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The Lazy Man's Momentum Strategy

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ABSTRACT

Momentum strategies have a long track record of profitability across countries and asset classes. Institutional investors have embraced them long ago, but individual investors find them difficult to implement, at least in part due to the frequent rebalancing these strategies typically require. This article proposes a lazy man's momentum strategy, based on semi-annual rebalancing and small portfolios. The results reported here show that this lazy strategy beats a passive benchmark (the MSCI World Index), delivering higher return and compounding power, and higher risk-adjusted return, over the last 50+ years.

KEYWORDS

Momentum Factor; Factor Investing; Smart Beta; Winners Minus Losers; Six-Factor Model

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1. Introduction

Momentum strategies, which essentially buy recent winners and sell recent losers, have a long history in portfolio management and been long embraced by institutional investors. These strategies, however, are not easy for individual investors to implement; this is largely because momentum strategies typically require frequent rebalancing, which most individual investors are unable or unwilling to implement, particularly when the portfolios involve a large number of assets. Would it be possible, then, to devise a simple momentum strategy involving both less frequent rebalancing and a small number of assets?

Perhaps soccer (European football) may offer a contrarian hint. "*It's a game of two halves*" is a phrase widely used by UK managers and commentators to highlight that a team that dominated in the first half may instead be dominated in the second; that is, momentum may shift from one half to the next. Curiously, however, over the last three Premier League seasons, teams that are winning at the end of the first half go on to lose the match only around 10% of the time.[1] In other words, momentum is a powerful force in soccer.

Could focusing on 'half-time performance' be useful when implementing a momentum strategy for stocks? This article tests a strategy in which winners and losers are determined by their performance over the most recent half a year, thus requiring rebalancing only twice a year. The strategy is implemented not with individual stocks but with country indexes, thus involving portfolios with a small number of assets. The combination of a low rebalancing frequency and small portfolios justify calling the strategy proposed the *lazy man's momentum strategy* (LMMS).

The results for a long-short version of this strategy show that it delivers a positive and statistically-significant risk premium. It's long-only version, which invests in the winners of a semiannual horse race, outperforms a passive benchmark (the MSCI World Index) in terms of return, with over twice the compounding power over 30 years, as well as in terms of risk-adjusted return.

The rest of the article is organized as follows. Section 2 provides a very brief overview of the literature and the big picture of the strategy considered; section 3 discusses the results for the long-short and the long-only versions of the strategy, as well as some extensions; and section 4 provides an assessment. An appendix with exhibits concludes the article.

2. Background

2.1. A Glimpse of the Literature

Momentum strategies, which essentially buy recent winners and sell recent losers, have a long history in portfolio management, dating back at least to the early 1990s. Jegadeesh and Titman's (1993) seminal article finds that U.S. stocks that perform the best (worst) over the most recent 3 to 12 months tend to continue to perform well (poorly) over the subsequent 3 to 12 months. Carhart (1997) adds the momentum (winners minus losers) factor to the Fama-French's three-factor model, thus introducing a four-factor model.

Jegadeesh and Titman (2001) find that momentum strategies continued to be profitable in the 1990s, after the publication of their previous article. Asness et al (2013) broaden the scope of the research on momentum strategies and find that they are profitable across four countries and four asset classes. Finally, Jegadeesh and Titman (2023) assess the post-2000 performance of these strategies; discuss potential explanations for their profitability, including risk-based and behavioral theories; and provide a good review and assessment of the recent literature (to which the reader is referred).

[1] See Edelstein (2025), whose article in the Financial Times partly inspired the strategy proposed here.

2.2. The Strategy

The lazy man's momentum strategy (LMMS) proposed here is referred to as 'lazy' for two reasons: First, it does not require frequent rebalancing; and second, it is implemented with a small number of assets in all portfolios. In fact, rebalancing takes place only twice a year, at the end of June and at the end of December; and the long-only portfolio never exceeds 11 assets, each consisting of a country index.

Importantly, the lazy rebalancing frequency of twice a year is the same as that suggested by Vanguard as providing "a reasonable balance between risk control and cost minimization" for most investors; see, Jaconetti et al (2010). Also importantly, the strategy is implemented with country indexes of developed markets, all (but one) of which that currently have ETFs that replicate their performance.

To be sure, this article does not aim to be a broad inquiry into momentum strategies; rather, it narrowly focuses on the specific LMMS proposed here, with some additional but limited extensions. That said, the results reported and discussed here are valuable from the perspective of offering (largely) individual investors a specific momentum strategy that they should be able to implement without institutional-level tools.

3. Evidence

3.1. Data and Methodology

The data consists of the entire MSCI database of developed markets, from each country's inception in the database and through the end of 2024. The number of countries varies over time, with a minimum of 17 and a maximum of 23. The benchmark against which the momentum strategy considered here is evaluated is the MSCI World index, consisting of all the developed countries in the sample, weighted by market cap. All returns are monthly, nominal, in dollars, and include capital gains/losses and dividends. Exhibit A1 in the appendix reports some summary statistics for all the countries in the sample and the World benchmark.

Of the 23 countries in the sample, 17 have their inception date in Dec/1969. With these countries, the first portfolio is built at the end of Jun/1970, after observing their return performance over the first six months of 1970. The eight countries with the highest return are placed in the 'Winners' portfolio, and the remaining nine countries in the 'Losers' portfolio, with equal weights in both cases. At the end of Dec/1970 the same process is repeated, based on the return performance of each country in the second half of the year. The same process is then repeated year after year through the end of 2024, with countries being added to the analysis as they are incorporated into the database.

3.2. Results

The methodology just outlined yields two portfolios, one of Winners, containing the rolling best performers over the previous six months; and one of Losers, containing the rolling worst performers over the previous six months. Countries go into and out of each portfolio depending on their most recent six-month performance over time; in fact, all countries make it at least once into the Winners and the Losers portfolios.[2] Table 1 summarizes the performance of the long-short and long-only versions of the lazy man's momentum strategy (LMMS).

Table 1. LMMS – Performance.

This table shows summary statistics for the monthly returns of three portfolios, Winners Minus Losers (WML),

[2] With 17 (22) [23] countries in the sample, the Winners portfolio has 8 (11) [11] countries, and the Losers portfolios has 9 (11) [12] countries.

Winners, and Losers, all as defined in the text, as well as for the World benchmark. The statistics include the arithmetic (AM) and geometric (GM) mean return, volatility (SD), correlation to the World benchmark (Rho), risk-adjusted return (RAR = AM/SD), annualized return (AGM) and volatility (ASD), and the value at the end of Dec/2024 of $100 invested in Jun/1970. It also includes the terminal value of $100 invested over 10 (T10), 20 (T20), and 30 (T30) years at the AGM of each strategy. Returns in percent and terminal values in dollars. The data is described in Exhibit A1 in the appendix.

	Panel A	Panel B		
	WML	Winners	Losers	World
AM	0.32	1.15	0.83	0.92
GM	0.28	1.03	0.71	0.82
SD	2.60	4.87	4.93	4.27
Rho	-0.06	0.87	0.89	1.00
RAR	0.12	0.24	0.17	0.21
AGM	3.46	13.09	8.88	10.34
ASD	8.99	16.88	17.07	14.80
TV	639	81,600	10,302	21,320
T10	141	342	234	267
T20	197	1,171	548	715
T30	278	4,007	1,282	1,914

Panel A shows the performance of the long-short version of the LMMS, going long Winners and short Losers, and therefore labeled Winners Minus Losers (WML). This strategy generated an average monthly risk premium (AM) of 32 basis points, which is both positive and statistically different from 0 at the 5% level of significance. The strategy, which is essentially uncorrelated to the World benchmark (Rho = –0.06), delivered an annualized risk premium (AGM) of 3.5% with annualized volatility (ASD) of 9.0%.

Perhaps more interesting for individual investors are the results of the long-only LMMS; that is, a portfolio of Winners. As panel B shows, this strategy delivered an annualized return of nearly 13.1%, outperforming the World benchmark by 275 basis points per year. Although its annual volatility of 16.9% was a bit higher than that of the benchmark (14.8%), it still produced a slightly higher risk-adjusted return (RAR = AM/SD = 0.24) than that of the benchmark (0.21).[3]

The terminal value of $100 invested in Jun/1970 is nearly four times higher in the LMMS ($81,600) than in the World benchmark ($21,320), clearly a substantial difference for long-term investors. In fact, after 10, 20, and 30 years, $100 invested in the LMMS compounded at its annualized return would turn into $342 (T10), $1,171 (T20), and $4,007 (T30), which amount to nearly 28%, 64%, and 110% more than the same $100 invested in the World benchmark.

Finally, note that the sorting methodology underlying the LMMS produces a substantial difference between the Winners and the Losers portfolios, with the former clearly outperforming the latter in terms of return and risk-adjusted return. In addition, relative to the World benchmark, the Losers portfolio has both lower annual return (8.9% versus 10.3%) and higher annual volatility (17.1% versus 14.8%).

In short, the long-only version of the LMMS, which would be easy for individual investors to implement, clearly outperforms a passive, cap-weighted investment in the World benchmark. In fact, some two percentage points of higher annual volatility seems to be a small price to pay for compounding power that would result in more than twice the capital accumulated over 30 years than an investment in the benchmark would.

[3] Based on the Jobson-Korkie-Memmel test, the difference in risk-adjusted return is not statistically significant at the 5% level of significance.

3.3. Further Discussion

In a nutshell, the results for the LMMS proposed here show, first, that its long-short version produces a positive and statistically-significant risk premium; and second, that its long-only version clearly outperforms a passive World benchmark in terms of return (hence compounding power) and to a lesser degree in terms of risk-adjusted return as well. A few caveats, remarks, and extensions follow.

First, the LMMS proposed here, based on country indexes, can be easily implemented with widely-available, low-cost, country ETFs. With the exception of Portugal, the rest of the countries in the sample have at least one ETF (and in most cases many) that provides a diversified exposure to its stock market. As an example, Exhibit A2 in the appendix shows BlackRock ETFs (iShares) that could be used to implement the LMMS.

Second, as is fairly standard in the literature, transaction costs and taxes are not considered in the analysis. Taxes differ markedly across countries and even across individuals within any given country, so the consideration of any specific tax structure would detract from the general analysis intended here. Transaction costs, on the other hand, are bound to be higher in the LMMS than in the World benchmark, but the annual return difference of 275 basis points in favor of the former is large enough to be able to absorb the relevant transaction costs and still maintain a substantial return advantage.

Third, although the LMMS advocates that being lazy works, being lazier does not. In particular, panel A of Table 2 shows some summary statistics for the long-only LMMS as well as for a 'Lazier' strategy that rebalances only once a year, at the end of June, thus skipping the December rebalancing. As the table shows, relative to the LMMS, being lazier produces a portfolio with lower return, higher volatility, lower risk-adjusted return, substantially lower terminal wealth, and lower compounding power over periods of 10, 20, and 30 years.

Table 2. LMMS – Further Analysis.

This table shows results for the long-only LMMS and a Lazier strategy, both as defined in the text, in panel A; results for the same two strategies but omitting the most recent month when building all portfolios in panel B; and regression results for the long-short version of the LMMS as the dependent variable and six independent variables, namely, the Market Risk Premium (MRP), Small Minus Big (SMB), High Minus Low (HML), Robust Minus Weak (RMW), Conservative Minus Aggressive (CMA), and Winners Minus Losers (WML) in panel C. The summary statistics include the annualized return (AGM) and volatility (ASD), risk-adjusted return (RAR), the value at the end of Dec/2024 of $100 invested in Jun/1970, and the terminal value of $100 invested over 10 (T10), 20 (T20), and 30 (T30) years at the AGM of each strategy. Returns in percent and terminal values in dollars.

	Panel A		Panel B		Panel C			
	LMMS	Lazier	LMMS	Lazier	Variable	Coef.	t-Stat	p-value
AGM	13.09	12.28	12.85	12.05	Intercept	0.00	0.81	0.42
ASD	16.88	17.37	16.85	17.40	MRP	-0.05	-1.93	0.05
RAR	0.24	0.22	0.23	0.22	SMB	-0.02	-0.32	0.75
TV	81,600	55,139	72,552	49,301	HML	0.06	1.02	0.31
T10	342	318	355	312	RMW	0.11	1.52	0.13
T20	1,171	1,014	1,121	973	CMA	-0.12	-1.47	0.14
T30	4,007	3,229	3,756	3,036	WML	0.26	9.28	0.00

Fourth, when sorting winners and losers the literature on momentum strategies favors omitting the most recent month. The reason for doing so is to avoid a one-month reversal in return, often attributed to liquidity (bid-ask spread, price pressure) and lagged reactions. Panel B of Table 2 shows the results of implementing the LMMS and the Lazier strategies by omitting the most recent month when building all portfolios; that is, by running all the

horse races on the basis of five (rather than six) months. As the table shows, relative to the results in panel A, this omission does not improve the performance of either strategy; rather, it makes it a bit worse.

Finally, panel C of Table 2 shows the results of a regression between the long-short version of the LMMS and the developed markets version of the Fama-French five-factor model, augmented by the momentum factor.[4] More precisely, the dependent variable in the regression is the WML portfolio of the LMMS; and the independent variables are the market (Market Risk Premium, MRP), the size factor (Small Minus Big, SMB), the value factor (High Minus Low, HML), the profitability factor (Robust Minus Weak, RMW), the investment factor (Conservative Minus Aggressive, CMA), and the momentum factor (Winners Minus Losers, WML), all as defined by Ken French on his webpage.[5]

The results show no statistically-significant relationship between the LMMS-WML and the five factors from the Fama-French five-factor model. However, and as expected, the exposure to the momentum factor is both positive and statistically significant. In words, the excess return of Winners over Losers in the LMMS does not arise from exposure to the market, the size factor, the value factor, the profitability factor, or the investment factor; rather, it arises exclusively from its exposure to the momentum factor.

4. Assessment

Momentum strategies have a long track record of success across countries and asset classes, which explains why they have been embraced by institutional investors for more than two decades. Individual investors, however, tend to be unable or unwilling to implement the frequent rebalancing that these strategies typically require, particularly when the portfolios involve a large number of assets. This article advances a strategy to mitigate both problems.

The lazy man's momentum strategy (LMMS) proposed here does not require monthly rebalancing; it only requires semi-annual rebalancing, which is consistent with Vanguard's recommendation as a rebalancing frequency that provides a reasonable balance between risk control and cost minimization. Furthermore, it does not involve portfolios of hundreds of stocks; it can be implemented with country indexes, thus involving small portfolios that can be built with widely-available, low-cost ETFs.

The long-short version of the LMMS proposed here delivers a positive and statistically-significant risk premium; that is, a portfolio of Winners that significantly outperforms a portfolio of Losers in the long term. The evidence shows that this outperformance stems solely from exposure to the momentum factor, and is independent from exposure to any of the five factors in the Fama-French five-factor model.

Perhaps more relevant for individual investors, the long-only LMMS proposed here (that is, a portfolio of Winners) outperforms a passive, cap-weighted World benchmark in terms of return, and to a lesser degree in terms of risk-adjusted return as well. In fact, the economic difference in return between the long-only LMMS and the benchmark is substantial, particularly for long-term investors, with the former delivering over twice the terminal wealth over 30-year holding periods.

In short, the LMMS advanced in this article provides individual investors with a feasible momentum strategy, based on a low rebalancing frequency and small portfolios; it can be rather-easily implemented with widely-available, low-cost ETFs; and it delivers global diversification with much higher compounding power than that of a passive global benchmark.

[4] All data downloaded from https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html, 'Developed Markets Factors and Returns' section.

[5] See https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library/f-f_5_factors_2x3.html.

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Conflict of interest

The author claims that the manuscript is completely original. The author also declares no conflict of interest.

Author contributions

The author was solely responsible for all aspects of the research, including conceptualization, data curation, formal analysis, investigation, methodology, project administration, resources, software, supervision, validation, visualization, writing – original draft, and writing – review & editing.

Appendix

Exhibit A1. Summary Statistics.

Country	ID	T	AM	GM	SD	AGM	ASD
Australia	Dec/69	660	0.9	0.7	6.8	8.6	23.5
Austria	Dec/69	660	0.9	0.6	7.0	7.8	24.1
Belgium	Dec/69	660	0.9	0.8	5.8	9.7	20.2
Canada	Dec/69	660	0.9	0.7	5.6	9.2	19.4
Denmark	Dec/69	660	1.2	1.0	5.6	13.0	19.3
Finland	Dec/87	444	0.9	0.6	8.2	7.5	28.3
France	Dec/69	660	1.0	0.8	6.3	9.5	21.9
Germany	Dec/69	660	0.9	0.7	6.2	9.0	21.6
Hong Kong	Dec/69	660	1.4	1.0	9.4	12.3	32.5
Ireland	Dec/87	444	0.6	0.4	6.3	4.9	21.9
Israel	Dec/92	384	0.6	0.4	6.3	5.3	22.5
Italy	Dec/69	660	0.7	0.5	7.5	5.7	25.1
Japan	Dec/69	660	0.9	0.7	5.8	8.7	20.1
Netherlands	Dec/69	660	1.1	0.9	5.6	11.6	19.4
New Zealand	Dec/87	444	0.7	0.5	6.4	6.1	22.2
Norway	Dec/69	660	1.1	0.8	7.6	9.6	26.3
Portugal	Dec/87	444	0.4	0.2	6.4	2.0	22.2
Singapore	Dec/87	444	0.9	0.6	7.0	7.6	24.3
Spain	Dec/69	660	0.9	0.6	6.7	8.0	23.3
Sweden	Dec/69	660	1.2	1.0	6.8	12.1	23.4
Switzerland	Dec/69	660	1.0	0.9	5.1	10.8	17.6
UK	Dec/69	660	0.9	0.7	5.1	9.0	21.0
USA	Dec/69	660	0.9	0.9	4.4	10.7	15.4
World	Dec/69	660	0.9	0.8	4.3	9.8	14.9

Note: This exhibit shows the inception date (ID) and number of observations (T) for each country in the sample, as well as summary statistics for the series of monthly, nominal, total returns, in dollars, including the arithmetic (AM) and geometric (GM) mean return and volatility (SD). The last two columns show annualized figures for the geometric mean return (AGM) and volatility (ASD). All figures but ID and T in percent.

Exhibit A2. ETFs.

Country	Name	Ticker	Country	Name	Ticker
Australia	iShares MSCI Australia ETF	EWA	Japan	iShares MSCI Japan ETF	EWJ
Austria	iShares MSCI Austria ETF	EWO	Netherlands	iShares MSCI Netherlands ETF	EWN
Belgium	iShares MSCI Belgium ETF	EWK	New Zealand	iShares MSCI New Zealand ETF	ENZL
Canada	iShares MSCI Canada ETF	EWC	Norway	iShares MSCI Norway ETF	ENOR
Denmark	iShares MSCI Denmark ETF	EDEN	Portugal	N/A	N/A
Finland	iShares MSCI Finland ETF	EFNL	Singapore	iShares MSCI Singapore ETF	EWS
France	iShares MSCI France ETF	EWQ	Spain	iShares MSCI Spain ETF	EWP
Germany	iShares MSCI Germany ETF	EWG	Sweden	iShares MSCI Sweden ETF	EWD
Hong Kong	iShares MSCI Hong Kong ETF	EWH	Switzerland	iShares MSCI Switzerland ETF	EWL
Ireland	iShares MSCI Ireland ETF	EIRL	UK	iShares MSCI UK ETF	EWU
Israel	iShares MSCI Israel ETF	EIS	USA	iShares Core S&P 500 ETF	IVV
Italy	iShares MSCI Italy ETF	EWI			

Note: This exhibit shows a BlackRock ETF (iShares) for each country in the sample including its name and ticker. As of Oct/2025, there is no single-country ETF available for the Portuguese market.

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