



FACTOR / STYLE INVESTING

Factor Momentum Everywhere

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In this article, the authors document robust momentum behavior in a large collection of 65 widely-studied, characteristic-based equity factors around the globe. They show that, in general, individual factors can be reliably timed based on their own recent performance. A time series “factor momentum” portfolio that combines timing strategies of all factors earns an annual Sharpe ratio of 0.84. Factor momentum adds significant incremental performance to investment strategies that employ traditional momentum, industry momentum, value, and other commonly studied factors. Their results demonstrate that the momentum phenomenon is driven in large part by persistence in common return factors and not solely by persistence in idiosyncratic stock performance.

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