

## **Barclays Global Investors**

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### **Role of Commodities in Asset Allocation**

In this project you will develop a framework for answering the question, "Should commodities be viewed as an asset class," based on a survey of the existing literature. In so doing you will answer the following questions: What are the different ways of investing in commodities? What is the benefit to investing in commodities in terms of expected returns and risk reduction through diversification? Do commodities provide as good a hedge against inflation as they are reputed to? What should be the risk premium for commodity investments relative to the risk premium on other assets in general and equities in particular, based on introspection and theory? What should be the role of commodities in strategic and tactical asset allocation? Given your answers to these questions, how would you design an investible commodity index? How well can a portfolio of stocks replicate the return on such an index? How would you market such an index to investors?