

Propositions:

I

Factor investing is a result of the constant interrelationship between academic research and the investment industry.

II

New additions (deletions) to public factor indices exhibit abnormally high (low) price reaction during the nine days between announcement and effective day.

III

There is no link between factor index additions (deletions) and improved (deteriorated) earnings expectations.

IV

The abnormal returns of factor index additions and deletions are driven by an exogenous shift in demand.

V

The abnormal price reaction before index rebalancing is a hidden cost to investors in factor indices.

VI

Investors should benchmark index fund managers versus the pro-forma index rather than the factor index to better reflect the true trading costs incurred by managers.

VII

High (low) quality stocks generate anomalously high (low) returns from the standpoint of prominent asset pricing models.

VIII

Quality measures predict stock returns if and only if they forecast earnings growth and this information is not contained in other characteristics that have been shown to drive expected returns on stocks.

IX

Mutual funds following factor investing strategies based on equity asset pricing anomalies earn significantly higher alphas than traditional actively managed mutual funds.

X

The actual returns investors earn by investing in factor mutual funds are significantly lower because investors dynamically reallocate their funds across factors.

XI

Rather than timing factors and factor managers, investors would be better off by using a buy-and-hold strategy and selecting a multi-factor manager