

The Investment Section's 2017 Asset Allocation Winners Announced!

Final results are in for the Investment Section's 2017 Asset Allocation Contest. The markets have been cooperative during this six-month period as all 18 asset classes in the contest were in positive territory. Non-U.S. public equities continued to dominate, as emerging markets public equity achieved an annualized return of nearly 30 percent, followed closely by non-US, EAFE, and global public equities. All of these earned annualized returns above 20 percent. Volatility was generally very low during the contest period, contributing to fairly consistent leaderboard results throughout the contest.

MAXIMIZE RISK-ADJUSTED ALPHA

The benchmark for this contest was the return on a portfolio of 60 percent global equity and 40 percent aggregate bond. The goal was to achieve a greater risk-adjusted return than this benchmark. Over the contest period, the volatility of the benchmark was quite low—just 4.18 percent. In fact, only four portfolios managed a lower volatility than the benchmark, and all of those achieved much lower returns. This, in combination with good returns, made it particularly challenging to beat the risk-adjusted return. While a few participants outperformed the benchmark during monthly updates, **none of the submitted portfolios generated positive alpha during the contest period**. Only one, our winner Greg Derksen, generated an alpha within 100 bps (-0.80 percent). His portfolio produced the same return as the portfolio with slightly higher volatility. Congratulations to Greg on winning this contest!

MAXIMIZE ACCUMULATION

This contest tended to favor participants who had made a large bet in a certain asset class. This strategy works well when you can pick the right winning asset class, but with 18 to choose from, it is possible that a diversified portfolio wins if no one bets on the right asset class. This time, however, there was no shortage of portfolios making aggressive bets into the highest performing asset class. In fact, the contest winner Evan Inglis constructed the **best possible** portfolio, with a 70 percent allocation to the highest performing asset class (emerging markets public equity), followed by 10 percent allocations to the next three best performing asset classes in non-US, EAFE, and global public equities. The second place finishers (in a tie) also made the same allocation choices, but with one slight deviation. Evan chose to rebalance monthly, while the other two included no rebalancing, leading to a victory by just \$11. Congratulations to Evan for winning this contest!

MANAGE DRAWDOWN

This contest was similar to the Maximize Accumulation Contest, except that \$800 was removed from the portfolio each trading day, creating some downside to volatility in the portfolio. During this contest period, however, the gains across many asset classes were so strong as to significantly reduce the chances of running out of money. In fact, only five portfolios were fully drawn down by the end of the contest period. The winning portfolio by Edward Astrachan was the same as used in the Maximize Accumulation Contest, and he won comfortably. Congratulations to Edward for winning this contest!

Winners were announced during the Investment Section breakfast at the SOA Annual meeting, and they will each receive \$400. We hope that the 2017 asset allocation contest has been a fun diversion for all of you. Be sure to take a look at the spreadsheet linked on this page with final results to see how your portfolio did. We look forward to your participation in another contest next year!

Leaderboard (entry #)					
Alpha		Accumulation		Drawdown	
Benchmark (1)	0.0%	Evan Inglis (78)	113,235.9	Edward Astrachan (158)	6,595.07
Greg Derksen (51)	-0.8%	Troy Dempsey (76) &	113,224.5	Ken Griffin (163)	5,095.25
Nicolas Bedard (21)	-1.1%	Edward Astrachan (104)		Evan Inglis (130)	4,644.17