# Finance Research Seminar

## " Do Smart Beta ETFs Capture Factor Premiums? A Bayesian Perspective "

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**ABSTRACT**

We investigate which factors matter to explain the returns of smart beta and conventional ETFs using a Bayesian approach. We find that smart beta ETFs are well explained by the market, size and the betting-against-beta factor, whereas conventional ETFs are explained by the market, the quality-minus-junk factor, and a value factor. Smart beta ETFs benefit from their exposure to the betting-against-beta factor, but still underperform on a risk-adjusted basis, while the factor exposure of conventional ETFs is purely detrimental. Our results suggest investors should be skeptical about the ability of smart beta ETFs to capture factor premiums.

- **Paris: Room PR13,** Promenade building
- **Lille: Visio Room B252**, B-Building, rue de la Digue