Title: **SIZE MATTERS, IF YOU CONTROL YOUR JUNK**

Speaker: **TOBIAS MOSKOWITZ**
University of Chicago, Booth School of Business

Importance: Why this matters:

One of the favorite anomalies prior to the 1980's was the "small stocks outperform in January" (and similar variants.) In the '80's and the '90's, the effect disappeared, and "resurrected" somewhat in the 21st century. Moskowitz's work shows that the size effect did not disappear and resurrect if one incorporates a measure of quality into the estimating equations.

Investigation: "Speaker analyzed XXX data to address the questions yyy, zzz, etc."

Another study applying the CRISP data, applied the Fama/French small-minus-big factor and inserted various measures of quality based on profitability, growth, safety and payout. He defines quality as "characteristics that, all-else-equal, an investor should be willing to pay a higher price for: stocks that are safe, profitable, growing and well managed."

The goal was to investigate such historical observations about the rise and fall of size effect, the strange January effect, the illiquidity effect and the weakness in international analyses.

Innovation: Are there new techniques of interest in the data or approach to the problem?

A fairly standard approach of tie series analysis of cross-sectional data, applying minor variations of Gordon's growth model.

Insights: 1-2-3, what are the three most important things the speaker offered?

Moskowitz concludes that when controlling for quality AND incorporating a size measure, the size premium is:

1. Stable through time and robust out of sample;
2. Not concentrated in "extreme" stocks
3. More consistent across seasons and markets
4. Robust to non-price based measures of size
5. Not captured by an illiquidity premium
6. More consistent internationally

Bottom line, it was the low-volatility, high quality stocks that drove the high average returns.

Audience rating: 3.89