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2015 Investment Section Asset Allocation Contest Results—So Much for Tame Markets!

By George Eknaian

The 2015 version of the Asset Allocation Contest for section members is now complete. We would like to thank all of the participants in the contest for their willingness to participate and their feedback. This is the third year that we have run this contest, and we expect to do so in future years as well.

In presenting the results for this year, I think the best way to begin is by quoting Benjamin Franklin: “An investment in knowledge pays the best interest.” It was a challenging six-month period for investors, with a time period of fairly positive returns (some significant) in April and May, followed by very volatile and negative returns for the last four months. It is probably hard to remember, but returns for the first two months of the contest were positive in seven out of the 10 asset classes that were ETF choices for the contest, with the EAFE ETF (symbol EFA) showing the highest price return during that time (just under 4 percent). Unfortunately, by the end of the contest, the only ETF showing positive return was the short duration bond ETF (symbol GSY). All other asset classes were negative, with emerging markets showing the worst return at almost an 18 percent loss for the six-month period. The Commodities ETF (symbol DBC) is emblematic of the volatility and direction of returns; for the first month, the ETF had a positive 7 percent return, followed by a month of negative and positive returns for May and June, and then a 17+ percent swoon for the last three months.

Not many folks took advantage of the ability to manually re-balance, which given the general direction of returns, resulted in only one participant (who unfortunately was not eligible to win the prize) having positive returns for the six-month period. There were three prizes awarded—highest return, lowest risk measured by annualized standard deviation, and best return-to-

risk ratio. Given the returns on the ETF, folks that chose the 20 percent short duration bond ETF, 80 percent total bond ETF asset allocation dominated the winning results. The winners were as follows:

Highest Return—Alan Wong with a -.2927 percent return and won via tiebreaker,

Lowest Risk—Tom Anichini with a 1.81 percent annualized standard deviation, and

Best Return/Risk Ratio—Vladimir Martinak with a -.136 ratio and won via tiebreaker.

The choice of predicted returns was very important in this contest, as two out of the three winners had to be determined via the tiebreaker of predicting what returns, risk, and return/risk ratio would be for the chosen asset allocation. Congratulations to the winners! For those of you that are interested in seeing the results, they are posted on the Investment Section page on the SOA website.

Thank you once again for participating and we look forward to your participation in the 2016 contest. There will be some changes made due to feedback we received as well as the natural evolution of the contest. Please feel free to contact any Section Council members with suggestions you may have for changes to make the contest even better! ■



George Eknaian, FSA, CERA, MAAA, the section vice chairperson, is a consulting actuary with experience in all sectors of the life insurance business. He may be reached at george.eknaian@comcast.net.

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