In BlackRock asset allocation contest, the winners were…

By Editor Test   *Sun, Feb 3, 2013*

… three Duke students whose proposed 43% stocks/57% bonds portfolio had a projected average annual return of 9.7%. They won an interview at BlackRock and a shot at summer internships at the Manhattan-based asset manager.

The three co-winners of an asset allocation contest, in which BlackRock challenged sophomores and juniors at Duke University to design an ideal balanced portfolio for a volatile, low-yield world, were revealed last week in a *New York Times* article.

Junior economics majors Mike Du, Alex Kim and Jenny Zhang's winning allocation was 43% stocks (30.3% Russell 2000 Index and 12.7% Russell mid-cap fund) and 57% bonds (32.1% Treasury Inflation-Protected Securities, or TIPS, and 24.9% aggregate bond fund).

The students projected an average annual return of 9.7% for this hypothetical portfolio, based on historical back-testing. The winners will get an interview at BlackRock and a shot at a summer internship at the Manhattan-based asset manager.

The team's assumptions included an optimistic future average return of 5.91% a year from bonds in general and a 5.66% return from TIPS. They made no allocation to international equities, which many professional portfolio managers recommend.

The *Times* compared the Duke undergrads' allocation with Vanguard and Fidelity target date fund allocations. Vanguard's Target Retirement 2020 Fund puts 64% in stocks (20% in international equities). Fidelity's Freedom 2020 Fund calls for 56% stocks (15% in international equities) and eight percent TIPS.