

AQR Capital Management launches AQR Momentum Indices *A Paradigm Shift in Investing*

July 10, 2009, Greenwich, CT -- AQR Capital Management, LLC today launched the AQR Momentum Indices, a new set of indices that capture the returns of stocks that have positive “momentum.” A stock has positive momentum if it has outperformed its peers on a relative basis over the recent past.

The three indices are: AQR Momentum Index, AQR Small Cap Momentum Index, and AQR International Momentum Index.

“When the world thinks about diversifying portfolios, the conventional approach has been to think in terms of two style dimensions – value versus growth, and large cap versus small cap. However, there is another dimension which is just as important in explaining returns, and has been largely under-allocated given the current two-style investment paradigm; this is momentum,” said David G. Kabiller, CFA, Founding Principal and Head of Client Strategies at AQR.

Momentum has been researched extensively over the past fifteen years by both academics and practitioners. In contrast to the efficient market hypothesis, which maintains that past stock prices have no predictive value for the future, the research on momentum suggests that stocks with positive momentum tend to out-perform market averages in the following months.¹

The new AQR Momentum Indices provide a simple and transparent² way of capturing the momentum effect. The indices, which are rebalanced quarterly, are formed by including those stocks that rank in the top third of their relevant universe based on momentum over the prior twelve months.

“What makes momentum such an attractive strategy is that it combines two desirable qualities: momentum tends to do well when value is out of favour, yet unlike growth its long-run returns have out-performed broad market averages³,” said Kabiller. “We believe that a combination of value and momentum is a better way to build diversified portfolios than the more traditional value and growth combination.”

AQR is an intellectual leader in the field of momentum investing. As a doctoral student, AQR founder Cliff Asness was one of the early academic writers on the concept, and the AQR team has extensive experience implementing momentum strategies in actual portfolios.⁴

“Momentum is an investment concept that has been known and researched for years, but the strategy has not been easily accessible to investors in its pure form, and consequently most investors are substantially

¹ There have been over 300 papers published on momentum since the original papers by Jegadeesh and Titman, “Returns to Buying Winners and Selling Losers: Implications for Stock Market Efficiency,” *Journal of Finance* (1993) and Asness, “Variables that Explain Stock Returns,” Ph.D. Dissertation, University of Chicago (1994).

² The detailed index methodology is available at www.aqrindex.com.

³ See footnote 1, as well as Fama and French, “Common Risk Factors in the Returns on Stocks and Bonds,” *Journal of Financial Economics* (1992).

⁴ AQR has been trading momentum-based strategies, among other strategies, since its inception in 1998.

under-invested,” continued Kabiller. “AQR is introducing the Momentum Indices as a benchmark for this important investment style, and intends to launch various investment products based on these Indices that will provide clients with cost-effective ways to gain diversification for their portfolios.”

About AQR Capital

AQR Capital Management, LLC is an investment management firm located in Greenwich, CT. The firm's founding principals, Clifford S. Asness, Ph.D., David G. Kabiller, CFA, Robert J. Krail, and John M. Liew, Ph.D., along with several colleagues, founded AQR in 1998. Each of the firm's principals was formerly at Goldman Sachs, & Co., where Asness, Krail, and Liew comprised the senior management of the Quantitative Research Group at Goldman Sachs Asset Management.

AQR manages approximately \$20 billion⁵ in assets, primarily for institutional investors such as pensions and endowments. The firm offers a broad range of products that include aggressive high volatility market-neutral hedge funds, as well as low volatility benchmark driven traditional products.

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You cannot invest directly in the AQR Momentum Indices. Index performance does not represent actual fund or portfolio performance. A fund or portfolio may differ significantly from the securities included in the Index. The information provided is not intended for trading purposes, and should not be considered investment advice.

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⁵ As of 6/30/09