
“FREEDOM” INDEXING AND MARCHING FOR THE FALLEN

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On last week’s episode of the “Behind the Markets” podcast, Liqian Ren and I were joined by Perth Tolle of Life + Liberty Indexes and Wes Gray, CEO of Alpha Architect, to discuss a new index inspired by “freedom” that Tolle created. During the latter portion of the podcast, we discussed the March for the Fallen, a 28-mile hike to honor fallen soldiers from Pennsylvania. Alpha Architect has rallied a tremendous turnout from the finance community to march alongside army veterans, and this year we want to assemble the biggest finance group yet (here’s an extra nudge to my WisdomTree colleagues).

A “Freedom”-Weighted Index Results in No China Exposure

Tolle has two interesting factors in the construction of the Freedom 100 Emerging Markets Index.

- First, there is a 79-factor freedom score that serves as the dominant factor in determining country selection, which results in a very different country exposure profile than traditional emerging market indexes. Whereas traditional [market cap](#) indexes have around 30% exposure to China, Tolle’s index has no weight in China whatsoever. From a pure [tracking error](#) perspective, Tolle sees high exposure to Korea and Taiwan, two proxies for the Asian market, as mitigators of China’s absence.
 - Some other notable exclusions from the Freedom 100 are Brazil and Russia, which are often critical pieces of emerging markets.
 - Two countries the Freedom 100 includes more significantly are Poland and Chile.
- To embody the freedom of corporate governance, Tolle is the only other index provider that we know of outside WisdomTree that utilizes an [ex-state-owned enterprises](#) methodology in establishing which companies to own. Tolle discussed trying to lower government influence in the index by not screening at just the country level but also the constituent level, and that is what led her to ex-state-owned companies. These tilts result in more technology and consumer stocks and fewer energy, materials and financials companies, which is something we find in our indexes as well.

Free Trade Is an Important Factor

With trade discussions dominating headlines in the markets, it was timely for Tolle to describe how countries that place trade barriers and tax imports receive lower scores than countries that don’t place trade barriers.

In Tolle’s freedom concept, she is looking at freedom of life, liberty and property,

with a big emphasis on economic and personal freedom.

March for the Fallen

In addition to recruiting for a bigger overall turnout, Tolle wants to recruit more women for the March for the Fallen, which is the weekend of September 28. Not everyone has to finish the 28 miles, either—Tolle did 14 miles last year.

We discussed different training regimens, including my wife Bonnie's complete lack of training. While the trail is vigorous, with the right mindset and being generally physically fit, many people are able to complete most (if not all) of the course with minimal preparation.

Others, like Gray, will carry a 35-pound rucksack and run the event, while some participants, including Corey Hoffstein, will carry 75 pounds. I will be there just trying to make it through the event. A recap of my [first time marching in the event can be found here](#).

Why Should You Attend?

- To honor the fallen
- To challenge yourself both mentally and physically (28 miles on rugged terrain)
- To network with interesting and honorable people

To register for the event, you can visit this [link](#).

Please listen to our podcast with Gray and Tolle below.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market Outlook](#)

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Market Capitalization: Market cap = share prices x number of shares outstanding. Firms with the highest values receive the highest weights in approaches designed to weight firms by market cap.

Tracking Error: Can be discussed as both the standard deviation of excess return relative to a specific benchmark, or absolute excess return relative to a specific benchmark.

Ex-SOEs: ex-state owned enterprises or companies that are neither wholly or partially owned and operated by a government.