



**SOCIETY OF
ACTUARIES®**

Article from

Risks and Rewards

August 2018

Issue 72

Asset Allocation Contest

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The 2018 Asset Allocation Contest sponsored by the SOA Investment Section is now underway. More than 60 Investment Section members have entered their portfolios to compete in the contest, which runs from April 1 through September 30.

Last year, changes were made to simplify the rules to encourage higher participation, and this year the contest has stayed essentially the same with only a couple of adjustments. One exchange-traded fund (ETF) has been added to increase the choices from 18 to 19. For the Manage Drawdown Risk Contest described below, the daily drawdown amount has been increased from \$800 to \$900. To encourage more thoughtful allocation, each portfolio is still required to have at least four asset classes with an individual allocation of 10 percent of the portfolio or greater.

The contest is broken up into three categories, testing the skill of section members' portfolio design capabilities. Each category mimics a real-world activity that could be seen in practice:

MAXIMIZE RISK-ADJUSTED ALPHA

For this contest, the goal is to produce the highest risk-adjusted alpha over the benchmark fund—60 percent All Country World Index (ACWI), 40 percent U.S. Aggregate Bond (AGG), rebalanced monthly. Risk-adjusted alpha is defined as the realized return of the contestant's portfolio less the realized return of the benchmark fund, scaled to the same realized volatility of the contestant's allocation over the contest period.

MAXIMIZE ACCUMULATION

For this contest, the goal is to accumulate the maximum amount over the contest period. This is the most straightforward of the

three categories and best aligns with what most people try to achieve—to accumulate the maximum amount of wealth. The allocation requirement helps to reduce the tendency for contestants to try to win by randomly “throwing darts” while still preserving the ability to make large-scale bets in certain asset classes.

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MANAGE DRAWDOWN RISK

The goal for this contest is to maximize the lifetime of the portfolio. A withdrawal of \$900 occurs at the end of each trading day until the account value is exhausted. If no portfolio survives to the end of the contest period, the last portfolio with positive value wins. If multiple portfolios remain positive at the end of the contest, the highest value wins. The withdrawal aims to encourage diversification, as volatile portfolios may be punished on a bad trading day.

The contest has been set up for the Investment Section members as a fun way to compete with their peers using real-world data. Regular updates are sent monthly with the latest standings. We encourage you to make your plans now for next year's contest!

Follow along online (and get a head start thinking about next year's contest) at <https://www.soa.org/sections/investment/investment-allocation-contest>. ■



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