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We open the Summer issue with a commentary from Hill, which discusses both how the success of exchange-traded funds (ETFs) has been disruptive to the asset management business, as well as issues that require new approaches, including the rise of systematic, active strategies; the significance of index providers in education and marketing; and the challenges facing asset manager distribution. Feldman uses portfolio optimization techniques to determine optimal country allocations within an emerging markets portfolio and concludes that an equal-weighted emerging market portfolio may be the best choice for an investor and a maximum allocation of thirty percent to emerging markets based on an equal-weighted emerging market portfolio. Hoffstein, Sibears, and Faber define the measure of "rebalance timing luck" and propose an ex-ante model to estimate the magnitude of rebalance timing luck and find that the process equally-weighting across *N* sub-indexes reduces rebalance timing luck by $1/N$.

Next, Dirkx analyzes factor exposures of European equity ETFs and finds that translating the flows in smart beta ETFs into a form of factor timing of market participants, the asset-weighted smart beta aggregate outperformed the market on an absolute and risk-adjusted basis. Salimian, Winder, Manakyan, and Khazeh demonstrate the influence of beta slippage on LETPs return and find that in time periods with the highest returns, beta slippage impacts investors favorably and amplifies the return on investment. Bender, Mohamed, and Sun review whether country and sector biases should be neutralized or not in the construction of factor portfolios and determine that, in addition to the portfolio construction framework, it depends on the factor in question as well as the criteria. They find that if minimizing risk, maximizing exposure per unit of tracking error, and minimizing turnover are primary objectives, the argument for neutralization is less clear.

To conclude this issue, Rodríguez examines and compares the US market risk exposure and true diversification benefits of emerging markets closed-end funds and ETFs and shows that ETFs that invest in emerging markets are a better vehicle for US-based investors to gain international diversification.

As always, we welcome your submissions. Please encourage those you know who have papers or have made good presentations on indexing, ETFs, mutual funds, or related subjects to submit them for consideration. We value your comments and suggestions, so please email us at journals@investmentresearch.org.

Brian Bruce
Editor-in-Chief