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The 2015 Investment Section Asset Allocation Contest is On!

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The 2015 version of the Asset Allocation Contest for Section members began in earnest in April. The contest covers the six month period from April 1 to September 30. Participants needed to choose an initial allocation among 10 exchange traded funds which represented a broad range of asset classes, including equities, fixed income, real estate, and commodities. In a twist to this year's contest, participants also had to choose whether to automatically rebalance to their initial allocation on a monthly basis, or to deterministically change their asset allocation at two time steps during the contest—June 30 and July 31. As in past years, prizes will be awarded for highest return, lowest risk measured by annualized standard deviation, and best return-to-risk ratio. Tie-breakers for each prize will be determined on how well the participants predicted what their returns and risk would actually be (how could we have a contest with actuaries without asking for predictions?).

Just fewer than 100 folks are participating in this year's contest. There are some interesting results when reviewing the submissions:

1. 30 percent of the participants chose only one ETF, which may make predictions very important for determining the prize winner. The most popular single asset choice was U.S. equities, followed by commodities;
2. 22 percent of the participants chose five or more ETFs—some differing views on the benefits (or lack thereof) of diversifying asset classes; and
3. 70 percent of the participants chose to manually make a decision to reallocate, rather

than automatically rebalance. It will be interesting to test whether automatic rebalancing is a help or a hurt during this time period.

Through the end of May, the name of the game is volatility. Emerging markets and commodities both experienced great Aprils and poor Mays. Commodities and international equities are just about the same in overall performance over the time period. It will be interesting to follow as the summer unfolds.

Prizes will be awarded at the Annual Meeting, so stay tuned and good luck to those that are participating! ■



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