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Abstract

This paper evaluates th our of Australian investment managers who invest assets across multiple asset classes. Specifically, we analyse the behaviour of balanced, growth and capital-stable fund managers with regard to their asset allocation activity across defensive (cash, domestic bonds, overseas bonds) and growth (domestic equities, international equities, property) asset classes, over the period December 1989 to February 2001. Overall, our evidence suggests that active managers have been unable to deliver investors with superior returns through tactical asset allocation. While the most successful asset class, domestic equities, has been value-enhancing, international shares and domestic fixed interest have generally detracted value. Finally, across all asset classes examined, our findings suggest that asset allocation into domestic equities is the most influenced by public economic information variables, with short-term interest rates, the term structure and dividend yield all having a significant explanatory role.

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