



## FACTOR TIMING

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### The Siren Song of Factor Timing, aka “Smart Beta Timing,” aka “Style Timing”

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Everyone seems to want to time factors. Often the first question after an initial discussion of factors is “ok, what’s the current outlook?” And the common answer, “the same as usual,” is often unsatisfying. There is powerful incentive to oversell timing ability. Factor investing is often done at fees in between active management and cap-weighted indexing and these fees have been falling over time. Factor timing has the potential of reintroducing a type of skill-based “active management” (as timing is generally thought of this way) back into the equation. I think that siren song should be resisted, even if that verdict is disappointing to some. At least when using the simple “value” of the factors themselves, I find such timing strategies to be very weak historically, and some tests of their long-term power to be exaggerated and/or inapplicable.

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