A Tale of Two Christmases

If an investor held a typical S&P 500 "Buy and Hold" type portfolio on January 1, 2002 valued at say $800,000, seven quarters later he / she would be looking toward a less than Merry Christmas that year, with losses of almost $225,000.

A well constructed multi-manager / strategy portfolio dedicated to absolute return asset allocations such as that shown below would have portended a joyous Christmas with gains of $216,447 on the same $800,000 investment.

Manager	Amount Invested December 31, 2001	Ending Period Value September 30, 2002	Gain	%
ULS	$ 300,000	$ 366,635		
URH	$ 100,000	$ 99,275		
UAP	$ 100,000	$ 138,170		
UDL	$ 300,000	$ 412,367		
Combination	***$800,000***	***$,1,016,447***	***$216,447***	***27.06%***
S&P 500 Index	***$800,000***	***$ 574,784***	***($225,216)***	***(28.15%)***

But how would the Merry Christmas portfolio of 2003 look at Christmas one year later? Would we not expect the falling Market portfolio productivity to give way to losses in the 15 month rally which followed? In other words, what is the likelihood of an efficient Bear Market portfolio being able to positively respond to a strong trend shift in the opposite direction in a timely fashion?

Below we examine the same portfolio's subsequent 15 month results based on the exact same Managers applied to their respective values at September 30, 2002.

Manager	Amount Invested September 30, 2002	Ending Period Value December 31, 2003	Gain	%
ULS	$ 366,635	$ 589,770		
URH	$ 99,275	$ 126,740		
UAP	$ 138,170	$ 96,795		
UDL	$ 412,367	$ 551,355		
Combination	***$ 1,016,447***	***$ 1,364,660***	***$ 348,213***	***34.3%***
S&P 500 Index	***$ 574,784***	***$ 802,125***	***$ 227,341***	***39.6%***

The combined 24 month gain of this portfolio was $564,660 vs. the S&P 500 Index growth of $2,125, based on the same invested dollars at the beginning of the first period.

Question: How can it be determined that this Combination could have been selected prior to January 1, 2002?

Answer: It was!

And a Merry two Christmases was had by someone!