Factor/Style Investing

Fact, Fiction, and Factor Investing

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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. Some of the rhetoric and myths have existed for a long time, while others have arisen in response to the difficult performance from 2018 to 2020 and the subsequent turnaround. This article examines many claims about factor investing; some are timeless, while others are focused on specific concerns that have emerged recently. We reference an extensive academic literature and perform simple, yet powerful, analysis to address these claims.

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