

## F A C T O R / S T Y L E I N V E S T I N G

### Fact, Fiction, and Factor Investing

September 1, 2023 - [Michele L. Aghassi](#), [Cliff Asness](#), [Charles Fattouche](#), [Tobias J. Moskowitz](#)

This piece distills the central concepts and practical takeaways of our Fact, Fiction, and Factor Investing article, which examined many claims about factor investing, referencing an extensive academic literature and performing simple, yet powerful, analysis to address those claims.

## T A X A W A R E

### Tax Aware

May 3, 2023 - [Joseph Liberman](#), [Stanley Krasner](#), [Nathan Sosner](#), [Pedro Freitas](#)

On average, net losses realized by direct indexing loss-harvesting strategies taper off within the first few years after their inception, and these strategies also exhibit a high dispersion of net loss outcomes. We show that long-short strategies motivated by factor investing can significantly outperform direct indexing strategies from both a pre-tax and tax perspective.

## E Q U I T I E S

### Equities

May 3, 2023 - [Cliff Asness](#), [Antti Ilmanen](#), [Daniel Villalon](#)

International diversification has hurt US-based investors for over 30 years, but the long-run case for it remains relevant. We show that both financial theory and common sense favor international diversification, buttressed by empirical supportive evidence. Additionally we show it would be dangerous to extrapolate the post-1990 outperformance of US equities.

## A S S E T A L L O C A T I O N

### Asset Allocation

January 31, 2023 - [Antti Ilmanen](#)

Given 2022's cheapening of asset valuations, some have questioned if we are still in a world of low expected returns. We review what's changed after 2022, showing that the lower expected return picture has not been substantially altered for many asset classes. We provide some suggestions to potentially ameliorate the pain caused by this environment.

## F A C T O R / S T Y L E I N V E S T I N G



December 22, 2022 - [Michele L. Aghassi](#), [Cliff Asness](#), [Charles Fattouche](#), [Tobias J. Moskowitz](#)

Factor investing has been around for several decades, backed by an enormous body of literature, and yet it is still surrounded by much confusion and debate. We examine many of the claims about factor investing, referencing the academic literature and performing simple, yet powerful, analysis to address them.

## E S G I N V E S T I N G



August 2, 2022 - David F. Larcker, [Lukasz Pomorski](#), Brian Tayan, Edward M. Watts

We examine the recent concerns about the reliability of the assessments of ESG ratings providers. We review the demand for ESG information, the stated objectives of ESG ratings providers, how ratings are determined, the evidence of what they achieve, and structural aspects of the industry that potentially influence ratings. We find that while ESG ratings providers may convey important insights into the nonfinancial impact of companies, significant shortcomings exist in their objectives, methodologies, and incentives which detract from the informativeness of their assessments.

## P O R T F O L I O C O N S T R U C T I O N



Q1 2023 - [Alfie Brixton](#), [Jordan Brooks](#), [Peter Hecht](#), [Antti Ilmanen](#), [Thomas Maloney](#), [Nicholas McQuinn](#)

For the past two decades, the stock/bond correlation – a fundamental detriment of risk in traditional portfolios – has been consistently negative. However, this hasn't always been the case, and a positive stock/bond correlation could reappear due to macroeconomic changes. In this article, we assess the broad implications this would have for investors and set out practical steps to prepare for such an outcome.

## E S G I N V E S T I N G



May 1, 2022 - [Kate Liu](#), [Greg Hall](#), [Laura Serban](#), [Lukasz Pomorski](#)

To manage climate risks, investors need reliable climate exposure metrics, but such risks may be difficult to measure, particularly along the supply chain. Using broadly accessible data, we propose an intuitive metric that quantifies the exposure a company has to customers and suppliers. Our metric is related to scope 3 emissions and captures the strength of economic linkages as well as the overall climate exposure of a firm's customers and suppliers.

## T A X A W A R E





January 10, 2022 - [Nathan Sosner](#), [Roxana Steblea-Lora](#)

As a result of recent Treasury regulations, investors in investment partnerships, such as hedge funds, might end up recognizing capital gains when they contribute their partnership interests to a charity. We explain how such taxable gains upon charitable contributions arise and quantify how punitive they might be.

## F I X E D I N C O M E



September 7, 2021 - [Peter Diep](#), [Lukasz Pomorski](#), [Scott A. Richardson](#)

Interest in sustainable investing is now expanding into fixed income. This paper assesses how measures of sustainability/ESG might be relevant for corporate bonds and analyzes how ESG measures can be incorporated into an investment process to achieve the joint object of maximizing risk-adjusted returns and a sustainability target.

