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EVALUATING PORTFOLIO PERFORMANCE AND INVESTMENT STRATEGIES ACROSS PHILIPPINE AND GLOBAL MARKETS

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Abstract:
This study offers a comparison of two core investment portfolios, "Classic" and "Next Gen," spanning the ten-year period from 2015 to 2024. The study evaluated ten investment strategies (sub-portfolios) using a set of performance metrics, such as the Compound Annual Growth Rate (CAGR), Maximum Drawdown (MDD), Sharpe Ratio, and Sortino Ratio. To provide a final ranking, a Multi-Criteria Decision Analysis (MCDA) was employed. The findings showed a clear performance divide: the Next Gen portfolio consistently and significantly outperformed, generating strong positive risk-adjusted returns and double-digit compound annual growth rates. On the other hand, although the Classic portfolio provided some downside protection during a particular market downturn, they were unable to produce significant capital appreciation, producing insignificant returns and negative risk-adjusted metrics. This superiority was validated by the MCDA framework, which ranked the Next Gen-Conservative as the best portfolio and strategy due to its excellent risk management and ideal balance of high returns. The study concluded that, in comparison to the underperforming traditional strategies examined, the Next Gen portfolio was a more effective and efficient model for long-term wealth creation for Filipino investors.

JEL: G11, G15, C61, F21, O16

Keywords: asset allocation, investment strategy, portfolio management, Modern Portfolio Theory, Multi-Criteria Decision Analysis, Philippines

1. Introduction

A long-standing debate in the Philippine investment landscape revolves around which asset allocation strategy yields the most optimized long-term returns. Given the volatility of the local market, generating excess returns remains a challenge—unless opportunities in the global market are factored in. While investment access in the Philippines is

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generally skewed toward above-average income earners, the Bangko Sentral ng Pilipinas (BSP) has introduced affordable access to the Personal Equity and Retirement Account (PERA). This program offers benefits such as annual tax credits and tax-free distributions, to name a few. However, direct access to securities remains limited for two primary reasons: extensive documentation requirements to open an account and high minimum initial investment thresholds that deter retail investors eager to start their investment journey. One workaround is to tap into collective investment schemes or pooled investment funds, such as Unit Investment Trust Funds (UITFs) and mutual funds. Although not all, some of these funds are now available at entry points as low as PHP 100.00 via accredited e-wallet platforms.

Both tactical and strategic asset allocation continue to play a vital role in optimizing portfolio performance. A common misconception is that allocating heavily to risk assets automatically delivers higher returns in the long term. This belief is contradicted by the performance of the Philippine Stock Exchange Index (PSEI), which posted a negative Compounded Annual Growth Rate (CAGR) of at least –1.0% from January 2015 to December 2024. During bear markets, investors may seek refuge in the fixed income sector, which has historically generated returns sufficient to outpace inflation, averaging around 3.0% over the past decade. Meanwhile, access to global securities has become more convenient, even without opening a US dollar account with offshore online brokers. Major banks in the Philippines now offer Feeder Funds and Fund-of-Funds, making it easier for local investors to tap into international markets. Some financial institutions have also introduced peso-denominated classes of these traditionally US dollar–based investment products. With the rise of digital assets—and US banks now offering Bitcoin and Ethereum Exchange Traded Funds (ETFs)—these instruments are increasingly becoming staples in modern aggressive portfolios, particularly those managed by Gen Zs and Alphas. In addition, the BSP has licensed leading Philippine e-wallets such as GCash and Maya, along with the Philippine Digital Asset Exchange (PDAX), as Virtual Asset Service Providers (VASPs). This move has significantly improved accessibility to digital assets, commonly known as cryptocurrencies, making them easier and more affordable to own.

This study draws heavily on Modern Portfolio Theory (MPT), which revolutionized the process of building portfolios and evaluating investor performance. Fundamentally, MPT argues that by carefully controlling risk through diversification, investors can optimize returns. MPT emphasizes the importance of assessing each asset's contribution to the portfolio's overall risk-return profile rather than analyzing them separately (Markowitz, 1952). It provides a mathematical framework for evaluating a portfolio's ability to achieve its stated objectives. It offers crucial metrics like the Treynor Ratio, Jensen's Alpha, and the Sharpe Ratio, which assess excess returns in relation to total, systematic, and expected risk. These indicators allow scholars and investors to assess whether a portfolio offers adequate compensation for the risks taken (Carhart, 1997; Fama & French, 1993; Modigliani & Modigliani, 1997). By identifying asset combinations that provide the highest expected return for a given level of risk, the

efficient frontier—a graphical representation of ideal portfolios—improves performance evaluation (Lintner, 1965; Tobin, 1958). The theory also examines how assets interact in various market conditions using statistical tools like variance, covariance, and correlation (Mossin, 1966).

This study focuses on constructing and analyzing two core model portfolios, each employing five unique investment strategies. The Classic Portfolio model primarily allocated investments to domestic assets. This approach typically prioritizes familiar local markets, which can offer insights into the domestic economic landscape and potentially benefit from local growth. In contrast, the Next Gen Portfolio model adopted a more globally diversified approach, allocating 50% of its assets to local investments and 50% to global investments. This diversification across international markets aims to capture growth opportunities from various economies and potentially mitigate risks associated with over-reliance on a single domestic market. The underlying investments for both portfolios consisted of targeted pooled investment funds with measured performance from January 2015 to December 2024.

Although numerous local studies have explored portfolio construction and asset allocation, none have conducted a comprehensive, three-way assessment—evaluating risk, return and risk-adjusted return—across multiple portfolio types and strategies over a ten-year period, nor examined the role of digital assets in modern global portfolios.

Thus, this paper primarily aims to:

1) Identify the best portfolio type and investment strategy based on risk, return, and risk-adjusted return metrics.
2) Determine which portfolio type and investment strategy delivers the optimal overall long-term capital growth.

2. Literature Review

2.1 Portfolio Construction

Recent literature on portfolio construction marries multi-criteria decision-making frameworks with Modern Portfolio Theory to address both domestic and international markets. Lim and Pascual (2022) analyzed the performance of local real estate investment trusts (REITs), the Philippine Stock Exchange Index (PSEI), and government treasury securities, and revealed that the Ayala REIT delivers superior returns, low volatility, and low-to-negative correlations with other asset classes—thereby serving both yield-enhancement and risk-mitigation objectives. Dima-ala (2021) underscored global asset allocation via index funds and ETFs as the key driver of portfolio returns for Filipino investors, yet stopped short of prescribing precise allocation weights or presenting detailed performance metrics. Similarly, Lagua (2024) championed broad diversification across asset classes and regions to improve risk-adjusted outcomes but offered no concrete percentage breakdowns or bespoke implementation guidance tailored to the Philippine context.

Beyond domestic shores, scholars across the globe have rigorously examined the multifaceted benefits and dynamics of international investment strategies. Kundurthy and Nozari (2024) evaluated fifteen years of global equity and fixed-income returns to quantify the effects of global diversification on portfolio outcomes and demonstrated that the inclusion of foreign securities systematically reduces overall volatility while boosting growth potential relative to domestic-only allocations. Viceira and Wang (2018) developed and empirically tested a long-term investor model that incorporates permanent cash-flow shocks and transitory discount-rate shocks and found that, despite rising global stock correlations, equity diversification benefits remain robust, whereas bond diversification advantages have diminished. Employing network analysis, Chuluun (2017) investigated how a country's financial centrality—measured through bilateral portfolio holdings—and its trade connectedness jointly drove international stock market co-movement, revealing that markets of financially—and especially jointly financially and trade—central countries exhibit significantly higher co-movement, with total portfolio holdings linkages proving as influential as equity-only linkages.

2.2 Investment Strategy

Empirical studies across the Philippines and regional markets have examined a wide array of investment vehicles—from local REITs, the PSE composite index, large-cap stocks, and government bonds to global index funds, ETFs, and alternative assets—demonstrating how diversification and strategy selection shape risk-adjusted returns and boost performance. Both Duran et al. (2025) and Endres (2020) focused on aggressive strategies with full allocation to the local stock market. Duran et al. employed the Analytical Hierarchy Process (AHP) to optimize portfolio selection among the top 30 blue-chip constituents of the Philippine Stock Exchange by integrating expected return, volatility, beta, and liquidity into a unified ranking framework. In contrast, Endres examined large-cap Philippine equities and found that a concentrated five-stock model underperformed with the highest volatility, whereas a twenty-stock portfolio delivered superior outcomes on both return and risk metrics.

A global perspective reveals an even broader landscape of investment dynamics. According to Croome (2025), optimal asset allocation involves careful selection of investments such as stocks, bonds, and cash to align with an individual's financial goals, risk tolerance, and time horizon. This process is not static, requiring regular reviews and adjustments to ensure the portfolio remains aligned with evolving financial needs and market conditions. In a study addressing the discrepancy between academic theories and market realities, Song (2020) compared passive and aggressive investment strategies. The research concluded that passive methods are best for efficient markets, while aggressive strategies offer superior returns in inefficient market environments. Wang (2023) successfully developed various optimal portfolios, including those with minimum risk and the highest Sharpe ratio, offering insights into diverse investment strategies. Moreover, Fofana (2024) investigated the relationship between investment strategy and performance using 120 mutual fund cases from Morningstar. The findings indicated that

total 5-year returns and a large-cap investment strategy are significant predictors of investment performance. The study recommended that investment managers prioritize risk assessment in portfolio construction to enhance returns, performance, and overall industry stability, potentially fostering local economic growth.

2.3 Performance Metrics

Portfolio performance evaluation in the Philippine equity market has generated actionable insights into both optimal portfolio composition and investor decision-making behavior. Endres (2020), in his paper entitled "Portfolio Size on Profit Optimization: The Case of Large-Cap Companies in the Philippine Stock Market", constructed seven model portfolios and evaluated their performance using metrics like Portfolio Alpha, Beta, Sharpe, Treynor, and Information Ratio. He concluded that an ideal portfolio size for optimized returns with minimized risk, particularly for large-cap stocks in the Philippine market, is at least 20 stocks. Likewise, Lauzon, Baylon, and Tiu (2024) specifically examined Philippine equities, revealing that while most smart-beta portfolios didn't significantly beat the market annually, some outperformed in cumulative returns and risk-adjusted measures, suggesting their value during volatile market conditions. They used the Wilcoxon Signed-Rank test, Chow's test, Sharpe's ratio, Treynor's measure, and Jensen's index. Delantar (2024) pronounced that Filipino retail investors prioritize specific market information like ROI and P/E ratio for investment decisions, correlating differently across market conditions.

Building on this diversification principle, Wang (2023) implemented MPT with the Sharpe ratio as the objective function across eight simulated price series—including equities, gold, crude oil, and Bitcoin—and determined that diversified, heterogeneous portfolios can substantially improve risk-adjusted returns. The works of Jahnavi, Kathari, and Hanji (2017) similarly applied the mean–variance framework to conventional equity investments, confirming that it reliably identifies portfolios that maximize expected return for a given level of risk. On the other hand, Zhang (2025) incorporated cryptocurrencies and selected futures into an MPT-based model, using Monte Carlo simulation and Solver algorithms to trace the efficient frontier, derived the capital market line, and pinpointed allocations that either optimize the Sharpe ratio, maximize total return, or minimize volatility.

At the same time, scholars had critiqued the Sharpe ratio's suitability for asset classes exhibiting non-normal or asymmetric return distributions, prompting the exploration of alternative performance measures. Surtee and Alagidede (2023) argued that Sterling and Treynor ratios can generate more robust portfolios than traditional Sharpe-ratio optimizations, given their sensitivity to downside risk and distinct distributional properties. Van Dyk, Van Vuuren, and Heymans (2014) extended this critique to the hedge fund domain, empirically assessing scaled Sharpe and Treynor measures over an eleven-year sample of 184 international long-short equity funds and found that scaled metrics yielded richer insights for strategies with skewed returns. In addition, Steinki and Mohammad (2015) provided a systematic review of five major

performance ratios—Calmar, Omega, Sharpe, Sortino, and Treynor—expounded each measure's theoretical basis, formulaic derivation, boundary conditions, and proposed enhancements.

3. Material and Methods

3.1 Portfolio Construction and Investment Strategies

Table 1 outlines the model portfolios categorized by investment strategy, which is further broken down by market diversification—local vs. global—as well as asset class allocation across fixed income or bonds, equities, and digital assets. The Classic portfolio represents traditional approaches focused exclusively on the domestic market, while the Next Gen portfolio reflects more globally diversified strategies and incorporates exposure to digital assets, appealing to a new generation of investors. The study examined portfolio performance over the period January 2015 to December 2024. To accurately reflect the total return for Filipino investors, the Next Gen portfolio's performance was adjusted for the USDPHP exchange rate.

Table 1: Model Portfolios with Variable Codes

Core Portfolio	Investment Strategy/ Variable Code	Market Diversification		Asset Class Allocation		
		Local	Global	Fixed Income	Equities	Digital Asset
Classic	Aggressive/CAg	100%	None	20%	80%	None
	Moderately Aggressive/CMA	100%	None	40%	60%	None
	Balanced/CBa	100%	None	50%	50%	None
	Moderately Conservative/CMC	100%	None	60%	40%	None
	Conservative/CCo	100%	None	80%	20%	None
Next Gen	Aggressive/NAg	50%	50%	20%	75%	5%
	Moderately Aggressive/NMA	50%	50%	40%	55%	5%
	Balanced/NBa	50%	50%	50%	45%	5%
	Moderately Conservative/NMC	50%	50%	60%	35%	5%
	Conservative/NCo	50%	50%	80%	15%	5%

Table 2 summarizes key investment strategies based on associated risk profiles and typical investor suitability. The classification ranges from Conservative Strategy, focused on capital preservation, to Aggressive Strategy aimed at maximizing long-term growth potential. Each category was designed to align with varying levels of risk tolerance and financial objectives, helping investors select portfolios that match their goals and comfort with market volatility.

Table 2: Investment Strategies

Investment Strategy	Risk Profile	Investor Suitability
Aggressive	High	Maximum capital appreciation
Moderately Aggressive	Moderate to High	Long-term growth with high income
Balanced	Moderate	Balanced between growth and stable income
Moderately Conservative	Low to Moderate	Capital safety with low income
Conservative	Low	Risk-averse focused on capital preservation

Table 3 outlines the target pooled investment funds analyzed in this study, each strategically selected to capture movement across geographical regions and distinct asset classes. The performance was measured from January 2014 to December 2024. These instruments, which serve as proxies for diversified exposure to equities, fixed income, and digital assets, were allocated to each portfolio and investment strategy based on the data presented in Table 1.

Table 3: Pooled Investment Funds

Pooled Investment Fund	Region	Asset Class
ABF Philippine Bond Index Fund	PH	Bond
Philippine Equity Index Fund	PH	Equity
ABF Pan Asia Bond Index Fund	Asia	Bond
iShares Core Euro Government	EU	Bond
iShares US Treasury Bond	US	Bond
iShares MSCI All Country Asia ex Japan	Asia	Equity
Vanguard FTSE Europe	EU	Equity
SPDR S&P 500	US	Equity
Bitcoin	Global	Cryptocurrency
Philippine Stock Exchange Index (PSEI)	PH	Equity - Benchmark
iShares MSCI All Country World Index (ACWI)	Global	Equity - Benchmark

3.2 Performance Metrics and Evaluation

To provide a robust and multifaceted analysis of the investment portfolios, a set of crucial performance metrics was calculated. These metrics enable a comprehensive understanding of various aspects, including the level of risk exposure, the magnitude of returns generated, and the efficiency of returns relative to the risk taken. Table 4 presents each of these metrics, clarifying their category and providing the conventional interpretation regarding whether a higher or lower value indicates superior performance.

Table 4: Performance Metrics

Category	Metrics	Interpretation
Risk	Maximum Drawdown (MDD)	Lower is better
Return	Compound Annual Growth Rate (CAGR)	Higher is better
Risk-Adjusted Return	Sharpe Ratio	Higher is better
	Sortino Ratio	Higher is better
	Information Ratio (IR)	Higher is better
	Calmar Ratio	Higher is better
	Treynor Ratio	Higher is better

The Maximum Drawdown (MDD) is a key risk metric used in portfolio management to measure the largest observed loss from a peak to a trough before a new peak is achieved. Where V_t is the portfolio value at the maximum (peak) before the drawdown begins and V_p is the value at the minimum (trough) before a new peak is reached. The equation is presented as follows:

$$MDD = \frac{V_t - V_p}{V_p} \quad (1)$$

The Compound Annual Growth Rate (CAGR) quantifies the smoothed, annualized rate of return for a portfolio over a specified period, assuming that all profits are reinvested. Where V_f denotes the ending value of the portfolio in December 2024, while V_0 represents the beginning value of the portfolio at the start of the analysis, which was January 2015. The t signifies the number of years elapsed between the beginning and ending values, e.g., 10 years. The equation is presented as follows:

$$CAGR = \left(\frac{V_f}{V_0}\right)^{\frac{1}{t}} - 1 \quad (2)$$

The Sharpe Ratio is a measure of a portfolio's risk-adjusted return. It indicates the amount of return an investor receives for each unit of risk taken. Where R_p represents the average expected return of the portfolio, R_f is the risk-free rate of return, e.g., the 1-year Philippine or US treasury bill rate, and σ_p is the standard deviation of the portfolio's returns. The equation is presented as follows:

$$Sharpe = \left(\frac{R_p - R_f}{\sigma_p}\right) \quad (3)$$

The Sortino Ratio is a variation of the Sharpe Ratio that specifically measures the portfolio's risk-adjusted return by focusing only on downside risk. Where R_p is the expected return of the portfolio; MAR represents the minimum acceptable return, e.g., the 1-year Philippine or US treasury bill rate; and σ_D is the downside deviation of the portfolio's return. The equation is presented as follows:

$$Sortino = \left(\frac{R_p - MAR}{\sigma_D}\right) \quad (4)$$

The Information Ratio (IR) is a measure used to assess the skill of a portfolio manager in generating returns that exceed the benchmark, relative to the volatility of those excess returns. Where R_p represents the expected return of the portfolio, R_b is the expected return of the benchmark index, and σ_{TE} is the tracking error or active risks. The $R_p - R_b$ indicates the active return or excess return. The equation is presented as follows:

$$Information = \left(\frac{R_p - R_b}{\sigma_{TE}}\right) \quad (5)$$

The Calmar Ratio is a risk-adjusted performance measure that evaluates a portfolio's return against its maximum drawdown. Where $CAGR$ is the Compound Annual Growth Rate computed as $\left(\frac{V_f}{V_0}\right)^{\frac{1}{t}} - 1$ from January 2015 to December 2024. The $|MDD|$ denotes the absolute value of the Maximum Drawdown computed or $\left|\frac{V_t - V_p}{V_p}\right|$. The equation is presented as follows:

$$Calmar = \frac{CAGR}{|MDD|} \quad (6)$$

The Treynor Ratio is a risk-adjusted performance measure designed to evaluate the return generated by a portfolio in excess of the risk-free rate, per unit of systematic risk taken. Where R_p is the expected return of the portfolio from January 2015 to December 2024; R_f represents the risk-free rate, e.g., the 1-year Philippine or US treasury bill; and β_p is the Beta of the portfolio computed as $\frac{Cov(R_p, R_b)}{Var(R_b)}$. The $R_p - R_f$ quantifies the excess return generated by the portfolio above the risk-free rate. The equation is presented as follows:

$$Treynor = \frac{R_p - R_f}{\beta_p} \quad (7)$$

To identify the overall optimal portfolio and strategy, Multi-Criteria Decision Analysis (MCDA) was applied. The MCDA-Rank Sum approach assigns scores or ranks to each portfolio across multiple performance metrics, then aggregates the values. Assuming equal weighting and that lower scores reflect superior outcomes, the portfolio with the lowest total score is deemed optimal. This methodology has been successfully employed in prior research, including by Majumdar, Puthiya, and Bendarkar (2021) in evaluating investment strategies in the Indian equity market, and by Basilio et al. (2018) in portfolio construction within Brazil's stock market.

4. Results and Discussion

Table 5 presents a comparative performance analysis of the model portfolios tested. It provides key performance metrics for returns, risks, and risk-adjusted returns, hence offering a comprehensive overview of their overall performance. The discussions on items 4.1 to 4.3 satisfy the first objective of the study.

Table 5: Performance Metrics Comparison

Portfolio	MDD	CAGR	Sharpe	Sortino	IR	Calmar	Treynor
Classic							
Aggressive	-14.58%	0.32%	-0.41	-0.52	0.44	0.03	-0.04
Mod. Aggressive	-9.93%	1.01%	-0.40	-0.51	0.34	0.10	-0.05
Balanced	-9.30%	1.34%	-0.26	-0.32	0.45	0.14	-0.03
Mod. Conservative	-8.57%	1.66%	-0.21	-0.26	0.43	0.19	-0.03
Conservative	-8.83%	2.27%	-0.10	-0.13	0.41	0.26	-0.02
Next Gen							
Aggressive	-10.91%	12.76%	0.47	2.34	0.22	1.17	0.11
Mod. Aggressive	-10.18%	12.60%	0.48	2.51	0.21	1.24	0.12
Balanced	-13.27%	12.89%	0.46	2.01	0.23	0.97	0.10
Mod. Conservative	-9.45%	12.41%	0.51	2.73	0.20	1.31	0.13
Conservative	-8.73%	12.20%	0.53	2.99	0.19	1.39	0.14

Note: All Next Gen returns are FX-adjusted.

4.1 Portfolio Performance – Risk Metric

For the Classic Portfolio, the Maximum Drawdown (MDD) typically decreased as the risk profile became more conservative. As anticipated, given its higher level of risk, the Aggressive Strategy experienced the largest peak-to-trough decline, falling by 14.58%. The drawdowns improved as the risk spectrum shifted downward; the Balanced and Moderately Aggressive strategies recorded -9.30% and -9.93%, respectively. The Moderately Conservative Strategy proved the most resilient during the worst downturn posting the lowest drawdown at -8.57%.

In comparison with the Classic Portfolio, the Next Gen Portfolio exhibited a distinct drawdown pattern. The Balanced Strategy had the highest MDD at -13.27%, although the majority of drawdowns were smaller than those of their Classic counterparts. Relative to the Classic-Aggressive, the Next Gen-Aggressive and Moderately Aggressive experienced drawdowns of -10.91% and -10.18%, respectively. With the lowest MDD of -8.73%, the Conservative Strategy demonstrated the strongest risk management in this group, indicating superior capital preservation during market declines.

4.2 Portfolio Performance – Return Metric

The Classic Portfolios' Compound Annual Growth Rate (CAGR) displayed an odd pattern in which returns increased as the portfolio strategy grew more conservative. With a CAGR of just 0.32%, the Aggressive Strategy produced the lowest return. Performance gradually improved as the strategies changed to reduce risk. The Conservative Strategy produced the highest return of the group at 2.27%, followed by the Moderately Conservative at 1.66%, the Balanced at 1.34%, and the Moderately Aggressive at 1.01%. One of the main features of the performance of the Classic Portfolio was the inverse relationship between risk and return.

The Next Gen Portfolio, on the other hand, produced noticeably greater returns for every strategy. Within the high-performance range of 12.20% to 12.89%, the CAGRs

were closely clustered. With the highest CAGR of 12.89%, the Balanced Strategy outperformed the others by a small margin. The Aggressive Strategy came in second with a CAGR of 12.76%. The Conservative Strategy, the group's worst-performing strategy, nevertheless produced a solid return of 12.20%. Nevertheless, the Next Gen outperformed their Classic counterparts in terms of growth.

4.3 Portfolio Performance – Risk-Adjusted Return Metrics

The Classic Portfolio's risk-adjusted performance was consistently subpar by the majority of measures. All of the Sortino and Sharpe ratios were negative, with respective ranges of -0.13 to -0.52 and -0.10 to -0.41. When compared to a risk-free asset, this showed that the strategies were unable to produce returns high enough to offset either total risk (Sharpe) or downside risk (Sortino). A poor return for the amount of systematic market risk assumed was also indicated by the Treynor ratio, which was negative for all strategies. Although the managers' absolute performance was low, the Information Ratio (IR), the only positive metric, indicated that they were somewhat consistent in producing returns above their benchmark. In comparison to the maximum drawdowns experienced, the returns were weak, as confirmed by the extremely low Calmar ratio.

The Next Gen Portfolio, in contrast, showed outstanding risk-adjusted returns. All five strategies had very strong Sortino ratios (2.01 to 2.99) and positive Sharpe ratios (0.46 to 0.53), indicating that they produced high returns for the level of risk assumed, particularly with respect to downside volatility. Even during the worst peak-to-trough declines, the strategies' yearly returns were remarkable, as evidenced by the Calmar ratios, which were likewise strong and typically hovered above 1.0. The strategies' ability to adequately compensate investors for the market risk they took on was further supported by the positive Treynor ratios (0.10 to 0.14). It's interesting to note that their Information Ratios were lower than those of the Classic Portfolio, indicating that although they performed significantly better overall, their excess returns in comparison to their benchmark were less reliable.

4.4 Overall Performance – The Optimal Portfolio

During the selection process, the Next Gen portfolio and strategies were clearly in the lead. With the lowest and best MCDA Composite Score of 21, the Next Gen-Conservative Strategy took first place. The Next Gen-Moderately Conservative, which came in second with a score of 26, and the Next Gen-Moderately Aggressive, which came in third with a score of 30, were not far behind it. Compared to all of the Classic strategies, this group's overall performance across the seven criteria was significantly better.

The Classic portfolio and strategies performed poorly on a regular basis, finishing in the bottom five from sixth to tenth place. A distinct pattern showed that the more cautious approaches produced higher composite scores within this group. With a score of 37, the Classic-Conservative Strategy placed sixth overall, making it the best of this cohort. The Classic-Aggressive, on the other hand, performed the worst out of the ten options, coming in last (10th) with the highest MCDA score of 60.

As presented in Table 6, the Next Gen portfolio and strategies were clearly better, and the Next Gen-Conservative was the optimal portfolio with the highest ranking. This satisfies the second objective of the study.

Table 6: MCDA Composite Score

Portfolio	MDD	CAGR	Sharpe	Sortino	IR	Calmar	Treynor	MCDA Score	MCDA Ranking
Classic									
Aggressive	10	9	10	10	2	10	9	60	10th
Mod. Aggressive	6	10	9	9	5	9	10	58	9th
Balanced	4	8	8	8	1	8	8	45	8th
Mod. Conservative	1	7	7	7	3	7	7	39	7th
Conservative	3	6	6	6	4	6	6	37	6th
Next Gen									
Aggressive	8	2	5	4	7	4	4	34	4th
Mod. Aggressive	7	3	3	3	8	3	3	30	3rd
Balanced	9	1	4	5	6	5	5	35	5th
Mod. Conservative	5	4	2	2	9	2	2	26	2nd
Conservative	2	5	1	1	10	1	1	21	1st

Note: Lower MCDA scores reflect a superior outcome.

5. Conclusion and Recommendation

The analysis revealed a stark performance gap between the Next Gen and Classic investment portfolios. The Next Gen portfolio and strategies delivered substantial growth, marked by high double-digit Compound Annual Growth Rates (CAGRs) and strong positive risk-adjusted returns, as measured by the Sharpe and Sortino ratios. In contrast, the Classic portfolio and strategies failed to generate meaningful wealth, yielding near-zero CAGRs and consistently negative risk-adjusted returns. The Multi-Criteria Decision Analysis (MCDA) quantitatively confirmed these results, placing the Next Gen in the top five, with the Next Gen-Conservative emerging as the optimal portfolio.

Interestingly, the findings challenge conventional portfolio theory. The Classic portfolio and strategies showed an inverse relationship between risk and return, while the Next Gen exhibited a surprising lack of performance differentiation across their risk profiles. This suggests the underlying asset composition and strategic philosophy of the Next Gen models created a more effective wealth-generation paradigm during the period studied.

Based on these findings, the Next Gen-Conservative portfolio is highly recommended for Filipino investors seeking an ideal balance of high returns and prudent risk management. While it stands out as the top performer, investors with varying risk appetites can find value in other Next Gen portfolios and strategies. To further enhance portfolio performance, it is strongly recommended that investors explore greater diversification into global securities and alternative investment outlets. While the Next Gen models outperformed locally, expanding asset allocation to global markets could

unlock opportunities for even higher returns and provide a crucial hedge against Philippine stock market volatility.

This study is highly relevant for fund managers, wealth advisors, and financial planners, who can use this analysis to demonstrate the tangible benefits of a contemporary investment approach over a legacy one. For students and academic researchers, it serves as a practical case study in portfolio management and quantitative analysis. Future research should aim to test these strategies across different economic cycles and incorporate a broader range of metrics (e.g., Jensen's Alpha, Modigliani-Squared, Ulcer Index, Entropic Value at Risk, and Conditional Value at Risk) and asset classes (e.g., Real Estate Investment Trusts (REITs), currencies, and commodities) to develop an even more comprehensive analysis.

Conflict of Interest Statement
The author declares no conflicts of interest.

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