Volume 12 | Number 3 | Winter 2021

THE JOURNAL OF index investing
ETFs, ETPs & Indexing

To open this issue, Blitz examines the performance characteristics of thematic indexes using standard asset pricing theory and finds that thematic indexes generally exhibit strong negative exposures toward the profitability and value factors, implying that they trade against quant investors. In addition, if the negative factor exposures of thematic indexes persist, then this implies low expected returns from an asset pricing perspective. The author discusses possible motivations for investing in thematic indexes despite their unfavorable factor exposures.

Next, Poirier reports that interaction between intraday data and the structured investments market is largely undocumented. He tests two daily close-to-close models and three intraday "realized volatility" models that leverage the rich information dynamics found in intraday data. Results suggest the intraday "realized volatility" models produce more consistent volatility profiles without sacrificing performance.

To continue, Broby, McKenzie, and Bautheac propose an appropriate commodities benchmark for pension funds. They argue that factor model indexes (FMI) are a viable alternative to existing production-based indexes that use futures contracts. Their findings suggest that FMI benchmarks constructed using such an approach would allow commodity investors to measure their investment objectives better.

To complete this issue, Zhang examines the issues of environmental, social, and governance (ESG) rating divergence across rating firms, the impact on investors' choices, and the influence on the exchange-traded fund (ETF) industry. The author finds divergence appears to be the greatest on social and governance components and that certain economic sectors are more prone to ESG rating divergence than others. The author concludes with ways the ETF industry could improve its practice to better serve investors and sustain the growth of ESG impact investments.

As always, we welcome your submissions on beta strategies, indexing, ETFs, mutual funds, or related subjects. We value your comments and suggestions, so please email us at journals@investmentresearch.org.

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