

**DEAN FANTAZZINI**

**Optimal Capital Allocation: VaR, C-VaR, Spectral Measures and  
Beyond in Russian Markets**

**Abstract:**

The problem of selecting the optimal capital allocation with Russian stocks is examined. Alternative risk measures, such as VaR, C-VaR and spectral measures, as well as different returns distributions are examined to find out which method provide the best capital allocation. In this regard, the use of volatility proxy measures plays a key role in any capital allocation strategy. An empirical comparison of several volatility measures is performed to assess their ability to describe and forecast the conditional variance and to provide the best capital allocation. The alternative models are compared out-of-sample using a set of the 24 most liquid Russian stocks. Loss measures, superior predictive ability tests and portfolio performance measures are then employed for model comparison.