

# Benchmark selection

Indexes for index-based investing  
essential requirements

1. rules based
2. transparent
3. investable

mechanisms for making indexes more investable

buffering

packeting

Considerations when choosing a benchmark index

- desired factor exposures

## Index construction methodologies

- exhaustive selection methods
- selective selection methods

## Index weighting methods:

- market-cap weighting

- price weighting

- equal weighting

- other weighting methods

Index concentration measurement

Herfindahl-Hirschman Index (HHI)

effective no. of stocks

Rebalancing and reconstitution

- reconstitution

- rebalancing