

## **What Do Academics Think of Asset Allocation Theory?**

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*The opinions on the importance of various asset allocation theories and theory-based methods in making the correct asset allocation decision of a fairly representative respondent set of academics who have done research on asset allocation were gathered through an email survey. The original mean-variance optimisation model was rated important in making the correct asset allocation decision along with the research strand addressing the problems of the model with parameter uncertainty. This is noteworthy as the same opinion on the level of importance may not be shared by industry practitioners particularly after the Global Financial Crisis. Other research strands emanating from the original mean-variance model were rated not as important suggesting that their impact on portfolio optimisation is not as significant. Other asset allocation models, such as factor-based asset allocation and other models which represent a departure from the original mean-variance model, were rated highly reflecting the growing body of literature in this area. The importance attributed by academics to asset allocation theory and theory-based methods, in general, indicate the relevance of studying how they are being used in practice and how they can be put to better use by financial analysts in the industry.*