

UC San Diego

Kroner and Koenigsberger Center for Financial Research

CALL FOR RESEARCH PROPOSALS

OVERVIEW:

The Kroner and Koenigsberger Center for Financial Research (KKCFR) at the University of California San Diego was founded in 2019 with the mission to improve the dialogue between major asset owners around the world -- including sovereign wealth funds, pension funds, foundations and their beneficiaries -- and the academic community in economics and finance. With the input of members of a CIO Advisory Council, Industry Advisory Council and an Academic Advisory Council, we seek to identify topics that are under-researched, but of high importance in asset management, and invite proposals for independent academic research on them. Benefits to academic researchers are financial support for relevant new research, access to new data sets and tools shared by member asset owners/CIOs, and a venue to present new research, to network with, and to gain feedback from industry experts.

TOPICS:

This year we identified the following topics/broad questions for potential funding:

A General Framework for an AI Risk Factor

Background

Artificial intelligence has become one of the dominant forces shaping equity and credit markets. A small number of firms now account for an outsized share of capital expenditure, market capitalization, and realized returns tied to the AI buildout. Yet unlike established risk factors such as sector, size, value, or momentum, AI exposure currently has no canonical definition, no agreed method for estimating factor loadings, and no systematic account of how that exposure has emerged and intensified over time. Asset owners are consequently left without a rigorous way to answer a basic question: how concentrated is our portfolio along the AI theme once exposure is measured properly rather than inferred from sector or asset-class labels alone?

We invite research that builds a general framework for an AI risk factor that helps identify which firms are economically exposed to the AI investment cycle, estimates stock-level AI factor loadings using a credible identification strategy, and traces how that exposure has developed as the buildout, its financing structure, and its competitive landscape have evolved and continue to evolve.

Research Questions of Interest

- How can firms be mapped into an economically meaningful AI-exposure network that distinguishes between firms funding AI infrastructure, firms supplying its inputs, firms financing the buildout, and firms that are expected to benefit from resulting productivity gains?
- What identification strategy yields defensible, stock-level factor loadings for AI exposure, and how does that exposure transmit through returns, volatility, earnings revisions, and credit spreads?
- How has the AI factor emerged and intensified in recent years, and how have firm- and industry-level exposures shifted as the technology, its financing mix, and its supplier and beneficiary map have changed?
- Do portfolios that appear diversified by conventional sector, asset-class, or geographic labels remain concentrated in the same underlying AI exposure once that exposure is properly measured?
- How should asset owners translate a formal AI risk factor into practical concentration-risk management (position sizing, hedging, or scenario-based stress testing) given the unusually large market capitalizations and concentrated returns associated with the AI theme?
- How is a public pension fund to make prudent risk/index-concentration decisions when the economics of the production and sale of these new capabilities produce very concentrated returns and extraordinarily large market capitalizations.

Expected Contributions

- A structural classification of firms' economic exposure to the AI investment cycle.
- A formal AI risk factor with estimated, testable loadings, benchmarked against traditional factors in a systematic risk model.
- Evidence on how the factor's strength and composition have evolved over time.

- Practical guidance for translating the factor into concentration-risk management tools that can be readily used by institutional asset owners.

AI Disruption Risk and Resilience

Background

AI's influence on institutional portfolios extends well beyond capital spending and market concentration as it continues to reshape which business models, occupations, and industries are vulnerable to displacement. This creates a distinct form of risk, separate from exposure to the AI investment cycle itself: portfolios today may carry substantial disruption risk with no established factor definition, no agreed scoring methodology, and no systematic forward-looking tool for monitoring how that risk evolves. A firm can be entirely unexposed to AI capital spending while still being highly vulnerable to having its business model displaced by AI capability. Existing portfolio risk frameworks are not built to capture that distinction.

We invite research that builds an integrated framework for measuring, scoring, and monitoring AI-driven concentration and disruption risk across institutional portfolios — moving from a rigorous definition of the risk, to a scoring methodology applicable across asset classes, to a forward-looking tool for tracking how the risk changes as conditions evolve.

Research Questions of Interest

- What methodology can reliably measure a firm's or security's sensitivity to AI-driven disruption, and does the resulting factor add explanatory power alongside traditional risk factors in a systematic model?
- What criteria and scoring framework can classify a portfolio of global public and private assets along a spectrum from AI-vulnerable to AI-resilient, incorporating labor-force and structural-economic exposure alongside financial-market exposure?
- How can tools that combine statistical and narrative data — earnings calls, policy announcements, news, and market data — generate real-time, probabilistic estimates of the macro regimes or disruption scenarios investors should be monitoring?
- How can a disruption-risk factor, a portfolio resilience score, and a forward-looking scenario engine be integrated into a single, continuously updated risk-management system?

- How does concentration risk stemming from AI's disruptive potential differ from, and possibly interact with, concentration risk stemming from the AI capital-spending cycle itself?

Expected Contributions

- A validated methodology for measuring stock-level sensitivity to AI disruption, tested for incremental value in a systematic risk model.
- A portfolio resilience scoring framework applicable across public and private, global assets.
- A real-time, AI-assisted scenario and regime-probability tool combining statistical and narrative inputs.
- A demonstrated integration of the three components, applied to a representative institutional portfolio.

U.S. Treasury Bonds as a Portfolio Diversifier

Background

For decades, U.S. Treasury bonds have served as the benchmark diversifying asset for long-horizon institutional portfolios, valued for their low or negative correlation with equities and their standing as a global safe haven during times of heightened financial uncertainty.

Rising fiscal deficits, shifting demand from domestic and international investors, and an increasingly fragmented geopolitical and economic order call this into question: Does this property still hold, does it hold equally for every investor, and if it doesn't hold universally, under what conditions does it fail?

We invite research that assesses, empirically and theoretically, whether U.S. government debt remains a reliable portfolio diversifier, for U.S. investors and international investors alike, and that identifies the specific conditions under which its diversifying properties can be expected to hold or to break down.

Research Questions of Interest

- Do U.S. Treasuries still exhibit the negative or low bond-equity correlation that defines an effective diversifier, across historical and recent market regimes?

- Are there identifiable fiscal, monetary, or market conditions, including rising deficits, auction-driven supply shocks, and elevated inflation uncertainty, under which Treasury diversification fails, and can these conditions be characterized well enough in advance to inform asset allocation?
- Does the diversification value of Treasuries differ meaningfully between U.S.-domestic investors and international investors, once currency risk, reserve-currency dynamics, and geopolitical alignment are taken into account?
- Is the historical tendency of the U.S. dollar to strengthen during global stress episodes still intact, and what would a change in that relationship imply for Treasuries' role as a global, rather than purely domestic, safe haven?
- If Treasury diversification is weakening in certain states of the world, what alternative or complementary diversifying assets, e.g., foreign sovereign bonds, inflation-linked securities, gold, or other reserve assets, should U.S. and international investors consider?

Expected Contributions

- An updated empirical assessment of Treasury–equity and Treasury–currency correlations, including their stability and dependence on fiscal and geopolitical conditions.
- A framework for identifying, in advance, the conditions under which Treasury diversification is likely to fail.
- A comparative analysis of Treasury diversification value from U.S. and international investor perspectives.
- Practical guidance on complementary or substitute diversifying assets for a more fragmented global financial environment.

SUBMISSION PROCESS

The KKFCR calls for scholars to submit a proposal for a research project that addresses one of the three topics, either in part or total. Proposals will be reviewed by a committee drawn from the KKFCR Academic Advisory Committee. The review committee will be chaired by Professor Allan Timmermann. The goal is to fund three projects selected from the three topics, preferably no more than one from each topic although the committee may

fund multiple proposals from any of the topics. Successful proposals will be those the committee considers likely to lead to novel research outcomes that result in papers that can be submitted to top academic journals and have the potential for impacting practices in the investment industry.

Proposals should be no longer than 5 pages and should describe the research idea, expected methodology to be employed, and data requirements. If a proposal is related to an existing working paper or publication by the submitter, then these are also welcome as part of the submission. Principal and co-investigators should submit updated CVs. Proposals should be submitted to Joe Sturtevant at jsturtevant@ucsd.edu before **December 1, 2026**.

BENEFITS AND EXPECTATIONS FOR PROPOSAL WINNERS:

The KKCFR can provide summer support for faculty, support for research assistants, and assistance in procuring data sets up to a total of \$75,000. Expenses for attending Center meetings together with members of the CIO Advisory Council, Academic Advisory Council, and Industry Advisory Council will also be provided. The KKCFR is a non-profit organization and therefore cannot pay overhead or administrative fees to the universities of selected researchers.

KKCFR-supported researchers are expected to provide a brief written quarterly research update on the progress of the funded research project and to be available to present a brief research update to the KKCFR Advisory Councils at their semi-annual meetings (either virtually or in-person). The next semi-annual meeting is scheduled for **January 27, 2027**, in person in San Diego.