

Fundamentally Weighted Strategies Dispelling the 'value repackaged' myth

Many investors believe that a fundamentally weighted strategy is simply a value strategy under the guise of a new label. But a closer look at relative performance drivers tells a different story.

A fundamentally weighted strategy is more than just a value strategy.

An examination of historical returns shows that size and (negative) momentum factors can contribute to returns as much – or at times even more – than the value factor. Exposure to all these factors may be beneficial to investors.

Market environments can lead to different outcomes.

Fundamentally weighted and cap-weighted strategies can behave differently at different times in an investment cycle.

Fundamentally weighted strategies can offer diversification.

Fundamentally weighted strategies and their cap-weighted counterparts are constructed with distinctly different approaches, resulting in varying factor exposures. As such, fundamentally weighted strategies can add a level of diversification that can't be obtained through a cap-weighted strategy alone.

Asking the right questions

Given the many factors that drive equity performance, should I consider adding a fundamentally weighted strategy?

For further details, read [Understanding the Performance Drivers Behind Fundamentally Weighted Strategies*](#)

Fundamental Index® has outperformed value over longer periods



Source: Research Affiliates based on data from FactSet. July 31, 1996 – December 31, 2014. The Russell Fundamental US Large Company Index launched on 2/24/2011. Index returns prior to launch are backtested. Back-tested performance is hypothetical and done with the benefit of hindsight. Past performance of a back-tested model is not a guarantee that the model will produce similar results in the future. Returns include the reinvestment of dividends and capital gains.

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There can be no assurance that the Fundamental Index methodologies will achieve their desired outcomes. Each investing strategy brings with it its own set of unique risks and benefits. Past performance does not guarantee future results.

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Diversification does not eliminate the risks of investment losses.