

## THE EFFICIENCY OF ACTIVE ASSET ALLOCATION FUNDS IN THE PERIOD OF INSTABILITY AT FINANCIAL MARKETS

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### Abstract

The objective of the hereby paper is the assessment of domestic active asset allocation funds efficiency in the period of 2007–2012, including the comparison of earned return rates against the return rates obtained by other mixed funds, as well as WIG and WIG20 stock exchange indices. Additionally, the purpose of the paper is to analyse the investment policy applied by the above listed funds, carried out based on records included in adequate information prospectuses, and also having considered the investment portfolio compositions presented in annual and 6-month financial reports covering these funds.

The assessment of applied investment strategies efficiency is performed based on 12-, 24-, 36-, 48- and 60-month return rates set at the end of 6-month reporting periods. The analysis covered only domestic open-end active asset allocation investment funds included in this group following the definition accepted by Analizy Online investing assets in financial instruments issued by entities, officially seated in Poland or outside Poland and valuating participation units in PLN, which have been operating for at least 24 months from the day of 30th June 2012.

**Keywords:** active asset allocation funds, investment policy, efficiency.

**JEL classification:** G11, G12, G17.

## Introduction

The recent years at financial markets have been characterized by high instability which resulted from the global, ongoing financial crisis since 2008. In this period certain factors of psychological nature started to play an important role in investment processes, which forced those responsible for managing assets to apply investment strategies and, at the same time, react quickly to changes occurring in the environment. Therefore many of fund managers have urged an active management approach in the last 12 months and the global financial crisis was the catalyst for renewed conflict between passive and active management<sup>1</sup>.

Products which were supposed to meet these challenges cover active asset allocation funds listed in the group of balanced (hybrid) funds<sup>2</sup>. These fund characterize by investment policy which, depending on the situation at financial markets, offers changeable participation – from 0% up to 100% – in the portfolio of such assets as equity or debt instruments.

The objective of the hereby paper is the assessment of domestic active asset allocation funds in the period of 2007–2012, including the comparison of the obtained return rates against the return rates of other balanced funds and also stock exchange indices: WIG and WIG20. Additionally, the purpose of the paper is to analyse investment policy applied by the above mentioned funds and implemented based on the provisions stated in information prospectuses and also following the investment portfolio composition presented in annual and 6-month financial statements covering these funds. The assessment of the applied investment strategies efficiency is to be performed based on 12-, 24-, 36-, 48- and 60-months return rates set at the end of six-month reporting periods. The analysis refers only to the operating domestic open-end active asset allocation funds included in this group, following the definition accepted by Anality Online which allocates assets in financial instruments issued by entities officially seated in Poland or outside Poland and valuating participation units in PLN as well as operating for the minimal period of 24 months, starting from the day of 30<sup>th</sup> June 2012.

### 1. The characteristics of domestic active asset allocation funds

In accordance with investment funds classification, prepared by Anality Online, active asset allocation funds are regarded as those which investment policy, defined by the statute, allows the due decisive bodies for significant changes in equity market exposure while meeting one of the below provisions:

1. The difference between the permissible, by the adequate fund statute, maximum and minimum equity market exposure amounts to at least 60 percentage points, while maximum equity market exposure is more than 80%.
2. The difference between permissible by the statute maximum and minimum equity market exposure amounts to at least 40 percentage points, and moreover the adequate fund policy, defined in the statute, refers to active asset allocation, active management, variable allocation or indicates another provision suggesting that the fund applies floating exposure at the equity market<sup>3</sup>.

In accordance with the Chamber of Fund and Asset Management active allocation funds are regarded as investment funds in the investment portfolio of which both equities and other securities represent an extensive range not covered by the remaining categories of balanced funds, i.e. capital protection funds, stable growth funds and balanced funds<sup>4</sup>.

Active asset allocation funds differ from traditional mutual funds in that they face fewer investment restrictions. They are known to actively shift assets across asset classes within a global framework<sup>5</sup>.

As of 30<sup>th</sup> June 2012 the criteria accepted for the purposes of the hereby paper were met by the following funds (subfunds): Alior Aktywnej Selekcji, Allianz Aktywnej Alokacji, Amplico Aktywnej Alokacji, Aviva Investors Aktywnej Alokacji, Aviva Investors Optymalnego Wzrostu, KBC Beta SFIO, Noble Fund Mieszany, Noble Fund Timingowy, Novo Aktywnej Alokacji, Opera Equilibrium.pl, Pioneer Aktywnej Alokacji, PKO Strategicznej Alokacji, Skarbiec Aktywnej Alokacji, SKOK Aktywny Zmiennej Alokacji.

**Alior Aktywnej Selekcji** (fund launch date: 24<sup>th</sup> March 2009, initial value of units: 100.00 PLN, risk level: high, recommended investment period: 5 years) represents the subfund covered by Alior Specjalistyczny Fundusz Inwestycyjny Otwarty (Alior SFIO). The fund allocates between 0% and 100% of the subfund asset value (WAS) in publicly traded equity instruments, including mainly equities, depository receipts as well as debt securities and also money market instruments<sup>6</sup>. As of 30<sup>th</sup> June 2012 the value of subfund unit amounted to 91.67 PLN. Maximum value of the unit was reached on 21<sup>st</sup> September 2010 and was 145.39 PLN.

**Allianz Aktywnej Alokacji** (16<sup>th</sup> December 2005, 100.00 PLN, medium, 2 years) represents the subfund covered by Allianz Fundusz Inwestycyjny Otwarty (Allianz FIO). The investment objective of this subfund is carried out by allocating between 0% and 80% WAS in equities of predominantly the largest companies as well as other instruments related to equity market. The remaining part of subfund assets is allocated in debt securities, including these issued, warranted or guaranteed by the State Treasury or National Bank of Poland<sup>7</sup>. The subfund unit

reached its maximum value on 9<sup>th</sup> July 2007 – 139.79 PLN. At the end of the first half of 2012 the unit was valued at the level of 121.81 PLN.

**Amplico Aktywnej Alokacji** (18<sup>th</sup> October 2007, 8.90 PLN, medium, 3 years) represents one of Amplico FIO Parasol Krajowy subfunds. Between 20% and 80% of WAS may be invested in equities and especially in the shares of Warsaw Stock Exchange listed companies. The other assets are invested in debt securities<sup>8</sup>. The subfund unit value as of 30<sup>th</sup> June 2012 stood 7.10 PLN, while maximum value was reached on 11<sup>th</sup> November 2007 and amounted to 9.15 PLN.

**Aviva Investors Aktywnej Alokacji** (2<sup>nd</sup> April 2008, 80.00 PLN, 4 years) represents the fund covered by Aviva Investors FIO. This subfund features the absence of any fixed asset allocation limits, and moreover it may invest between 0% and 100% of WAS in both equity instruments and debt ones depending on the forecast market prosperity<sup>9</sup>. Maximum value was reached by this subfund unit on 19<sup>th</sup> March 2012, i.e. 85.99 PLN. As of 30<sup>th</sup> June 2012 the value of assets per unit dropped to the level of 83.35 PLN.

**Aviva Investors Optymalnego Wzrostu** (10<sup>th</sup> May 2010, 100.00 PLN, 3 years) represents another subfund included in Aviva Investors FIO. This subfund is also characterized by the absence of any fixed asset allocation limits and therefore it may allocate between 0% and 100% of WAS in both equity and debt instruments, however, apart from the strategy of active allocation it also follows for the strategy of active selection<sup>10</sup>. Maximum value was reached by this subfund unit on 1<sup>st</sup> June 2011 and stood 121.95 PLN. As of 30<sup>th</sup> June 2012 the unit value amounted to the level of 104.56 PLN.

**KBC Beta SFIO** (22<sup>nd</sup> November 2000, 100.00 PLN, increased). This is the first Polish fund taking advantage of active asset allocation strategy. The fund allocates between 20% and 100% of assets value in instruments providing exposure at the stock market, however, investment in equity instruments depends on the managing body expectations in relation to market prosperity. The remaining part of assets – even up to 80% is allocated in debt instruments<sup>11</sup>. Historically, the highest unit value of this fund was recorded at the level of 281.26 PLN on 6<sup>th</sup> July 2007. The first half of 2012 recorded the unit value of 191.76 PLN.

**Noble Fund Mieszany** (1<sup>st</sup> December 2006, 100.00 PLN, medium, 2 years) represents the subfund included in Noble Funds FIO. Financial instruments related to equity market, the participation of which may range between 20% and 80% of WAS or debt securities and money market instruments which cannot constitute more than 80% of WAS, represent major subfund investments depending of market situation<sup>12</sup>. At the end of June 2012 the subfund unit stood 112.48 PLN, while the highest unit value was reached on 23<sup>rd</sup> July 2007 at the level of 129.60 PLN.

**Noble Fund Timingowy** (31<sup>st</sup> July 2008, 100.00 PLN, medium, 2–3 years) also represents the subfund covered by Noble Funds FIO. The participation of equities and debt securities, as well as money market instruments, may be responsible for 0% up to 100% of WAS<sup>13</sup>. Maximum value was reached by the subfund unit on 3<sup>rd</sup> February 2011 and was 137.46 PLN. As of 30<sup>th</sup> June 2012 unit value was recorded at the level of 116.53%.

**Novo Aktywnej Alokacji** (2<sup>nd</sup> November 2009, 100.00 PLN, increased, more than 3 years) represents Novo FIO subfund. Both the subfund involvement in equity market and in debt instruments may fluctuate in the range of 0–100%<sup>14</sup>. Maximum unit value in this subfund was recorded on 3<sup>rd</sup> June 2011 at the level of 136.64 PLN. As of 30<sup>th</sup> June 2012 the unit reached the value of 108.47 PLN.

**Opera Equilibrium.pl** subfund (30<sup>th</sup> June 2009, 10.00 PLN, high) is included in Opera FIO. Between 0% and 100% of WAS may be allocated in securities and money market instruments, while equities participation should fit the range between 0% and 70%<sup>15</sup>. Unit value at the end of the first half of 2012 stood 12.41 PLN. The highest value was reached by the unit on 3<sup>rd</sup> June 2011 and amounted to 15.19 PLN.

**Pioneer Aktywnej Alokacji** (18<sup>th</sup> September 2007, 10.00 PLN, increased, several years) represents the subfund included in Pioneer FIO. Investments in financial instruments may constitute between 0% and 100% of WAS. The overall investment value in debt instruments may also take the range of 0–100% of WAS<sup>16</sup>. Historically, the highest value of the subfund unit was reached on 7<sup>th</sup> April 2011 and stood 10.74 PLN. The first half of 2012 finished for the subfund at the value of 5.88 PLN.

**PKO Strategicznej Alokacji** subfund (2<sup>nd</sup> April 2007, 100,00 PLN, increased, 4 years) is included in Opera FIO. Total WAS invested in equity or debt instruments may range from 0% up to 100%<sup>17</sup>. The subfund unit value, at the end of the first half of 2012, was 83.18 PLN. The highest value was reached by the unit on 10<sup>th</sup> July 2007 at the level of 105.19 PLN.

**Skarbiec Aktywnej Alokacji** (2<sup>nd</sup> October 2008, 100.00 PLN, high, 3 years) represents the subfund covered by Skarbiec FIO. The participation of particular subfund investments may range between 0% and 100% of the investment portfolio value<sup>18</sup>. Maximum value of the subfund unit was recorded on 19<sup>th</sup> January 2010 and was 149.16. On 30<sup>th</sup> June 2012 the unit reached the value of 106.74 PLN.

**SKOK Aktywny Zmiennej Alokacji** (18<sup>th</sup> July 2005, 100.00 PLN, medium, several years) represents the subfund of Skok Parasol FIO fund. In particular between 0% and 100% of WAS may be allocated in equity instruments. The remaining part should be allocated in debt

securities<sup>19</sup>. The unit value on 30<sup>th</sup> June 2012 amounted to 109.50 PLN. The highest value was reached by the unit on 6<sup>th</sup> July 2007 and amounted to 162.64 PLN.

Having considered the above presented characteristics of funds it may be observed that the vast majority of funds (9 out of 14) did not set any limits regarding investments in equity instruments. Therefore the participation of these instruments in fund assets may range between 0% and 100%. In many cases it also refers to debt instruments. The other funds set the bottom involvement limits in particular instruments at the level of 20%, while the top ones at 70% up to 80%.

Table 1. Components of active asset investment portfolios featuring the highest participation in net assets in the period of 2009–2012 (excluding deposits and cash)

Funds	Instrument type	Reporting periods					
		31.12. 2009	30.06. 2010	31.12. 2010	30.06. 2011	31.12. 2011	30.06. 2012
1	2	3	4	5	6	7	8
Alior Aktywnej Selekcji	Equity instruments*	75.20	75.06	79.94	89.32	57.39	60.87
	Debt instruments	11.92	14.37	13.29	–	15.03	21.41
Allianz Aktywnej Alokacji	Equity instruments	11.51	18.57	26.32	26.88	26.61	28.45
	Debt instruments	64.48	56.77	51.56	58.08	57.78	44.27
	Participation entitlement**	7.92	8.08	4.06	3.44	3.28	3.02
Amplico Aktywnej Alokacji	Equity instruments	55.24	64.26	61.70	54.19	50.82	47.61
	Debt instruments	–	–	–	–	35.09	31.16
	Participation entitlement	–	0.62	0.70	1.98	2.21	3.25
Aviva Investors Aktywnej Alokacji	Debt instruments	–	14.99	15.03	–	36.85	10.77
	Participation entitlement	50.45	66.79	39.35	55.00	32.97	58.64
Aviva Investors Optymalnego Wzrostu	Equity instruments	–	–	51.48	86.07	82.97	74.66
KBC Beta SFIO	Equity instruments	80.89	72.40	68.79	74.70	78.14	75.49
	Debt instruments	6.78	7.16	10.64	9.44	11.94	12.29
	Participation entitlement	7.52	9.24	5.19	5.44	3.60	0.32

1	2	3	4	5	6	7	8
Noble Fund Mieszany	Equity instruments	51.03	59.14	73.08	72.27	55.62	66.04
	Debt instruments	24.42	19.82	14.14	15.03	30.54	20.69
Noble Fund Timingowy	Equity instruments	45.86	64.96	77.45	80.75	55.57	44.81
	Debt instruments	21.06	9.23	9.74	0.00	13.59	23.85
Novo Aktywnej Alokacji	Equity instruments	–	5.13	4.82	18.80	7.09	18.49
	Debt instruments	–	–	–	8.08	14.42	26.11
Opera Equilibrium.pl	Equity instruments	43.92	4.45	7.18	20.38	5.84	22.06
	Debt instruments	16.39	7.86	6.32	32.14	50.13	45.43
Pioneer Aktywnej Alokacji	Equity instruments	76.05	80.47	79.96	93.97	85.64	75.56
	Debt instruments	7.30	5.39	3.60	3.76	4.14	8.76
	Participation entitlement	2.31	1.68	0.09	–	–	–
PKO Strategicznej Alokacji	Equity instruments	–	–	48.49	48.09	41.85	39.04
	Debt instruments	–	–	36.82	26.28	35.36	33.86
	Participation entitlement	–	–	13.75	15.57	16.35	16.61
Skarbiec Aktywnej Alokacji	Equity instruments	80.04	32.93	56.92	83.07	53.13	73.31
	Debt instruments	13.33	49.05	28.08	3.07	33.03	20.17
SKOK Aktywny Zmiennej Alokacji	Equity instruments	53.35	42.35	59.80	41.47	27.68	38.82
	Debt instruments	46.11	53.18	37.12	54.92	58.59	57.09

\* Equities, warranties, stock rights, stock options, depository receipts.

\*\* Participation entitlement of domestic and foreign institutions for collective investment, excluding ETF.

Source: Author's compilation based on data published in funds (subfunds) annual and 6-month financial reports.

The analysis of funds investment portfolios indicates that:

- the participation of equity instruments reached the level of 80% only a few times while the participation of debt instruments never exceeded this value,
- Pioneer Aktywnej Alokacji represented the fund responsible for the largest participation of equity instruments in investment portfolio. In all analysed periods it maintained over 75% of asset value in equity instruments, which automatically resulted in the obtained investment results (Table 2),

Table 2. Return rates of active asset allocation funds in the period of 2007–2012

Funds	Till 30 <sup>th</sup> July 2012					Till 30 <sup>th</sup> July 2011				Till 30 <sup>th</sup> July 2010		
	12M	24M	36M	48M	60M	12M	24M	36M	48M	12M	24M	36M
Alior Aktywnej Selekcji	-23.06	-29.67	-10.51	-	-	<b>-8.59</b>	16.30	<b>-0.96</b>	-	<b>27.24</b>	-	-
Allianz Aktywnej Alokacji	<b>4.82</b>	8.36	15.37	3.81	-12.2	3.38	10.07	-	-16.24	6.47	-4.20	-18.98
Amplico Aktywnej Alokacji	-11.80	1.28	16.58	-8.62	-	14.84	32.18	3.60	-	15.11	<b>-9.78</b>	-
Aviva Investors Aktywnej Alokacji	-1.71	<b>8.46</b>	17.64	11.03	-	10.35	19.68	12.96	-	8.46	2.37	-
Aviva Investors Optymalnego Wzrostu	-12.60	3.33	-	-	-	18.22	-	-	-	-	-	-
KBC Beta SFIO	-15.33	3.19	<b>28.68</b>	-2.25	-30.02	<b>21.88</b>	<b>51.99</b>	15.46	-17.34	24.70	-5.27	-32.18
Noble Fund Mieszany	-7.85	1.76	20.88	11.09	<b>-11.93</b>	10.42	31.18	20.55	<b>-4.42</b>	18.80	9.18	<b>-13.44</b>
Noble Fund Timingowy	-9.92	-6.63	3.66	-	-	3.65	15.07	-	-	11.01	-	-
Novo Aktywnej Alokacji	-19.65	-9.76	-	-	-	12.30	-	-	-	-	-	-
Opera Equilibrium.pl	-16.49	-8.14	4.64	<b>24.10</b>	-	9.99	25.30	<b>48.60</b>	-	13.91	<b>35.10</b>	-
Pioneer Aktywnej Alokacji	<b>-39.19</b>	<b>-37.25</b>	<b>-26.50</b>	<b>-29.24</b>	-	3.20	20.88	16.37	-	17.12	12.76	-
PKO Strategicznej Alokacji FIO	-9.02	-1.15	6.12	0.01	-20.37	8.65	16.65	9.93	-12.47	7.36	1.18	-19.44
Skarbiec Aktywnej Alokacji	-17.56	-18.70	-19.24	-	-	-1.38	<b>-2.04</b>	-	-	<b>-0.67</b>	-	-
SKOK Aktywny Zmiennej Alokacji	-14.73	-7.04	2.24	-12.30	<b>-31.83</b>	9.02	19.91	2.85	<b>-20.05</b>	9.98	-5.66	-26.67
Disparity	44.01	45.71	55.18	53.34	19.90	30.47	54.03	49.56	15.63	27.91	44.88	17.84
WIG	-15.71	3.60	34.16	-0.82	-38.24	22.90	59.16	17.66	-26.73	29.50	-4.26	-40.38
WIG 20	-18.80	0.19	22.17	-12.19	-39.48	23.38	50.45	8.14	-25.46	21.94	-12.35	-39.59
SAFU_MIZ_AA*	-11.76	-2.43	12.89	3.75	-20.05	10.56	27.94	17.57	-9.40	15.71	6.34	-18.05
SAFU_MIP_AA**	-12.65	-3.54	9.70	-4.00	-23.21	10.43	25.59	9.90	-12.09	13.73	-0.48	-20.39
max MIP and MIZ***	40.03	15.48	35.28	84.61	37.42	31.74	51.99	53.74	35.90	27.24	61.94	24.26
Fund type	MIZ_XX	MIZ_ZR	MIZ_ZR	MIZ_ZR	MIZ_ZR	MIZ_XX	MIP_AA	MIP_ST	MIP_ST	MIP_AA	MIZ_ST	MIP_ST
Disparity****	<b>35.21</b>	<b>7.02</b>	<b>6.60</b>	<b>60.51</b>	<b>49.35</b>	<b>9.86</b>	<b>0.00</b>	<b>5.14</b>	<b>40.32</b>	<b>0.00</b>	<b>26.84</b>	<b>37.70</b>

XX – mixed other finds, ZR – mixed balanced funds, ST – mixed stable growth funds.

\* Mean return rate of Polish mixed active asset allocation funds.

\*\* Mean return rate of foreign mixed active asset allocation funds.

\*\*\* Maximum return rate of mixed Polish and foreign funds.

\*\*\*\* Disparity between maximum return rate of mixed funds and maximum return rate of active asset allocation funds.

Source: Author's compilation based on data <http://analizy.pl/fundusze/fundusze-inwestycyjne/notowania> (31<sup>st</sup> August 2012).



- Allianz Aktywnej Alokacji represented the fund featuring the highest participation of debt instruments. Apart from the reporting period as of 30<sup>th</sup> June 2012, debt instruments constituted over 50% of its assets value,
- Aviva Investors Aktywnej Alokacji represented the fund characterized by the highest number of participation titles. This fund did not cover any equity instruments in its portfolio. As it can be noticed in Table 2 the accepted investment strategy resulted in the fact that this fund, almost always, earned positive return rates,
- Aviva Investors Optymalnego Wzrostu represented the fund covering only equity instruments. It is, however, hard to assess its investment results owing to the short period of its functioning,
- Skarbiec Aktywnej Alokacji represented the fund characterized by the most frequently changing investment portfolio structure, however, it did not affect its investment results, since in case of all studied time periods it recorded negative return rates.

Additionally, the analysis of investment portfolio indicates that in case of some funds it is hard to speak about the application of active allocation strategy. In certain cases it may even be assumed that some funds apply passive management strategies, the best examples of which are such funds as PKO Strategicznej Alokacji, or Pioneer Aktywnej Alokacji. The performed analysis also confirms extensive investment policy diversification of the evaluated funds, which automatically manifests itself in significant disparities regarding the obtained results (Table 2). It also indicates that the vast majority of active asset allocation funds rarely takes advantage of opportunities provided by the absence of investment limits, while their portfolio composition is frequently similar to that of balanced or stable growth funds.

## **2. The efficiency of active asset allocation funds**

In order to perform an assessment of active assets allocation funds efficiency 12-, 24-, 36-, 48-, and 60-month return rates were presented and set for the day of 30<sup>th</sup> June 2010, 30<sup>th</sup> June 2011 and 30<sup>th</sup> June 2012 as the hypothetical date for investment completion. Additionally, the study was supplemented by return rates of WIG and WIG20 indices, as well as return rates arithmetic means of all active asset allocation funds and maximum return rates of funds included in the group of hybrid ones.

The analysis of funds return rates in particular periods indicates as follows:

- a) regardless of the accepted time horizon it was Allianz Aktywnej Alokacji which in the majority of studied periods earned positive return rates for its participants. Obviously,

- the significant participation of debt instruments in the fund investment portfolio did influence such results;
- b) the worst results were recorded by Pioneer Aktywnej Alokacji, however, these results were effected by losses suffered during the recent 12 months. In previous years positive return rates were recorded by this funds;
  - c) the disparity between the results of best and worst active asset allocation funds ranged from 10% up to 55%, which confirms significant diversification of the applied investment strategies and also proves that the given fund assets managers are capable of detecting the most adequate timing for changing the investment portfolio structure;
  - d) in case of the majority of time periods under investigation the best active asset allocation funds obtained worse results than the best mixed funds. The exception were just two periods when active asset allocation funds worked out best return rates from among the whole spectrum of hybrid funds. This, however, happened in the boom periods at financial markets when it was much easier to earn positive return rates. The disparity between best mixed funds results and best active asset allocation ones amounted even to the level of 60.51%;
  - e) the best time period for participation entitlement ownership of active allocation funds was a 12-month period between 30<sup>th</sup> June 2009 and 30<sup>th</sup> June 2010 and also a 24-month period between 30<sup>th</sup> June 2009 and 30<sup>th</sup> June 2011, it was then that almost all active asset allocation funds managed to work out positive return rates. It occurred in the periods of upturn at financial markets after the dramatic wave of downturn at the beginning of financial crisis;
  - f) active allocation funds presented worst results in the period of recent 12 months when after the wave of the mentioned above upturn, continued in the first quarter of 2011, they did not manage to get rid of the owned participation instruments before the approaching collapse at the stock market;
  - g) large variability of funds results confirms that active allocation funds are characterized by higher risk level than the other funds included in the group of mixed funds;
  - h) the highest 12-month return rate was earned by Alior Aktywnej Alokacji in the period of 30<sup>th</sup> June 2009 – 30<sup>th</sup> June 2010 and amounted to 27.24%. It was also the best result among all mixed funds in this 12-month period, comparable also with WIG and WIG20 return rate indices;
  - i) the highest 24-month return rate was obtained by KBC Beta SFIO in the period of 2009 – 2010 and amounted to 51,99%. Also in this case, similarly to that of Alior Aktywnej

- Alokacji, it was the best result among all funds covered by hybrid funds group and was only slightly different from WIG and WIG20 return rate indices;
- j) the highest 36-month return rate was earned by Opera Equilibrium.pl. Investors who purchased participation units of this fund in the first half of 2008, and redeemed them till 30<sup>th</sup> June 2011, could earn almost 50% return rate from the invested capital. This result was by far better from direct investments in equities and only by 5.14% lower from the best mixed fund return rate;
- k) the highest 48-month return rate was also earned by Opera Equilibrium.pl in the period of 2008–2012 and amounted to 24.10%, however, it was by 60.51% lower than the return rate earned by the best hybrid fund.

## **Conclusions**

The analysis of active allocation funds indicates that the application of active asset allocation strategy is not a recipe for obtaining above average return rates in the period of intensive variability at financial markets. In most cases the results obtained by these funds are worse than the ones earned by stable growth funds or balanced ones which is confirmed by an extensive disparity of results between these funds, even amounting to 60%. It should also be emphasized that active allocation strategy is related to higher costs of a given fund functioning, which in comparison to similar or better results obtained by other hybrid funds works to the disadvantage of active allocation funds.

Additionally, in the periods of better prosperity at financial markets the average active allocation fund return rates are, most frequently, twice lower than the stock exchange indices return rate, which together with investment portfolio composition analysis of these funds confirms that these funds do not take full advantage of investment opportunities open to them. In some cases it also proves that managers of these funds are not always capable of making correct forecasts regarding directions of changes at financial markets and are not always ready to perform adequate reallocation of the assets at their disposition.

Having considered high variability of the discussed funds results, as well as the possibility for introducing frequent changes in the investment portfolio structure, it should be assumed that active allocation funds are expected to be targeted at individuals preferring higher risk level, which is emphasized in adequate information material of the majority of funds. However, some of them define the risk level as medium or moderate which may be misleading for the less

experienced investors for whom the purchase of balanced or stable growth fund participation units would probably seem a better solution, since the risk level is much lower in their case.

Owing to the instability of financial markets in the recent years it is difficult to indicate the specific optimum time horizon for investments in active allocation funds. The vast majority of the assessed funds, following information published in due prospectuses, suggest at least 3–4-year period of investment. However, the results obtained by these funds point to the fact that not always medium and long-term investments guarantee positive return rates. Such conclusions, however, are not fully objective since the experiences of the recent 5 years did affect the results of investment funds and especially those operating at equity markets.

To sum up, active asset allocation funds represent an interesting supplement for the whole spectrum of products offered by investment funds management companies. However, having been compared to other hybrid funds their efficiency depends, to a greater extent, on the skills of their managers as well as the involvement of fund assets in participation instruments. While taking up the decision regarding this type of funds it is worth analysing their previous and current activities as well as accept, in advance, a higher risk level.

## Notes

<sup>1</sup> *Battle of the funds* (2010), p. 14.

<sup>2</sup> Larrimorea, Rodriguez (2007), p. 246.

<sup>3</sup> [www.inwestycjeiubezpieczenia.com](http://www.inwestycjeiubezpieczenia.com), p. 3.

<sup>4</sup> [www.izfa.pl/files\\_user/pdf/Klasyfikacja.pdf](http://www.izfa.pl/files_user/pdf/Klasyfikacja.pdf), p. 5.

<sup>5</sup> Larrimorea, Rodriguez (2007), p. 246.

<sup>6</sup> Information prospectus Alior Specjalistyczny Fundusz Inwestycyjny Otwarty, p. 66.

<sup>7</sup> Information prospectus Allianz Fundusz Inwestycyjny Otwarty, p. 63.

<sup>8</sup> Information prospectus Amplico Fundusz Inwestycyjny Otwarty Parasol Krajowy, p. 28.

<sup>9</sup> Information prospectus Aviva Investors Fundusz Inwestycyjny Otwarty, p. 38.

<sup>10</sup> *Ibidem*, p. 35.

<sup>11</sup> Information prospectus KBC Beta Specjalistycznego Funduszu Inwestycyjnego Otwartego, p. 11.

<sup>12</sup> Information prospectus Noble Funds Fundusz Inwestycyjny Otwarty, p. 11.

<sup>13</sup> *Ibidem*, p. 31.

<sup>14</sup> Information prospectus Novo Funduszu Inwestycyjnego Otwartego, p. 72.

<sup>15</sup> Information prospectus Opera Funduszu Inwestycyjnego Otwartego, p. 37.

<sup>16</sup> Information prospectus Pioneer Fundusz Inwestycyjny Otwarty, p. 120.

<sup>17</sup> Information prospectus PKO Strategicznej Alokacji, p. 7.

<sup>18</sup> Information prospectus Skarbiec Fundusz Inwestycyjny Otwarty, p. 156.

<sup>19</sup> Information prospectus Skok Parasol Fundusz Inwestycyjny Otwarty, p. 12.

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Information prospectus Allianz Fundusz Inwestycyjny Otwarty – Allianz FIO (prospectus uniform text in force since 31<sup>st</sup> May 2012).

Information prospectus Amplico Fundusz Inwestycyjny Otwarty Parasol Krajowy (prospectus uniform text in force since 26<sup>th</sup> July 2012).

Information prospectus Aviva Investors Fundusz Inwestycyjny Otwarty (prospectus uniform text in force since 30<sup>th</sup> June 2012).

Information prospectus KBC Beta Specjalistycznego Funduszu Inwestycyjnego Otwartego (prospectus uniform text in force since 26<sup>th</sup> June 2012).

Information prospectus Noble Funds Fundusz Inwestycyjny Otwarty with subfunds (prospectus uniform text in force since 11<sup>th</sup> July 2012).

Information prospectus Novo Funduszu Inwestycyjnego Otwartego (prospectus uniform text in force since 5<sup>th</sup> July 2012).

Information prospectus Opera Funduszu Inwestycyjnego Otwartego (prospectus uniform text in force since 31<sup>st</sup> May 2012).

Information prospectus Pioneer Fundusz Inwestycyjny Otwarty (prospectus uniform text in force since 6<sup>th</sup> July 2012).

Information prospectus PKO Strategicznej Alokacji – Fundusz Inwestycyjny Otwarty (prospectus uniform text in force since 31<sup>st</sup> August 2012).

Information prospectus Skarbiec Fundusz Inwestycyjny Otwarty (prospectus uniform text in force since 17<sup>th</sup> August 2012).

Information prospectus Skok Parasol Fundusz Inwestycyjny Otwarty (prospectus uniform text in force since 19<sup>th</sup> July 2012).

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