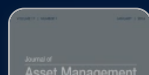


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# Equity-style timing: A multi-style rotation model for the Russell large-cap and small-cap growth and value style indexes

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outperform the best performing buy-and-hold portfolio. The profitability of such strategies is robust to reasonable levels of transaction costs.

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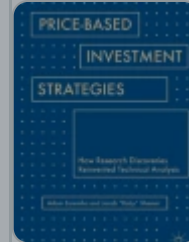
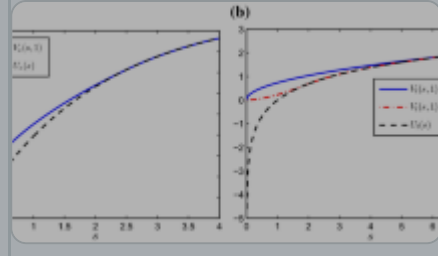
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5. This variable is the Conference Board announcement of the change in the consumer confidence index. It is the announced estimate for month  $t$  less the estimate of month  $t-1$  as reported at month  $t$ . For the CPI, the variable used for time  $t$  is the announced level at month  $t$ , which actually corresponds to the level of the CPI at  $t-1$ , less that of the previous month.
6. The geometric mean difference between the long-term government bond and US 30-day T-bills returns.
7. The difference between the earnings to price ratio (E/P) of the S&P500 and the long-term government bond yield.
8. The geometric mean difference between long-term corporate and government

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classes, we estimated several models imposing probability cutoffs. Results show that default strategy does as well as other cutoff strategies. The results of this exercise are available from authors upon request.

12. As a further check of the performance of the style investment strategies, we also looked at the simple small cap vs large cap and the value vs growth dichotomies. Based on the Russell 1000 (2000) index as the benchmark large-cap (small-cap) portfolios, the terminal wealth on a \$100 investment in January 1984 to December 2000 would have been \$1253.99 (\$579.76) corresponding to a monthly return of 1.022 per cent (0.86522 per cent). Using the Fama-French Value vs Growth benchmarks, we note that the terminal wealth on a \$100 investment in the Fama-French Value (Growth) in January 1984 to December 2000 would have been \$1,136.08 (\$1,172.253) corresponding to a monthly return of 1.19838 per cent (1.21392 per cent). It

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16. We also compared the default strategy (of choosing the asset class with the highest *ex ante* probability) with two momentum strategies, consistent with Jegadeesh and Titman, Carhart, and others. Momentum 1(2) is formed as the portfolio in which the investor invests 100 per cent in month  $t$  in the asset class that performed best in the previous year (month  $t-1$ ); the default model has the investor place 100 per cent in the asset class with the highest *ex ante* probability each month; cut-35-Lg-Sg is the trading rule: if  $(\text{Prob } t+1 > 0.35)$  for one or more of the indices, then invest 100 per cent in the index with the highest conditional probability; or else if  $(\text{Prob } t+1 \leq 0.35)$ , invest 50 per cent in both the Russell 1000 Growth index and the Russell 2000 Growth index.

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