Alpha Research
asset allocation and fund selection

Asset Allocation Award methodology

The market consensus is a great tool for investment committees to reflect their own allocation decisions. It is immediately clear whether you are a trend follower or a contrarian investor.

However, my consensus survey of the past year, in which I analyses more than 60 asset allocation publications, also shows how asset managers deal with their own publications and - not unimportantly - how often they are right about their expectations. In other words: how good are they in defeating the consensus?

I checked which asset manager made the most right assumptions in terms of asset allocation. In order to do that, I reviewed three report categories.

To get a fair overview of asset managers that create superior allocation calls, I measured the performance of the recommendations. This is not easy, because an allocation call (usually an overweight or underweight recommendation) cannot be translated directly into a simple purchase or sale. Yet I have made an attempt, by applying the following system:

1. I created equal weighted portfolios for all forms of allocation. These are portfolios where everything (five parts) weighs in at 20%.
2. A neutral weighting is 20%, an overweight position is 25%, an underweight position is 15%
3. Measured over the past 36 months
4. I looked at the completeness of the asset allocation. If a sub-asset class does not have a recommendation, it does not count
5. Then, for example, the weighting of the portfolio (in neutral position) will be 4x 25%
6. I also assessed the presentation and readability of the reports in terms of clarity of the content of the recommendations.

Finally, I checked the regularity. If a report did not appear for a while, exclusion followed. This has been done for the following categories:

1. Asset allocation
2. Region allocation
3. Sector allocation (this is new)
4. Credit allocation
5. Overall (average of (1 + 2 + 4)

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