



Fresh Insights on the Smart Beta Space

Stockholm (HedgeNordic) – Smart beta products aim to outperform traditional market cap-weighted indices by capturing sources of excess returns offered by proven, well-researched factors that stem from behavioral or structural anomalies. A recent survey conducted by EDHEC-Risk Institute among 163 European professional investors shows that the majority agrees that smart beta and factor investing offers significant potential for outperformance.

The EDHEC European ETF and Smart Beta and Factor Investing Survey 2018 offers insights into investors' perceptions on exchange-traded funds (ETFs), smart beta and factor investing products. The survey results suggest that the interest in smart beta and factor investing is mainly attributable to the pursuit of outperformance, as around 73 percent of respondents agree that products in this area present significant potential for beating traditional market indices. In addition, the transparency of these products is an essential attribute of their appeal.

Other important insights on smart beta and factor investing from the survey:

- Despite the majority of respondents agreeing that smart beta and factor

investing represents a practical way to achieve above-average returns, the actual implementation of such strategies continues to be at an early stage. Roughly 46 percent of respondents engage in smart beta and factor investing, with an additional 28 percent saying they were not considering adopting factor-based strategies in the future.

- Among those who engage in smart beta and factor investing, factor-based strategies account for a small fraction of the overall allocation. Around four-fifths of respondents (83 percent) allocate less than 20 percent of their capital to factor-based strategies, and only 11 percent of respondents allocate more than 40 percent of their capital to such strategies.
- Investors can get exposure to smart beta by either buying smart beta indices or using a pure active asset manager-led approach. Around 63 percent of respondents favor passive vehicles to engage in smart beta and passive investing, and 49 percent of respondents use active solutions.
- According to the survey's results, investors show increasing interest in fixed-income smart beta solutions and plan to increase exposure to such solutions. Roughly 17 percent of respondents already engage in smart beta and factor investing in fixed income. The results also indicate that investors seek development in the area of fixed income and alternative asset classes, with investors increasingly looking beyond the traditional equity-focused smart beta products.

The EDHEC European ETF and Smart Beta and Factor Investing Survey can be [downloaded here](#):

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