



# The CAIA Endowment Investable Index

**Hossein Kazemi**

**Kathryn Wilkens, CAIA**  
*Pearl Quest*

---

**We present the historical weights, allocation as of month-end September 2019, and historical performance to the replication portfolio that was introduced in our AIAR publication Volume 6 Issue 1.**

The graph on the following page 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.



**Hossein Kazemi, Ph.D., CFA**  
CAIA Association  
Isenberg School of Management,  
University of Massachusetts Amherst

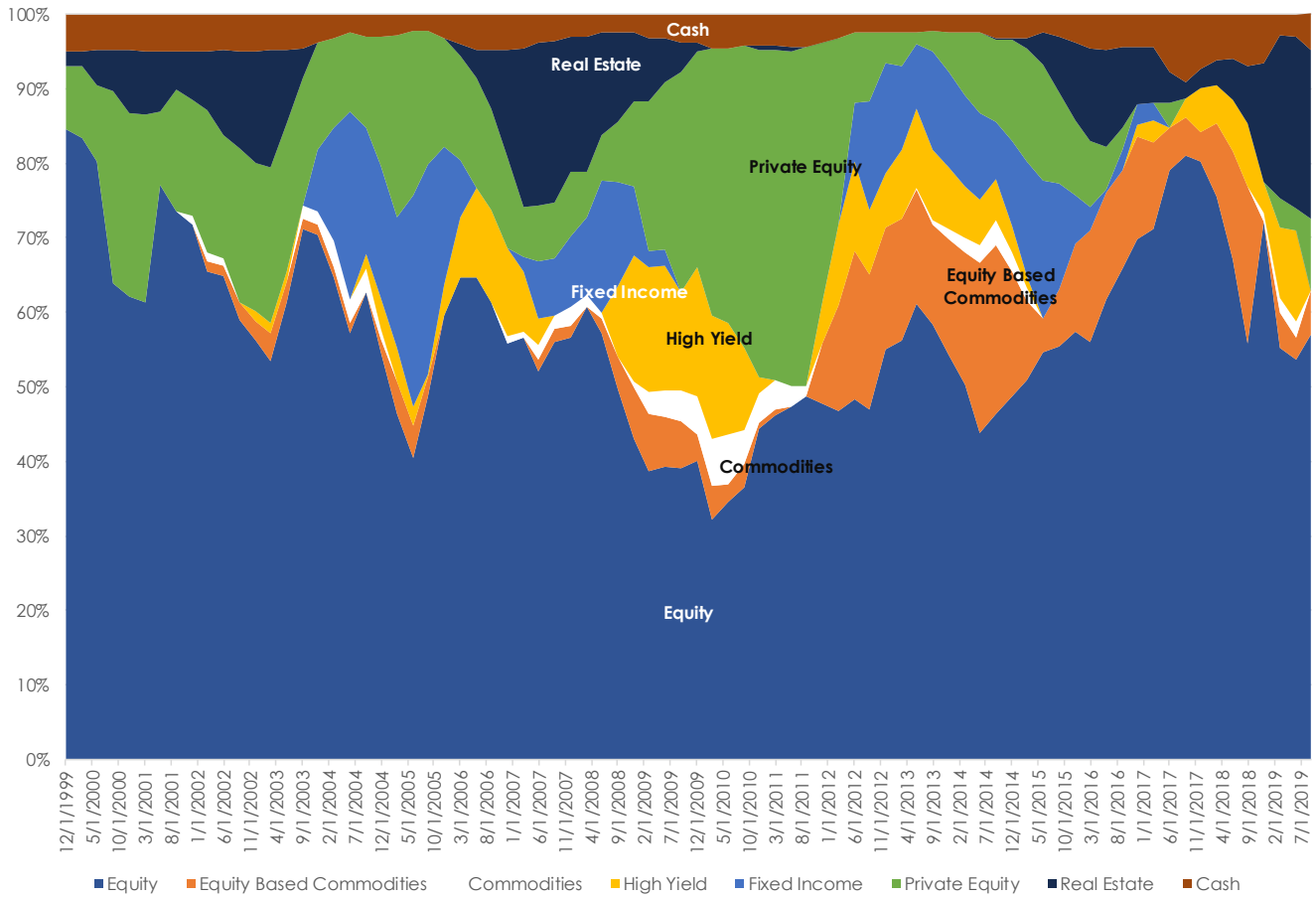
Dr. Hossein Kazemi is the Senior Advisor to the CAIA Association's Program. Dr. Kazemi has been involved with the CAIA Association since its inception as a senior advisor and a managing director. In his current role, he helps with the development of the CAIA program's curriculum and directs the CAIA 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.



**Kathryn Wilkens, Ph.D., CAIA**  
*Pearl Quest LLC*

Kathryn Wilkens, Ph.D., CAIA is a curriculum and exam advisor to the Financial Data Professional Institute and the founder of Pearl Quest LLC, a consulting firm. She is also a copy editor for the *Journal of Alternative Investments* and subject matter expert for the Chartered Alternative Investment Analyst exams on Wiley's Efficient Learning Platform. Kathryn has published several journal articles and book chapters on investments and edited the first edition of the CAIA textbooks. Pearl Quest was founded in 2011 and creates data science applications for investments.

## Endowment Index Weights



## Allocation Suggested by Algorithm

iShares Russell 2000 ETF	PowerShare sQQQ ETF	Vanguard FTSE Emerging Markets ETF	Technology Select Sector SPDR® ETF	Energy Select Sector SPDR® ETF	Health Care Select Sector SPDR® ETF	Invesco Global Listed Private Equity ETF	SPDR® Dow Jones Global Real Estate ETF	Cash
15.7%	5.6%	15.2%	5.9%	16.2%	4.3%	9.7%	22.6%	5.0%

## Historical Performance

Multi-Asset ETF: Q3/1999-Q4/2019

