

ETF
Research
Academy

The Role of ETFs in Portfolio Management

ETF Research Academy 2017



Research Papers
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Welcome

The Role of ETFs in Portfolio Management

The ETF Research Academy was launched in 2014 as a joint initiative between Lyxor Asset Management and the Université Paris-Dauphine House of Finance.

In contrast to the abundance of research available on the asset management industry as a whole, there is little work dedicated to the rapidly growing field of ETFs and indexing. The ETF Research Academy aims to readdress this balance; to tackle the issues the industry is facing, and to answer the questions of those who invest.

As the market expands towards new geographies and investors, the role of independent research can only grow. The ETF Research Academy is committed to taking the debate further, to exploring the industry from every angle, and to growing the understanding of investors, regulators and market participants.

We hope you enjoy the read.

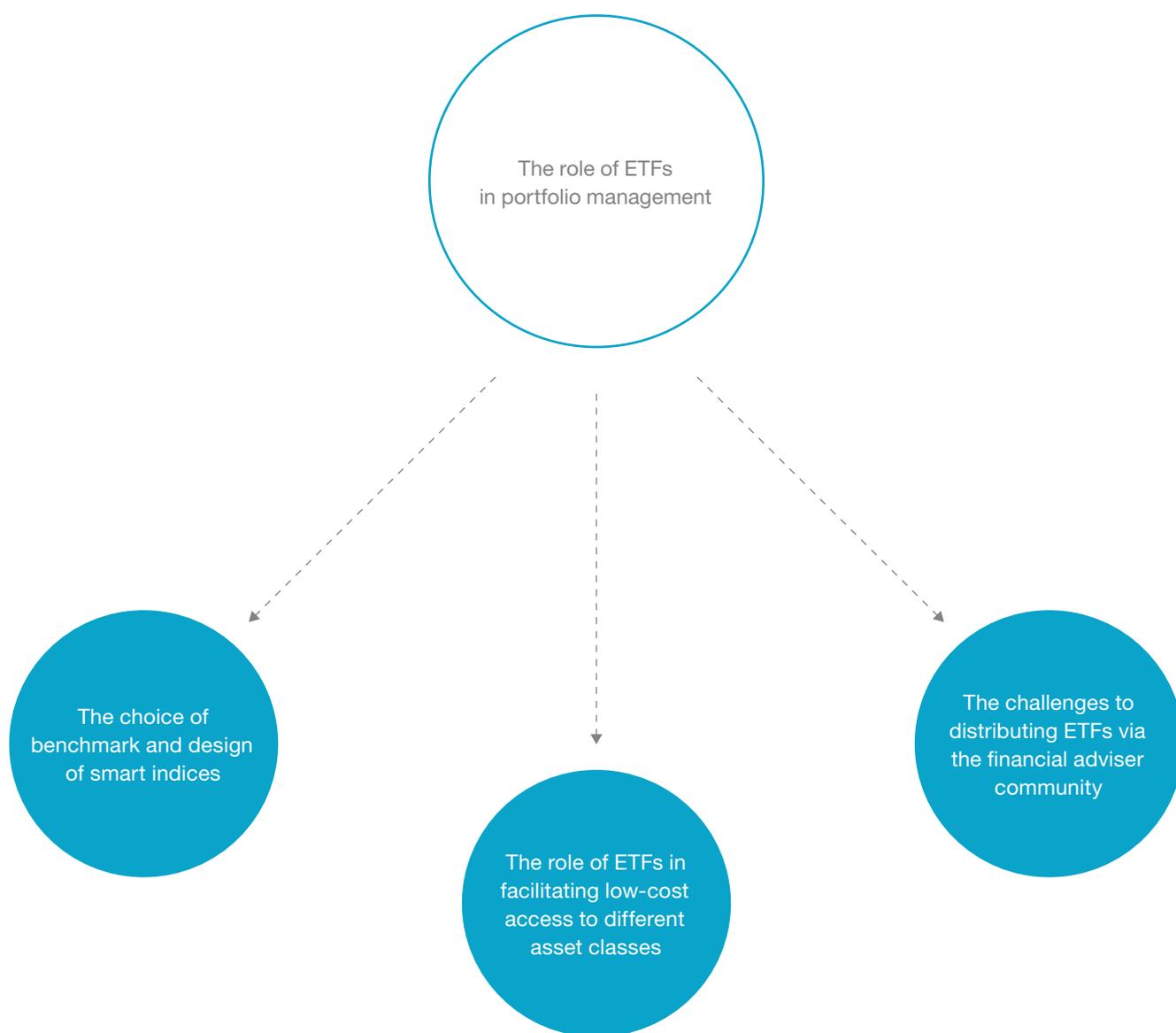
Marlène Hassine Konqui
Head of ETF Research



What's the central theme for 2017?

This year, the ETF Research Academy turned its focus towards the role of ETFs in portfolio management.

The five research papers sponsored by the Academy explored different elements of the value chain underlying ETFs



Introducing the papers

The papers submitted by researchers for the 2017 ETF Research Academy cover all angles of the topic “the role of ETFs in portfolio management”.

The choice of benchmark and design of smart indices

Fifty Ways to Beat the Benchmark? Designing Optimally-Diversified Smart Beta ETFs

De Miguel – London Business School

Martin-Utrera – Lancaster University Management School

Nogales, Uppal

- ▶ The optimal design of smart beta and active ETFs
- ▶ Which firm-level characteristics are significant in portfolio design
- ▶ How investors can use a big data approach to improve estimated portfolio performance

The challenges to distributing ETFs via the financial adviser

The Missing Link

Hunt – Griffith Business School

- ▶ Why do financial advisers not recommend more ETFs to their clients?
- ▶ Information asymmetry in financial adviser/client relationships

Facilitating low-cost access to different asset classes;

Exchange Traded Products and the Price Discovery Function of Commodity Futures Markets

Lambinet – Wesave.fr , Lautier - Paris Dauphine

Villeneuve – Paris Dauphine

- ▶ How the introduction of ETPs affects price discovery in precious metals
- ▶ What is the informational content of commodity ETP prices

Bond ETFs and Price Volatility of Underlying Securities

Agapova – Florida Atlantic University

Volkov – Stetson School of Business

- ▶ The impact of ETFs on the price and volatility of corporate bonds
- ▶ How controlling for bonds' credit quality affects the results

Do ETFs increase the commonality in liquidity of underlying stocks?

Agarwal – J. Mack Robinson College of Business

Hanouna – Georgia State University

Moussawi – Georgia State University

Stahel – US Securities and Exchange Commission

- ▶ The impact of ETFs on the co-movement (commonality) of liquidity of the ETF constituents
- ▶ Whether higher arbitrage activity in ETFs increases or decreases liquidity co-movement

Who should be interested in the research papers?

The role of ETFs in portfolio management, the central theme of the ETF Research Academy 2017, should be a topic of interest not only to ETF and index specialists, but also to the broader investment management community, traders, other market participants, consultants, journalists and regulators.

When and how will the ETF Research Academy 2017 present its results?

ETF research Academy academic papers will be released one by one throughout the year. We are launching the Academy this year with the Smart Beta event to be held on February 28th 2017: Smart Beta 3.0 theory, implementation and new challenges. The rest will be unveiled as the year progresses.

What did the ETF Research Academy cover in 2016?

Last year, the Academy sponsored five research papers with a common theme of **ETF liquidity**. The researchers examined topics such as;

- ▶ The link between ETF liquidity and that of the underlying basket (Calamia, Deville, Riva)
- ▶ ETFs and corporate bond liquidity (Sultan)
- ▶ The role of ETFs in intraday price discovery (Wermers)
- ▶ How ETF trading affects local markets (Boehmer)
- ▶ The role of the primary market in determining ETF liquidity, based on a new theoretical model (Malamud)

You can find out more about the Academy and the most recent research at www.lyxoretf.com

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