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We open the Spring issue with an analysis by Rowley, Thomas, and O'Hanlon of the effect of time of day on the average bid/ask spread of an exchange-traded fund (ETF). Their findings support the argument that investors should avoid trading near market open. Their analysis does not support the argument that investors should avoid trading near market close. Unexpectedly, after controls, they find higher spreads during Federal Open Market Committee announcements, suggesting that investors should be vigilant when trading at such times. Shulman evaluates ESG- (Environment, Social, and Governance) oriented strategies and presents research which demonstrates that entrepreneurial organizations develop stronger governance traits compared with "typical" companies. Additionally, their analytics indicate that an entrepreneur factor exists, and is one of the most significant factors in explaining excess returns. These entrepreneurs also contribute measurable ESG benefits.

Next, Giese, Lee, Melas, Nagy, and Nishikawa focus on how asset owners can implement ESG integration through index-based allocations to portfolios that seek to replicate ESG indexes. Index-based approaches offer consistency, transparency, and replicability and are generally cost-effective. Over a seven-year study period, global and regional versions of the MSCI ESG Leaders Indexes (as proxies for regional allocations) resulted in significant variations in their respective ESG profiles and performance, but in all instances, there was a clear reduction in all key risk measures. Kumar examines information content of ESG from a factor exposure perspective. They find that most of the returns of the four indexes evaluated are explained by the CAPM market factor and different asset pricing factors are significantly associated with returns of these ESG indexes. The analyses show that there is no information content in the overall ESG score in constructing a portfolio; instead, asset managers should incorporate relevant parameters forming part of the overall ESG score in their portfolio construction. They recommend that institutional investors should perform their duty of helping poorly ranked companies, with regard to ESG, in changing their structural framework and thereby improving their overall ESG score, thus gaining through ESG momentum.

To conclude this issue, Henriksson, Livnat, Pfeifer, and Stumpp argue that if skewness preferences underlie the low volatility anomaly, then a naïve low volatility strategy should be dominated by one that explicitly targets expected return skew. This article recommends a multi-factor alpha strategy that is based on avoiding index constituents that are perceived to have ex ante high relative skew. The authors demonstrate that portfolios constructed to avoid high expected skew

stocks outperform both low volatility strategies and several widely used US and global capitalization-weighted indexes.

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.

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