wells Fargo Savings	1.98%	100	250	175
Merril Lynch Banking Advantage Cash	0.85%	50	100	75
Wells Fargo Money Market Fund	0.37%	15	50	32.5
Fidelity Money Market Trust	0.09%	1	15	8
Total Cash/Cash Equivalent	5.28%	266	665	466
Annuities	% Portfolio	Low Value	High Value	Mean Value
CREF Stock Fund (Annuity)	1.98%	100	250	175
Teachers Insurance & Annuity	0.37%	15	50	32.5
Total Annuity Funds	2.35%	115	300	208
Total Account Value				
Account Totals	100.00%	\$4,749	\$12,885	\$8,817

source: U.S. Office of Government Ethics

In approximating her asset allocation, Yellen's assets are close to 64% stock and stock funds, 29% bond funds, 5% cash and only 2% in annuities.

(click to enlarge)



While Yellen does hold nine stocks, the percentage of portfolio weight is minor at approximately just over 2%. Her investment preference is to purchase funds, whether stock or bond funds. The funds she currently favors are with Vanguard and Fidelity.

Portfolio Insight: Ben Bernanke versus Janet Yellen

While Bernanke is a bit of an investment bore with his 90% allocation to annuities, Yellen clearly favors exposure to the market. Her portfolio estimate of nearly 64% allocated to stocks illustrates this preference.

The Yellen portfolio favors index funds with very low expense ratios. Her largest holding, Vanguard Tax Managed Growth and Income Fund (VTGLX), basically mirrors the S&P 500. Yellen's top five holdings that invest in equities are all Vanguard index funds, which are known for their low cost of ownership.

Yellen does have nine equity holdings, which are more interesting than Bernanke's sole holding of Altria that he sold before his nomination to become chairman in 2005. Yellen's individual stock selections, however, are meager in size compared to her total investment portfolio.

Yellen's top three stock holdings in 2012 were ConocoPhillips (NYSE:COP), Pfizer (NYSE:PFE) and E. I. du Pont (NYSE:DD). PFE and DD are both components of the Dow Jones Industrial Average, while COP is a popular oil & gas major with a market capitalization of over \$86 billion. All three companies can be classified as dividend-value plays, as they all contain dividends above 3%, low-growth (versus the S&P 500

5-year growth forecasts) and a lower P/E than the general market.

The Conclusion

By noting that both Ben Bernanke and Janet Yellen hold a majority of their investments in diversified funds, it can be noted that individual stock-picking is less desired but that stock exposure at some level is required. To mirror the current and likely future chairman of the Federal Reserve Board of Governors, one could buy low-cost index funds for stock exposure.

Bernanke's allocation showcases a preference for a conservative approach with allocations toward income-oriented and low-risk investments, which can be understood as he has likely earned enough stress playing hero in the Global Financial Crisis. Annuities, bonds and cash are a suitable portfolio for the income-investor.

Yellen prefers direct market risk, which could be a very strong signal that she believes in the current bull market as well as the domestic and global economies in general. She shows preference for low-cost index funds that offer broad exposure to both domestic and international stocks.

For Yellen to be yelling about so many stocks the investor must be curious. While holding a larger asset base than Ben Bernanke, we can only assume that she wants to add some spice to her portfolio, albeit at a very small risk.

Both Bernanke and Yellen hold at least one bond fund. Bernanke owns only one high-yield bond fund to complete the approximate 2% portfolio allocation his portfolio holds in bonds. Yellen on the other hand holds an approximate 29% weighting, which she diversifies between four funds with the following alternate objectives: corporate investment-grade, short-term, intermediate-term and high-yield bonds.

In short, our current and (likely) forward Fed chairs tell us the following:

- Low-Cost Index Funds Are The Top Choice for Market Exposure
- Income with Limited Risk is Okay for Retirees
- Individual Stock-Ownership Plays a Minor Role in Allocations
- Diversification is Key in Portfolio Asset Allocation
- Bonds Play a Role in Income Portfolios

Disclosure: I have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours. I wrote this article myself, and it expresses my own opinions. I am not receiving

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