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Academic Alpha

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Well-constructed alternative risk premia (ARP), or style premia, strategies have delivered positive, uncorrelated returns at modest fees over the long run. After gaining popularity in the 2010s for their academic grounding, diversification properties, transparency, and low fees, the category faced a challenging period during the "Quant Winter" of 2018–2020. While some investors lost faith in the concept, many strategies subsequently experienced a strong recovery, and we continue to believe style premia can make a valuable contribution to investor portfolios.

In this paper, we revisit the concept and benefits of style premia investing through the lens of "academic alpha"—sources of return grounded in well-established academic research. We discuss why identifying robust and implementable factors within the so-called "factor zoo" requires substantial manager skill, and how practitioners can improve and expand upon academic ideas through better signal measurement, broader asset-class applications, portfolio construction and risk management.

We also explore how continued innovation—including new signals and techniques, expanded investment universes, and advances in portfolio implementation—is making the boundary between academic and proprietary quantitative strategies increasingly blurred. More sophisticated academic alpha strategies may offer investors a powerful diversifier with liquidity, transparency and a source of uncorrelated returns.

This document is not intended to, and does not relate specifically to any investment strategy or product that AQR offers. It is being provided merely to provide a framework to assist in the implementation of an investor’s own analysis and an investor’s own view on the topic discussed herein.

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