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Our Summer issue focuses on smart beta, or alternative index tracking, strategies. Smart beta strategies started with fundamental indexes and have grown exponentially to cover many strategies. Smart beta proponents argue they are an efficient means of harnessing optimal factor exposures in a cost-effective way. Others express concerns due to their generally shorter track records, frequent use of back tests as proof statements, and untested potential problems.

Blitzer begins with a discussion that questions whether a market-capitalization-weighted index is the most appropriate benchmark for both momentum and value strategies. Amenc and Goltz present a response to a recent article by Hunstad and Dekhayser (JII, Summer 2015) that introduces a novel measure of factor "purity"—the factor efficiency ratio (FER). Their note points out several concerns about the relevance of FERs and similar assessments of the purity of factor indexes. Hunstad and Dekhayser counter with their answer to the question, "Who cares about the purity of factor indexes?"

Next, Ge discusses how investors can incorporate the volatility risk premium (VRP) into typical portfolios, exemplified by a balanced 60/40 portfolio and an equal-weight, multi-asset diversified portfolio. Sperandeo, Corsi, and Shores examine smart beta with a focus on the features that make it a viable defined contribution pension plan option. Johnson, Bioy, and Boyadzhiev discuss the differences in costs between strategic-beta (smart beta) exchange-traded funds (ETFs) and their more passive peers.

Ung and Luk review some typical strategies that seek to track common factors in the U.S. market in order to understand better the characteristics of these strategies, both from a fundamental and a macroeconomic perspective. De Franco, Monnier, and Rulik study the time-dependent relationship between alternative beta strategies and the Fama–French factors. de Boer, LaBella, and Reifsteck present their taxonomy of smart beta strategies and distinguish between three stated portfolio construction objectives (enhanced diversification, factor investing, and fundamental weighting) and two investment outcomes (core exposure and style investing).

In our final article, Berger and McCarthy offer a "buyer's guide" for linking factor-driven strategies to investors' long-term objectives—one that may not mean "buying" any of the products on offer today.

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

Brian Bruce
Editor-in-Chief