THE JOURNAL OF index investing
ETFs, ETPs & Indexing

VOLUME 8, NUMBER 4 SPRING 2018

We begin the Spring issue with a discussion by Al-Abduljader regarding the re-emergence of the New Silk Road and its perceived implications for investment strategies. This article presents the argument that investors should consider an alternative to Brazil, Russia, India, China, and South Africa (BRICS) and divert investment attention toward cohesive, frontier economic blocs. Next, Ge confirms the existence of the mid-cap premium and finds that exposures to the size and profitability factors may explain this premium, suggesting that the mid-cap premium may help investors improve portfolio performance without adding significant extra risk.

In our continued focus on smart beta, Aw, Chen, Misrahi, and Sivin examine the impact of globalization on global equity investors by applying the globalization index equation to the global equity universe with a minimum market capitalization of $250 million. They find that most sectors are not global, as the regional influence is larger than the sector effect; however, more sectors are becoming global. Chow, Li, and Shim compare the qualitative properties and risk and return profiles of simulated multifactor portfolios constructed in accordance with two different methodologies: the integrating approach and the mixing approach.

Next, Khattree and Bahuguna consider the problem of reliable estimation of market betas by bringing all estimation problems to a common platform through bivariate Gaussian copula transformation. They then carry out the estimation of betas by combining it with the winsorized relative volatility of the asset. Staines, Wu, Li, and Romahi discuss multifactor portfolios and outline the impact of choosing modular or integrated portfolio construction in a variety of contexts, highlighting the factors that might indicate the use of modular over integrated construction or vice versa and providing evidence based on both stylized theoretical portfolio construction and back testing using real data.

We conclude the issue with Bouchey, Lutz, Nemtchinov, and Pritamani, who apply constraints to several factor strategies with an eye toward managing unintended exposures. They find that constraints reduce the noise and amplify the signal of factor-based strategies.

We welcome your submissions. Please encourage those you know who have good papers 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.

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