

- **Performance Through Market Cycles:** Fundamental indexing may outshine market-cap-weighted indexes in certain cycles, particularly when market prices are not reflective of underlying company value due to speculative trading.
- **Impact of Size and Price Filters:** The exclusion of small-cap and lower-priced stocks may lead to reduced volatility but could also result in missed opportunities for higher returns that these assets can sometimes offer.
- **Diversification and Risk:** Fundamentally weighted portfolios, by not concentrating on the largest market-cap companies, may offer better diversification and potentially lower risk profiles.
- **Comparison with Factor Returns:** Fundamental indexes may differ in their exposure to MKT, SMB, and HML factors, influencing performance across business cycles.
- **Sharpe and Information Ratios:** These ratios provide insights into the risk-adjusted performance of fundamental indexes versus market-cap-weighted indexes.
- **Adaptability to Market Changes:** Annual rebalancing may reduce responsiveness to immediate market shifts, providing both protection and potential delay in adjusting to economic conditions.
- **Performance in Recessions vs. Expansions:** Fundamental indexes might show resilience during recessions due to strong company fundamentals, while market-cap indexes may capture the upside more quickly during expansions.
- **Risk-Adjusted Return Strategies:** Emphasis on risk-adjusted returns can appeal to risk-averse investors, particularly in volatile periods.
- **Filtering Effect:** Eliminating small-cap and penny stocks aims to create a more stable investment universe.
- **Variable-Based Weighting:** Using market variables for weighting introduces a portfolio behaviour that can adapt differently across market conditions.
- **Rebalancing and Timing:** Annual rebalancing may result in a lag in market responsiveness but can also reduce transaction costs and overtrading.
- **Comparison with Market Cycles:** It's crucial to observe how alternate strategies perform across various economic phases, including downturns and recessions.
- **Performance Metrics:** Calculating comprehensive risk and performance metrics like volatility, skewness, and kurtosis helps in assessing the portfolio's risk profile.
- **Comparison with Factor Returns:** It's informative to see how alternate indexing compares with known risk factors like MKT, SMB, and HML.

- Alternative vs. Market Cap Indexing: Alternate indexing strategies, such as return-based indexing, focus on the risk-return characteristics of stocks, potentially offering advantages in certain market conditions.