

# Evaluating Style Investment

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## **Abstract**

Within the institutional investment domain, style investing has been employed as the dominant scheme for equity diversification. This paper evaluates characteristics of the equity style segmentation from the end users' perspectives (individuals and institutions) rather than intermediaries' (index funds and active funds). We construct customized indices corresponding to style and industry segmentations from the stocks traded in NYSE, Nasdaq, and AMEX, and analyze them along with the historical data from actual indices. The traditional style definitions lack several key aspects such as stable definition, diversification capability, low turn-over, and potential performance enhancement under the current practical settings.