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S&P Indices Announces Winners of First Annual SPIVA Awards Program

Winning Research Explores Why Equal-Weighted Portfolios Outperform Value, Price-Weighted Portfolios

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NEW YORK, March 19, 2012 /PRNewswire/ -- A team of researchers from London and Frankfurt have claimed first prize (USD $50,000) for their comprehensive study into why equal-weighed portfolios outperform value- and price-weighted portfolios in S&P Indices first annual SPIVA Awards program. Second prize (USD $25,000) in the SPIVA Awards program went to a team of researchers from California for proposing a new measure of liquidity risk using ETFs.

In its inaugural year, the S&P Indices SPIVA Awards recognizes excellence in research on the topic of index-related applications, acknowledging researchers from around the world for exploring innovative techniques that enhance the use of indices in the financial markets. Winners are selected by a jury of academics and industry experts.

The winning paper, "*Why Does an Equal-Weighted Portfolio Outperform Value- and Price-Weighted Portfolios?*" published by Yuliya Plyakha and Grigory Vilkov of Goethe University in Frankfurt and Raman Uppal of Edhec Business School in London, is an extremely meticulous investigation into the outperformance of equal weighted portfolios. Using a broad array of statistical techniques, the paper demonstrates that the relative outperformance of equal weighting is driven not just by higher exposure to well-known systematic value and size factors, but via the built-in alpha of equal weighting approaches. An equal weight portfolio must be rebalanced periodically, in effect buying the losers and selling the winners.

Honorable mention (second prize) was awarded to the team of George Chacko and Sanjiv Das of Santa Clara University and Rong Fan of Gifford Fong Associates for their research paper entitled "*An Index-Based Measure of Liquidity*" which proposes a new measure for liquidity risk using ETFs. The new measure proposed within the research is long ETFs and short the underlying components of that ETF. The authors validate their new metric by using 10 different bonds ETFs across markets from emerging market bonds to mortgage backed securities, demonstrating that bond market illiquidity correlates significantly with equity market illiquidity, with the latter tending to lead the former. In an interesting final twist, the paper uses the new metric to provide compelling evidence of how hedge funds are exposed to liquidity risk.

"Both of these papers address major issues currently facing investors," says David Blitzer, Managing Director and Chairman of the Index Committee at S&P Indices. "The winning paper on the outperformance of equal weighted portfolios brings extensive empirical research to bear on debates of the last ten years concerning how to weight indices. The analyses show how well recognized size, value and momentum effects lead to equal weight performance results. The second paper uses ETFs in an innovative approach to measuring liquidity to recognize heightened market risk."

To view the complete papers, as well as the biographies of each SPIVA Awards winner, please visit: www.spindices.com/spiva.

About SPIVA
The SPIVA scorecard reveals quarterly performance data for U.S. equity, international and fixed income mutual funds benchmarked against appropriate asset class indices. More than 3500 actively managed funds are covered in the scorecard. Mutual fund data is derived from CRSP® Survivor-Bias-Free U.S. Mutual Fund Database.

The SPIVA methodology is designed to provide an accurate and objective apples-to-apples comparison of funds' performance versus their appropriate style indices, correcting for factors that have skewed results in previous index-versus-active analyses in the industry. SPIVA scorecards show both asset-weighted and equal-weighted averages, include survivorship bias correction to account for funds that may have merged or been liquidated during the period under study, and show style consistency for each style group across different time horizons.

About S&P Indices
S&P Indices, a leading brand of the McGraw-Hill Companies (NYSE: MHP), maintains a wide variety of investable and benchmark indices to meet an array of investor needs. Over $1.45 trillion is directly indexed to our indices, which includes the S&P 500, the world's most followed stock market index, the S&P/Case-Shiller Home Price Indices, the leading measure of U.S. home prices, the S&P Global BMI, an index with approximately 11,000 constituents, the S&P GSCI, the industry's most closely watched commodities index, and the S&P National AMT-Free Municipal Bond Index, the premier investable index for U.S. municipal bonds. For more information, please visit: www.standardandpoors.com/indices.

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