# The CAIA Endowment Investable Index

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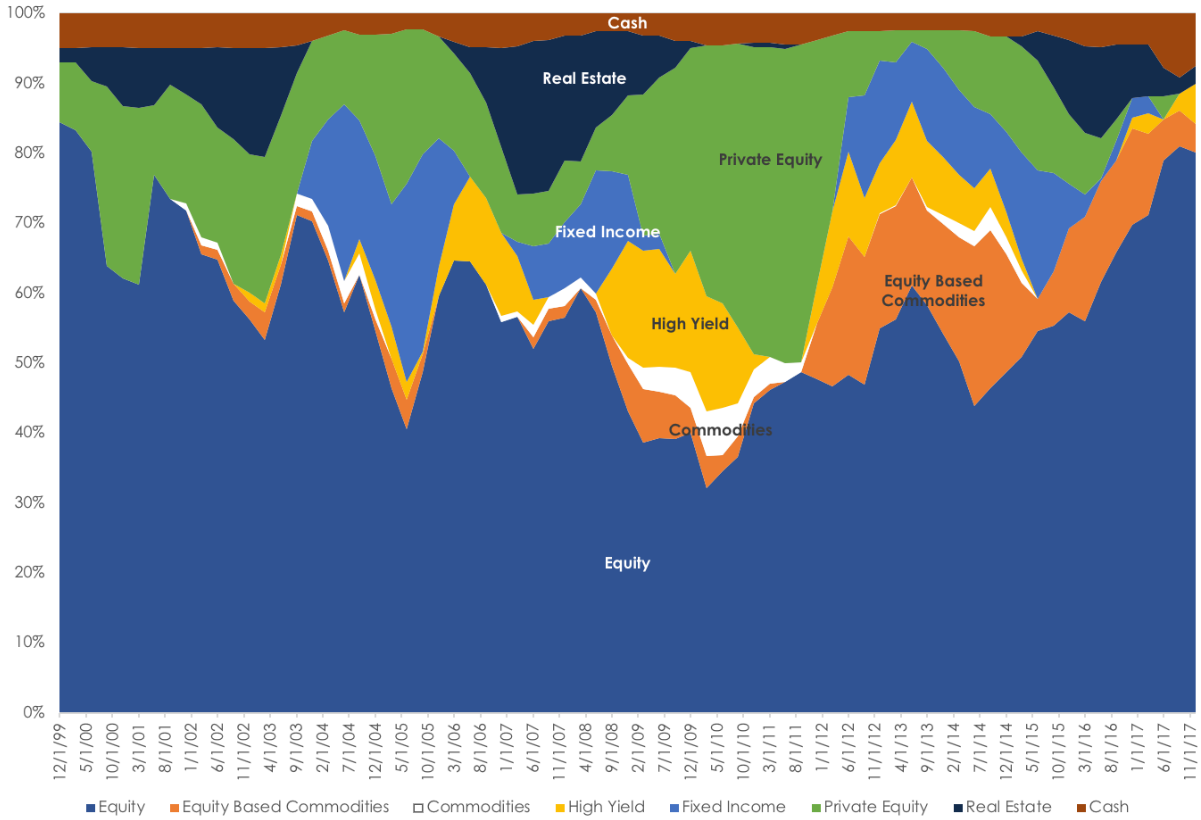
We present the historical weights, allocation as of month-end December 2017, and historical performance to the replication portfolio that was introduced in our AIAR publication Volume 6 Issue 1.

The below graph shows the exposures of the Multi-Asset ETF portfolio through time. It is important to note that the volatility displayed by these exposures does not imply that endowments alter their asset allocations as frequently as the Multi-Asset ETF portfolio. While an endowment may hold a fixed allocation to various asset classes, the underlying assets/manager may display time-varying exposures to different sources of risk. For instance, a hedge fund manager may decide to increase her fund's exposure to energy stocks while reducing the fund's exposure to healthcare stocks. Though the endowment's allocation to that manager has remained unchanged, its exposures to energy and healthcare sectors have changed. Also, if returns on two asset classes are highly correlated, then the algorithm will pick the one that is less volatile. For instance, if returns on venture capital and small cap stocks are highly correlated, then the program will pick the small cap index if it turns out to be less volatile.

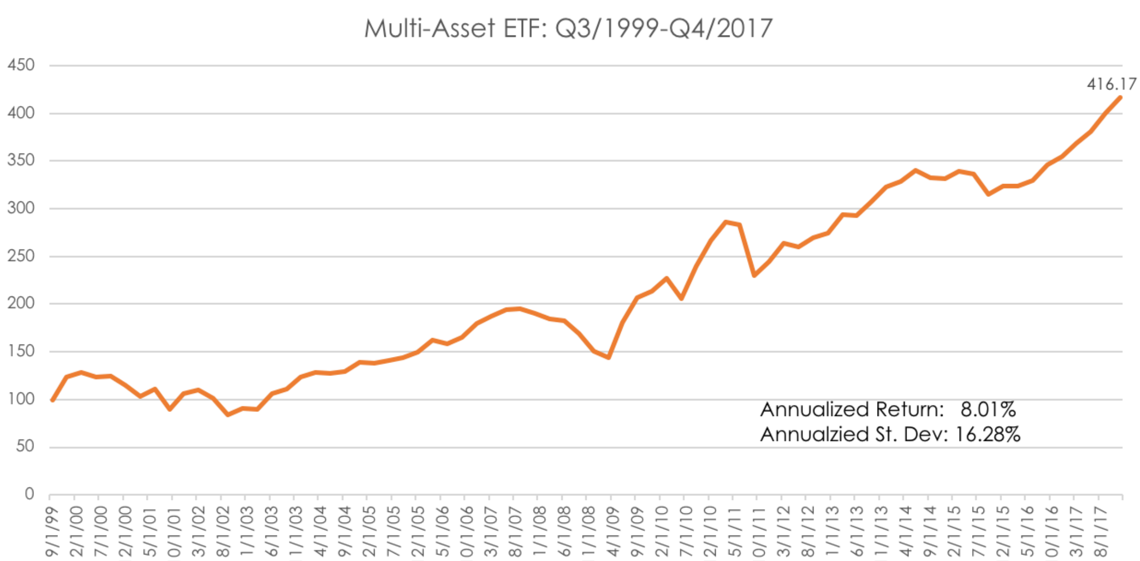
**Endowment Index Weights**




**Allocation Suggested by Algorithm**

| RUSSELL 2000 ETF | MSCI World Free ETF | Vanguard FTSE Emerging Markets ETF | Materials Select Sector SPDR® ETF | Technology Select Sector SPDR® ETF | Consumer Staples Select Sector SPDR® ETF | Health Care Select Sector SPDR® ETF | BBgBarc US Corporate High Yield TR USD | SPDR® Dow Jones Global Real Estate ETF | Cash & Short-Term Treasuries |
|---|---|---|---|---|---|---|---|---|---|
| 24.41% | 26.15% | 4.46% | 4.03% | 12.90% | 1.27% | 10.99% | 5.81% | 2.55% | 7.45% |

**Historical Performance**



## Authors' Bios

**Hossein Kazemi,** *Ph.D., CFA*
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Dr. Hossein Kazemi is the Senior Advisor to the CAIA Association's Program. Dr. Kazemi has been involved with the CAIA Association since its inception as a senior advisor and a managing director. In his current role, he helps with the development of the CAIA program's curriculum and directs the CAIA Association's academic partnership program. In addition, he serves as the editor of *Alternative Investment Analyst Review*, which is published by the Association. He has worked with universities and industry organizations to introduce them to the CAIA program. Dr. Kazemi is Michael and Cheryl Philipp Distinguished Professor of Finance at the Isenberg School of Management, the University of Massachusetts - Amherst. He is the Director of the Center for International Securities & Derivatives Markets, a nonprofit organization devoted to research in the area of alternative investments, a co-founder of the CAIA Association, and home to CISDM Hedge Fund/CTA Database and the *Journal of Alternative Investments*, the official research publication of the CAIA Association. He has over 25 years of experience in the financial industry and has served as consultant to major financial institutions. His research has been in the areas of valuations of equity and fixed income securities, asset allocation for traditional and alternative asset classes, and evaluation and replication of active management investment products. He has a Ph.D. in finance from the University of Michigan.

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Kathryn Wilkens is the president and founder of Pearl Quest LLC, a consulting company currently focused on tracking and replication products, and educational services in the alternative investments space. She is also an RIA with S Capital Wealth Advisors and assistant editor for the *Journal of Alternative Investments*.

## About CAIA

Founded in 2002, the CAIA Association is the world leader and authority in alternative investment education. The CAIA Association is best known for the CAIA Charter (www.caia.org), an internationally-recognized credential granted upon successful completion of a rigorous two-level exam series, combined with relevant work experience. Earning the CAIA Charter is the gateway to becoming a Member of the CAIA Association, a global network of more than 9,000 alternative investment leaders located in 90+ countries who have demonstrated a deep and thorough understanding of alternative investing. The CAIA Association now supports 30 vibrant chapters located in financial centers around the world and sponsors more than 150 educational and networking events each year.