



National Association of Active Investment Managers

FOUNDERS AWARD

FOR ADVANCES IN
ACTIVE INVESTMENT MANAGEMENT

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Toroso Investments Portfolio Manager Wins the 2020 NAAIM Founders Award for Paper on Exploiting Momentum “Crashes” Using the VIX

Littleton, CO – October 21, 2020 – Michael A. Gayed, CFA, portfolio manager at Toroso Investments, joins David S. Dierking, CFA and Matthew Bowler as winner of the \$5,000 NAAIM 2020 Founders Award for Advances in Active Investment Management with their paper, *Actively Using Passive Sectors to Generate Alpha Using the VIX*.

This is the 11th year the National Association of Active Investment Managers (NAAIM) has sponsored the white paper competition. The 2020 competition had a total of 29 entries from the USA, Canada, Australia, Switzerland, Germany, Netherlands, Hong Kong, Italy, India and New Zealand.

The Founders Award seeks papers covering an innovative topic in the area of active investing, such as a documented investing approach, an exploration into the validity of active investing, or research in other issues related to active investing such as making investment decisions using technical analysis, quantitative analysis, etc. Papers can also address related topics such as position sizing techniques, money management approaches, scaling into and out of trades, exit strategies, tax harvesting, execution, etc. Criteria used in judging the papers are: practical significance to practitioners of active investing; quality of exposition; analytical rigor; and novelty of results.

In their paper, *Actively Using Passive Sectors to Generate Alpha Using the VIX*, Gayed, Dierking, and Bowler propose that it is possible to achieve significant alpha compared to the S&P 500 Index by flipping the traditional market “wisdom” of investing in defensive sectors in periods of high market volatility, and instead, overweighting cyclical sectors. In their paper, Gayed, Dierking, and Bowler approach sector allocation from a mean reversion perspective with the VIX as the trade trigger. Short-term spikes in the CBOE Volatility Index, better known as the VIX, can create aggressive mispricing from severe panic states. For the trader willing to buy into panic, cyclical sectors, such as Technology, Industrials, Materials and Consumer Discretionary, offer

opportunity for outperformance, they maintain.

“These sectors tend to overperform following periods of high volatility, while defensive sectors such as Utilities, Consumer Staples and Healthcare, tend to underperform,” explains Gayed.

This is the second Founders Award for Gayed, who also won the 2015 Award for his paper *Lumber: Worth Its Weight in Gold Offense and Defense in Active Portfolio Management*, documenting how Lumber and Gold can be used as signals for managing investment portfolios. This eye-opening paper focuses on the predictive power of two seemingly unrelated commodities which provide important information on the economic cycle, and risk-seeking behavior in various assets.

“For this paper, we really strived to produce high quality investment research that creates real value for investors and readers. I’m honored and humbled that NAAIM has recognized our work studying the VIX as meeting those standards” says Dierking. Echoing this sentiment is co-author Matthew Bowler, who told NAAIM “it’s a great honor to be awarded this prize. I believe that the work we did will provide a new insight in the ways that volatility can be used to determine sector stock allocation.”

The NAAIM Founders Award was launched in 2009 to expand awareness of active investment management techniques and the results of active strategies through the solicitation and publication of research on active management. Over the last eleven years, the program has attracted more than 175 papers in support of active investment management submitted by financial professionals and academia worldwide. A panel of investment professionals selected by the Founders Award committee reviews entries and awards the prizes.

Gayed, Dierking, and Bowler’s winning paper, along with prior winning Founders Award papers can be found on the NAAIM website at www.naaim.org.

About the Author:

Michael A. Gayed, CFA is the Portfolio Manager of the ATAC Rotation Fund at Toroso Investments, an investment management company specializing in ETF focused research, investment strategies and services designed for financial advisors, RIAs, family offices and investment managers. Prior to Toroso Investments, Gayed was the Co-Portfolio Manager and Chief Investment Strategist at Pension Partners, LLC, an investment advisor managing mutual funds and separate accounts. He is the co-author of five award-winning research papers on market anomalies and investing. Gayed was an active contributor to MarketWatch and has been interviewed on CNBC, Bloomberg, and Fox Business, as well as the Wall Street Journal Live for his unique approach to interpreting market movements. His analysis has also been featured by Marc Faber of the Gloom, Boom and Doom Report. Gayed earned his Bachelor of Science degree with a double major in Finance & Management at NYU Stern School of Business. He became a CFA Charter holder in 2008.

About NAAIM:

The National Association of Active Investment Managers (NAAIM) is a non-profit trade group of

nearly 150 registered investment advisor firms that collectively manage more than \$32 billion in assets. NAAIM member firms provide active money management services to their clients to produce favorable risk-adjusted returns as an alternative to more passive, buy-and-hold investment strategies. NAAIM publishes the weekly NAAIM Exposure Index and sponsors the annual Uncommon Knowledge conference along with smaller conferences and regional workshops on topics of interest to its membership. For more information, visit www.naaim.org.

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