

# Dynamic One fine tunes asset model mix

The Dynamic One Asset Allocation Model, which is proprietary, employs a multi-stage analysis as the basis for developing the dynamic asset allocation strategy. This model initially determines the percentage allocation of investable resources into three asset classes; namely, stocks, bonds, and money market instruments.

Next, based on sophisticated computerized statistical analysis, it continually analyzes the financial and economic data to determine whether the prevailing allocations should be changed in response to changes in the financial and economic environment. Naturally, as with other models, Dynamic One uses historical statistical data for its analysis. What makes Dynamic One especially attractive, however, is that it also incorporates the future economic and financial outlook as part of the analytical process. And therein lies the distinction of Dynamic One as an effective investment management tool. The structure of Dynamic One is presented in Figure 4.

## How It Operates

The model examines the outlook for each of the three asset classes: stocks, bonds, and money market instruments. In the area of stocks, Dynamic One analyzes the outlook for stocks by estimating the expected return during the following month. A similar approach is used to analyze the relative strength of the bond market.

More specifically, employing sophisticated statistical and analytical techniques, the estimate is based on the past trend and data, as well as on the current and future outlook for the economy and financial factors. In all, 22 variables (such as interest rate, money supply, P/E ratio, etc.) are utilized to generate the estimates for the return on stocks for the following month. After the stock portion of the analysis is completed, appropriate procedures are employed to generate the estimates of expected returns on bonds and money market instruments.

Once the expected returns for the three asset classes are estimated, the model evaluates the relative investment outlooks for these three asset classes. Based on this evaluation, the most efficient percentage allocations are determined among these asset classes. It is important to

## Dynamic Asset Allocation Chart

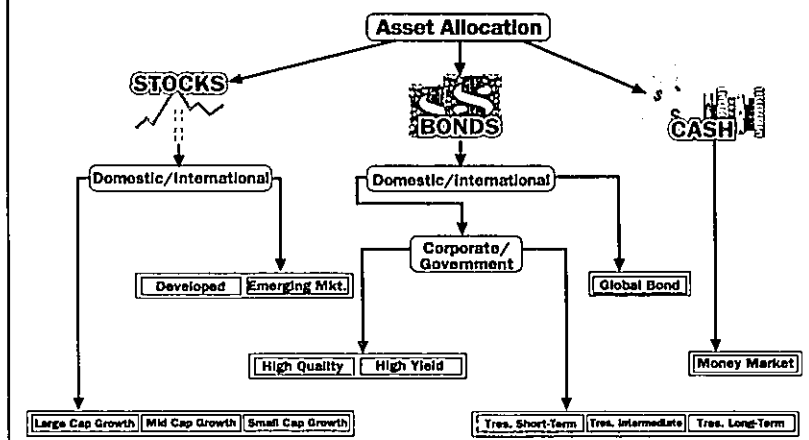


Fig. 4

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note that the model continuously evaluates the investment climate and, when necessary, reallocates the percentages among these asset categories.

## Its Track Record

• **Back Testing.** Dynamic One was completed in 1993. However, in order to test its effectiveness as a management tool, it was extensively back tested for 1960-1997

with the assumption that the model was actually operating during the entire period. In this testing, it was further assumed that data on all the 22 indicators were readily available (whereas in the real world some of the indicators have to be estimated because this information is not available at the beginning of each month). The test-

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David A. Reaser, CFP, CLU

Managing Partner

Jeffrey K. Hall, CFP

Associate Managing Partner

Jeffery R. Levine, LIC

Associate Managing Partner

The New England, a company which traces its roots to 1835 as the nation's first mutual life insurer, is changing its name to New England Financial.

Why the change? "We're more than a life insurance company," explains President and Chief Executive Officer James M. Benson. "The company has been in the investment business for over 30 years, and this year we intend to offer new products and expanded services. It's time that our company name reflects that diversification."

Locally, the New England Financial Group is the Troy affiliate of New England Financial. New England Financial Group formerly known as The New England provides a broad range of insurance and investment products, ranging from life and disability insurance, variable annuities, and mutual funds, to employee and executive benefits and pension plans.

According to Managing Partner, David Reaser the name change signals the beginning of a new era. "New England Financial is more than a name. Our new identity helps to position us for the future. With new products and services we can help guide our clients into the 21st century."

Formerly known as New England Life and later The New England, the name change to New England Financial is one step toward repositioning and defining the company's brand. "New England Financial is an upscale provider whose representatives have exceptional ability to help customers navigate through their complex financial affairs," says Benson. "It is our goal to make superior service, products and representatives synonymous with the name New England Financial."

Based in Boston, New England Financial is an affiliate of Metropolitan Life Insurance Company. A national company, New England Financial has a combined home office and sales force of over 5,000.