# Non-Capitalization Weighted Indexing System, Method and Computer Program Product

## *Background of the Invention*

### *Field of the Invention*

This invention pertains generally to securities investing and more specifically to construction and use of passive portfolios and indexes.

### *Related Art*

Conventionally, there are various broad categories of securities portfolio management. One conventional securities portfolio management category is active management wherein the securities are selected for a portfolio individually based on economic, financial, credit, and/or business analysis; on technical trends; on cyclical patterns; etc. Another conventional category is passive management, also called indexing, wherein the securities in a portfolio duplicate those that make up an index. The securities in a passively managed portfolio are conventionally weighted by relative market capitalization weighting or equal weighting. Another middle ground conventional category of securities portfolio management is called enhanced indexing, in which a portfolio's characteristics, performance and holdings are substantially dominated by the characteristics, performance and holdings of the index, albeit with modest active management departures from the index.

The present invention relates generally to the passive and enhanced indexing categories of portfolio management. A securities market index, by intent, reflects an entire market or a segment of a market. A passive portfolio based on an index may also reflect the entire market or segment. Often every security in an index is held in the passive portfolio. Sometimes statistical

modeling is used to create a portfolio that duplicates the profile, risk characteristics, performance characteristics, and securities weightings of an index, without actually owning every security included in the index. (Examples could be portfolios based on the Wilshire 5000 Equity Index or on the Lehman Aggregate Bond Index.) Sometimes statistical modeling is used to create the index itself such that it duplicates the profile, risk characteristics, performance characteristics, and securities weightings of an entire class of securities. (The Lehman Aggregate Bond Index is an example of this practice.)

Indexes are generally all-inclusive of the securities within their defined markets or market segments. In most cases indexes may include each security in the proportion that its market capitalization bears to the total market capitalization of all of the included securities. The only common exceptions to market capitalization weighting are equal weighting of the included securities (for example the Value Line index or the Standard & Poors 500 Equal Weighted Stock Index, which includes all of the stocks in the S&P 500 on a list basis; each stock given equal weighting as of a designated day each year) and share price weighting, in which share prices are simply added together and divided by some simple divisor (for example, the Dow Jones Industrial Average). Conventionally, passive portfolios are built based on an index weighted using one ofmarket capitalization weighting, equal weighting, and share price weighting.

Advantages of passive investing include: a low trading cost of maintaining a portfolio that has turnover only when an index is reconstituted, typically once a year; a low management cost of a portfolio that requires no analysis of individual securities; and no chance of the portfolio suffering a loss – relative to the market or market segment the index reflects – because of misjudgments in individual securities selection.

Advantages of using market capitalization weighting as the basis for a passive portfolio include that the index (and therefore a portfolio built on it) remains continually 'in balance' as market prices for the included securities change, and that the portfolio performance participates in (i.e., reflects) that of the securities market or market segment included in the index.

The disadvantages of market capitalization weighting passive indexes, which can be substantial, center on the fact that any under-valued securities are underweighted in the index and related portfolios, while any over-valued securities are over weighted. Also, the portfolio based on market capitalization weighting follows every market (or segment) bubble up and every market crash down. Finally, in general, portfolio securities selection is not based on a criteria that reflects a better opportunity for appreciation than that of the market or market segment overall.

***Summary of the Invention***

An exemplary embodiment of the present invention is directed to a new method, system and computer program product for passive investing that is based on indexes which are built with metrics other than market capitalization weighting, share price weighting or equal weighting. Among these metrics are various financial data of the company issuing securities, including but not limited to book value, sales, revenue, earnings, earnings per share, income, income growth rate, dividends, dividends per share, earnings before interest, tax, depreciation and amortization, etc. In another exemplary embodiment, other nonfinancial and non-market capitalization metrics can be used as the basis for compiling an index, such as, e.g., but not

limited to, an index of companies with chief executive officers (CEOs) having graduated from a particular university.

A common element included in an exemplary embodiment of the present invention, which is entirely missing from conventionally available forms of index construction, is that the indexes of the present invention are "valuation-indifferent." That is, conventional indexes do not take account of classical valuation ratios, which causes the conventional indexes to create a natural tendency to over-weight the over-valued and under-weight the under-valued securities in the conventional indexes and portfolios based on them. While this cause also holds true for equal weighting, we exclude that as an already-extant (and trivial) exception.

The use of these non-market capitalization metrics according to the exemplary embodiment of the present invention, allows the construction of indexes and resulting passive portfolios that better reflect the economic scale and/or long-term growth potential of the individual securities within a market or market segment than do conventional capitalization weighting, share price weighting, or equal weighting. The non-market capitalization metrics according to an exemplary embodiment of the present invention, allow construction of indexes and resulting passive portfolios that offer to an investor who wishes to participate in a market or market segment a choice of passive portfolio alternatives with different risk characteristics. The indexes and portfolios based on them according to the exemplary embodiment of the present invention, also provide these additional advantages while maintaining the conventional benefits of passive investing. In historical testing, these non-market capitalization metrics are found to outperform the conventional capitalization-weighted indexes over extended periods of time, with similar or lower portfolio risk.

Overall, the availability of non-market capitalization indexes, and the passive and enhanced index portfolios based on them, have the potential to reduce investment costs through more widespread use of low-cost passive and enhanced-index investing. The present invention has the potential to improve investment returns versus the securities markets through the use of a securities weighting framework which is not subject to a natural tendency to overemphasize over-valued securities and underemphasize under-valued securities. The present invention also has the potential to reduce portfolio volatility through the use of securities weighting criteria that are less reflective of 'irrational exuberance.' An exemplary embodiment of the present invention also has the potential to offer 'customized' passive portfolios as each metric may have its own specific performance and risk characteristics.

An exemplary embodiment of the present invention sets forth a system, method, and computer program product for constructing a non-capitalization weighted portfolio of assets. In an exemplary embodiment, the method may include: (a) gathering data about a plurality of assets; (b) selecting a plurality of assets to create the index of assets; and (c) weighting each of the plurality of assets selected in the index based on an objective measure of scale of each of the plurality of assets, wherein the weighting may include: (i) weighting at least one of the plurality of assets; and (ii) weighting other than weighting based on market capitalization, equal weighting, and/or share price weighting.

In one exemplary embodiment, (c) may include weighting each of the plurality of assets, where each of the assets may include a stock; a commodity; a futures contract; a bond; a mutual fund; a hedge fund; a fund of funds; an exchange traded fund (ETF); a derivative; or a negative weighting on any asset.

In one exemplary embodiment, (c) may include weighting each of the plurality of assets, where each of the assets may include a stock.

In one exemplary embodiment, (c) may include weighting each of the plurality of assets, where each of the assets may include a commodity.

In one exemplary embodiment, (c) may include weighting each of the plurality of assets, where each of the assets may include a futures contract.

In one exemplary embodiment, (c) may include weighting each of the plurality of assets, wherein each of the assets may include a bond.

In one exemplary embodiment, (c) may include weighting each of the plurality of assets, where each of the assets may include a mutual fund.

In one exemplary embodiment, (c) may include weighting each of the plurality of assets, where each of the assets may include a hedge fund.

In one exemplary embodiment, (c) may include weighting each of the plurality of assets, where each of the assets may include a fund of funds.

In one exemplary embodiment, (c) may include weighting each of the plurality of assets, where each of the assets may include an exchange traded fund (ETF).

In one exemplary embodiment, (c) may include weighting each of the plurality of assets, where each of the assets may include a derivative.

In one exemplary embodiment, (c) may include a negative weighting on any asset.

In one exemplary embodiment, the negative weighting may be performed for purposes of establishing, or measuring, performance for any security, a portfolio of assets, a hedge fund, and/or a long/short position.

In one exemplary embodiment, (c) may include weighting based on the objective measure of scale, where the objective measure of scale may include a measure of company size associated with each of the plurality of assets.

In one exemplary embodiment, the measure of company size may include one or more of: gross revenue, sales, income, earnings before interest and tax (EBIT), earnings before interest, taxes, depreciation and amortization (EBITDA), number of employees, book value, assets, liabilities, and/or net worth.

In one exemplary embodiment, (c) may include weighting based on the objective measure of scale, where the objective measure of scale includes a measure relating to an underlying asset itself.

In one exemplary embodiment, the asset may include a municipality, a municipality issuing bonds, or a commodity.

In one exemplary embodiment, the objective measure of scale associated with the asset may include one or more of: revenue, profitability, sales, total sales, foreign sales, domestic sales, net sales, gross sales, profit margin, operating margin, retained earnings, earnings per share, book value, book value adjusted for inflation, book value adjusted for replacement cost, book value adjusted for liquidation value, dividends, assets, tangible assets, intangible assets,

fixed assets, property, plant, equipment, goodwill, replacement value of assets, liquidation value of assets, liabilities, long term liabilities, short term liabilities, net worth, research and development expense, accounts receivable, earnings before interest, taxes, dividends, and amortization (EBITDA), accounts payable, cost of goods sold (CGS), debt ratio, budget, capital budget, cash budget, direct labor budget, factory overhead budget, operating budget, sales budget, inventory method, type of stock offered, liquidity, book income, tax income, capitalization of earnings, capitalization of goodwill, capitalization of interest, capitalization of revenue, capital spending, cash, compensation, employee turnover, overhead costs, credit rating, growth rate, tax rate, liquidation value of company, capitalization of cash, capitalization of earnings, capitalization of revenue, cash flow, and/or future value of expected cash flow.

In one exemplary embodiment, (c) may include weighting each of the assets in the index based on the objective measure of scale, where the objective measure may include a ratio of any combination of the objective measures of scale of the asset other than ratios based on weighting the assets based on market capitalization, equal weighting, or share-price weighting.

In one exemplary embodiment, the ratio of any combination of the objective measures of scale may include one or more of: current ratio, debt ratio, overhead expense as a percent of sales, and/or debt service burden ratio.

In one exemplary embodiment, the objective measure of scale may include a demographic measure of the asset.

In one exemplary embodiment, the demographic measure of scale may include one or more of: employees, floor space, office space, location, and/or other demographics of an asset.

In one exemplary embodiment, the measure of company size may include one or more demographic measure of the asset.

In one exemplary embodiment, the demographic measure of the asset may include one or more of a non-financial metric, a non-market related metric, a number of employees, floor space, office space, and/or other demographics of the asset.

In one exemplary embodiment, (c) may include weighting based on the objective measure of scale, where the objective measure of scale may include a geographic metric.

In one exemplary embodiment, the geographic metric may include a geographic metric other than gross domestic product (GDP) weighting.

In one exemplary embodiment, the method may include a passive investing method that may include: constructing the portfolio of assets according to the index.

In one exemplary embodiment, the portfolio of assets may include one or more of: a fund; a mutual fund; a fund of funds; an asset account; an exchange traded fund (ETF); a separate account, a pooled trust; and/or a limited partnership.

In one exemplary embodiment, the method may further include: selecting a plurality of assets for trading according to the index; and trading one or more of said plurality of assets based on said weighting of the index.

In one exemplary embodiment, the trading may include: rebalancing the portfolio based on the index.

In one exemplary embodiment, rebalancing may include: rebalancing on a periodic basis.

In one exemplary embodiment, rebalancing may include: rebalancing based on the assets reaching a threshold.

In one exemplary embodiment, the method may further include applying rules associated with the index.

In one exemplary embodiment, the method of constructing the non-market capitalization weighted portfolio may be used for one or more of: investment management, and/or investment portfolio benchmarking.

In one exemplary embodiment, the method may include an enhanced index investing method. The method may include constructing the portfolio of assets in a fashion in which at least one of holdings, performance, or characteristics, are substantially similar to the index.

In one exemplary embodiment, the method may be a computer-implemented method and (a) may include: gathering data using computerized databases.

In one exemplary embodiment, (c) may include weighting based on a non-market capitalization financial metric associated with each of the plurality of assets, and a non-financial metric associated with each of said plurality of assets.

In another exemplary embodiment, a system for constructing a non-capitalization weighted portfolio of assets may include: means for gathering data about a plurality of assets; means for selecting a plurality of assets to create the index of assets; and weighting means for weighting each of said plurality of assets selected in the index based on an objective measure of scale of said each of said plurality of assets, wherein said weighting means may include: means for weighting at least one of said plurality of assets; and means for weighting other than weighting based on at least one of market capitalization, equal weighting, or share price weighting.

In yet another exemplary embodiment, a non-capitalization weighted portfolio of assets construction system, may include: a processor adapted to gather data about a plurality of assets; adapted to select a plurality of assets to create the index of assets; adapted to weight each of the plurality of assets selected in the index based on an objective measure of scale of the each of said plurality of assets; adapted to weight at least one of the plurality of assets; and adapted to weight other than based on at least one of market capitalization, equal weighting, or share price weighting.

In another exemplary embodiment, a machine readable medium that provides instructions which when executed by a computing platform, cause the computing platform to perform operations may include a method of constructing a non-capitalization weighted portfolio of assets, the method may include: (a) gathering data about a plurality of assets; (b) selecting a plurality of assets to create the index of assets; and (c) weighting each of said plurality of assets selected in the index based on an objective measure of scale of said each of said plurality of assets, wherein said weighting comprises: (i) weighting at least one of said

plurality of assets; and (ii) weighting other than weighting based on at least one of market capitalization, equal weighting, or share price weighting.

Further features and advantages of the invention, as well as the structure and operation of various embodiments of the invention, are described in detail below with reference to the accompanying drawings.

*Brief Description of the Drawings*

The foregoing and other features and advantages of the invention will be apparent from the following, more particular description of exemplary embodiments of the invention, as illustrated in the accompanying drawings. In the drawings, like reference numbers generally indicate identical, functionally similar, and/or structurally similar elements. The drawing in which an element first appears is indicated by the leftmost digits in the corresponding reference number. A preferred exemplary embodiment is discussed below in the detailed description of the following drawings:

FIG. 1 is a deployment diagram of an index generation and use process in accordance with an exemplary embodiment of the present invention;

FIG. 2 is a process flow diagram of an index generation process in accordance with an exemplary embodiment of the present invention; and

FIG. 3 is a process flow diagram of an index use process in accordance with an exemplary embodiment of the present invention.

*Detailed Description of Exemplary Embodiments of the Present Invention*

Various exemplary embodiments of the invention are discussed in detail below including a preferred embodiment. While specific implementations are discussed, it should be understood that this is done for illustration purposes only. A person skilled in the relevant art can recognize that other components and configurations may be used without parting from the spirit and scope of the invention.

FIG. 1 depicts an exemplary deployment diagram of an index generation and use process in accordance with an exemplary embodiment of the present invention. According to the exemplary embodiment, an analyst may use a computer system to generate an index. The analyst may do so by using analysis software to examine data about entities offering different kinds of securities that may be traded by investors. An example of an entity that may be offering securities may be a publicly held company whose shares trade on an exchange. However, the present invention also applies to any entity that may have any type of security that may be traded where information about the entity and/or its security is available (or capable of being made available) for analysis.

In an exemplary embodiment, once an index has been generated by an analyst using the entity date, the index may be used to build investment portfolios. An investor, advisor, manager or broker may then manage the purchased securities as a mutual fund for a plurality of individual and institutional investors. Alternatively, the purchased securities may be managed for one or more investors. In the latter case, securities may be purchased based on the index for inclusion in an individual or an institutional investor's portfolio.

FIG. 2 depicts an exemplary process flow diagram of an index generation process in accordance with an exemplary embodiment of the present invention. In an exemplary embodiment, to generate an index, an analyst using analysis software may access entity data about various entities that have securities that are traded. For example, publicly traded companies must disclose information about certain financial aspects of their operations. This information may be aggregated for a plurality of entities. Market sectors and corresponding indices may then be identified and generated using the aggregate data.

In slightly more detail, an index may be generated by normalizing entity data for a particular non-market capitalization metric. The normalized entity data may be used to generate a weighting function describing the contribution of each entity to a business sector as defined by the metric, in an exemplary embodiment. An index may be generated using the weighting function. Once an index is generated, according to an exemplary embodiment, the index may be used to track the business sector defined by the metric or to create a portfolio of securities offered by the entities whose information was used to generate the index.

For example, in an exemplary embodiment of the invention a method of constructing a non-capitalization weighted portfolio of assets may include, e.g., gathering data about various assets; selecting a group of assets to create the index of assets; and weighting each of the group of assets selected in the index based on an objective measure of scale of each member of the group of assets, where the weighting may include weighting all or a subset of the group of assets, and weighting based on other than market capitalization, equal weighting, or share price weighting.

In one exemplary embodiment, the weighting of each member of the group of assets, may include weighting assets of any of various types. Examples of various types of assets may include, e.g., but not limited to, a stock type; a commodity type; a futures contract type; a bond type; a mutual fund type; a hedge fund type; a fund of funds type; an exchange traded fund (ETF) type; and a derivative type assets. The weighting may also include, e.g., but not limited to, a negative weighting on any of the various types of assets.

According to exemplary embodiments of the present invention, the index may be weighted based on an objective measure of scale, where the objective measure of scale may include a measure relating to an underlying asset itself. The asset may include a municipality, a municipality issuing bonds, or a commodity. An objective measure of scale associated with the asset may include any combination of: revenue, profitability, sales, total sales, foreign sales, domestic sales, net sales, gross sales, profit margin, operating margin, retained earnings, earnings per share, book value, book value adjusted for inflation, book value adjusted for replacement cost, book value adjusted for liquidation value, dividends, assets, tangible assets, intangible assets, fixed assets, property, plant, equipment, goodwill, replacement value of assets, liquidation value of assets, liabilities, long term liabilities, short term liabilities, net worth, research and development expense, accounts receivable, earnings before interest, taxes, dividends, and amortization (EBITDA), accounts payable, cost of goods sold (CGS), debt ratio, budget, capital budget, cash budget, direct labor budget, factory overhead budget, operating budget, sales budget, inventory method, type of stock offered, liquidity, book income, tax income, capitalization of earnings, capitalization of goodwill, capitalization of interest, capitalization of revenue, capital spending, cash, compensation, employee turnover, overhead

costs, credit rating, growth rate, tax rate, liquidation value of company, capitalization of cash, capitalization of earnings, capitalization of revenue, cash flow, and/or future value of expected cash flow.

Ratios too may be used. In an exemplary embodiment, the weighting of assets in the index based on objective measures of scale, may include a ratio of any combination of the objective measures of scale of the asset other than ratios based on weighting the assets based on market capitalization, equal weighting, or share-price weighting. For example, the ratio of any combination of the objective measures of scale may include, e.g., but not limited to, current ratio, debt ratio, overhead expense as a percent of sales, or debt service burden ratio.

In an exemplary embodiment, the portfolio of assets may include, e.g., but not limited to, one or more of, a fund; a mutual fund; a fund of funds; an asset account; an exchange traded fund (ETF); a separate account, a pooled trust; or a limited partnership.

In an exemplary embodiment, a measure of company size may include one of, or a combination of one or more of gross revenue, sales, income,earnings before interest and tax (EBIT), earnings before interest, taxes, depreciation and amortization (EBITDA), number of employees, book value, assets, liabilities, or net worth.

In one exemplary embodiment, the measure of company size may include a demographic measure of the asset. The demographic measure of the asset may include, e.g., one of, or any combination of one or more of a non-financial metric, a non-market related metric, a number of employees, floor space, office space, or other demographics of the asset.

In an exemplary embodiment, weighting may be based on the objective measure of scale, where the measure may include a geographic metric. The geographic metric in an exemplary embodiment may include a geographic metric other than gross domestic product (GDP) weighting.

FIG. 3 depicts an exemplary process flow diagram of an index use process in accordance with an exemplary embodiment of the present invention. An index may be received from an index generation process and may be used to determine the identity and quantity of securities to purchase for a portfolio, according to an exemplary embodiment. The securities may be purchased from an exchange or other market and may be held on account for an investor or group of investors. The index may be updated on, e.g., but not limited to, a periodic basis and may be used as a basis to rebalance the portfolio, according to an exemplary embodiment. According to another exemplary embodiment, the portfolio can be rebalanced when, e.g., a pre-determined threshold is reached. In this way, a portfolio may be created and maintained based on a non-market capitalization index.

Rebalancing can be based on assets reaching a threshold condition or value. For example, but not limited to, rebalancing may occur upon reaching a threshold such as, e.g., 'when the portfolio of assets increases in market value by 20%,' or 'when the assets on a sub-category within the portfolio exceed 32% of the size of the portfolio,' or 'when a U.S. President is elected from a different party than the incumbent,' etc.

The present invention, in an exemplary embodiment may be used the non-market capitalization weighted portfolio may be used for investment management, or investment portfolio benchmarking.

An exemplary embodiment of the invention may be implemented on a computing device(s), processor(s), computer(s) and/or communications device(s).

The computer, in an exemplary embodiment, may comprise one or more central processing units (CPUs) or processors, which may be coupled to a bus. The processor may, e.g., access main memory via the bus. The computer may be coupled to an input/output (I/O) subsystem such as, e.g., but not limited to, a network interface card (NIC), or a modem for access to a network. The computer may also be coupled to a secondary memory directly via bus, or via a main memory, for example. Secondary memory may include, e.g., but not limited to, a disk storage unit or other storage medium. Exemplary disk storage units may include, but are not limited to, a magnetic storage device such as, e.g., a hard disk, an optical storage device such as, e.g., a write once read many (WORM) drive, or a compact disc (CD), or a magneto optical device. Another type of secondary memory may include a removable disk storage device, which may be used in conjunction with a removable storage medium, such as, e.g. a CD-ROM, or a floppy diskette. In general, the disk storage unit may store an application program for operating the computer system referred to commonly as an operating system. The disk storage unit may also store documents of a database (not shown). The computer may interact with the I/O subsystems and disk storage unit via bus. The bus may also be coupled to a display for output, and input devices such as, but not limited to, a keyboard and a mouse or other pointing/selection device.

In this document, the terms "computer program medium" and "computer readable medium" may be used to generally refer to media such as, e.g., but not limited to removable storage drive, a hard disk installed in hard disk drive, and signals, etc. These computer program products may provide software to computer system. The invention may be directed to such computer program products.

References to "one embodiment," "an embodiment," "example embodiment," "various embodiments," etc., may indicate that the embodiment(s) of the invention so described may include a particular feature, structure, or characteristic, but not every embodiment necessarily includes the particular feature, structure, or characteristic. Further, repeated use of the phrase "in one embodiment," or "in an exemplary embodiment," do not necessarily refer to the same embodiment, although they may.

In the following description and claims, the terms "coupled" and "connected," along with their derivatives, may be used. It should be understood that these terms are not intended as synonyms for each other. Rather, in particular embodiments, "connected" may be used to indicate that two or more elements are in direct physical or electrical contact with each other. "Coupled" may mean that two or more elements are in direct physical or electrical contact. However, "coupled" may also mean that two or more elements are not in direct contact with each other, but yet still co-operate or interact with each other.

An algorithm is here, and generally, considered to be a self-consistent sequence of acts or operations leading to a desired result. These include physical manipulations of physical quantities. Usually, though not necessarily, these quantities take the form of electrical or

magnetic signals capable of being stored, transferred, combined, compared, and otherwise manipulated. It has proven convenient at times, principally for reasons of common usage, to refer to these signals as bits, values, elements, symbols, characters, terms, numbers or the like. It should be understood, however, that all of these and similar terms are to be associated with the appropriate physical quantities and are merely convenient labels applied to these quantities.

Unless specifically stated otherwise, as apparent from the following discussions, it is appreciated that throughout the specification discussions utilizing terms such as "processing," "computing," "calculating," "determining," or the like, refer to the action and/or processes of a computer or computing system, or similar electronic computing device, that manipulate and/or transform data represented as physical, such as electronic, quantities within the computing system's registers and/or memories into other data similarly represented as physical quantities within the computing system's memories, registers or other such information storage, transmission or display devices.

In a similar manner, the term "processor" may refer to any device or portion of a device that processes electronic data from registers and/or memory to transform that electronic data into other electronic data that may be stored in registers and/or memory. A "computing platform" may comprise one or more processors.

Embodiments of the present invention may include apparatuses for performing the operations herein. An apparatus may be specially constructed for the desired purposes, or it may comprise a general purpose device selectively activated or reconfigured by a program stored in the device.

While various embodiments of the present invention have been described above, it should be understood that they have been presented by way of example only, and not limitation. Thus, the breadth and scope of the present invention should not be limited by any of the above-described exemplary embodiments, but should be defined only in accordance with the following claims and their equivalents. While this invention has been particularly described and illustrated with reference to a preferred embodiment, it will be understood to those having ordinary skill in the art that changes in the above description or illustrations may be made with respect to formal detail without departing from the spirit and scope of the invention.

***What Is Claimed Is :***

1. A method of constructing a valuation indifferent non-capitalization weighted index of performed assets, the method implemented by an analysis host processor, the analysis host processor comprising one or more processors communicating there between, the method performed by a computer comprising:

(a) gathering entity data via one of said processors about a plurality of assets;

(b) selecting a plurality of the assets via one of said processors to create the valuation indifferent non-capitalization weighted index of assets based upon at least one objective measure of scale about one or more entities associated with the assets, wherein said selecting is exclusive of a material influence of a price of the assets; and

(c) weighting in the constituent assets of the valuation indifferent non-capitalization weighted index of assets via one of said processors to obtain constituent weightings based on at least one objective measure of scale regarding the entities associated with the assets,

(i) wherein the weighting is exclusive of a material influence of the price of the assets; and

wherein the weighting is not based on any one of: equal weighting; weighting in proportion to the price of the assets; or weighting in proportion to market capitalization of the entities associated with the assets.

2. The analysis host implemented method according to claim 1, wherein each of said assets comprises at least one of a stock; a commodity; a futures contract; a bond; a municipal bond; a corporate bond; a mutual fund; a hedge fund; a fund of funds; an exchange traded fund (ETF); a derivative; a negative weighting on any asset; or entities having publicly traded assets.

3. The analysis host implemented method according to claim 1, wherein each of said assets comprises a stock.

4. The analysis host implemented method according to claim 1, wherein each of said assets a commodity.

5. The analysis host implemented method according to claim 1, wherein each of said assets comprises a futures contract.

6. The analysis host implemented method according to claim 1, wherein each of said assets comprises a bond.

7. The analysis host implemented method according to claim 1, wherein each of said assets comprises a mutual fund.

8. The analysis host implemented method according to claim 1, wherein each of said assets comprises a hedge fund.

9. The analysis host implemented method according to claim 1, wherein each of said assets comprises a fund of funds.

10. The analysis host implemented method according to claim 1, wherein each of said assets comprises an exchange traded fund (ETF).

11. The analysis host implemented method according to claim 1, wherein each of said assets comprises a derivative.

12. The analysis host implemented method according to claim 1, wherein said (c) comprises performing a negative weighting on any assets.

13. The analysis host implemented method according to claim 12, wherein said negative weighting is performed for purposes of at least one of: establishing or measuring performance, for at least one of: any security; a portfolio of assets; a hedge fund; or at least one of: a long or a short position.

14. The analysis host implemented method according to claim 1, wherein said objective measure of scale comprises a measure of a size of the entities associated with the assets.

15. The analysis host implemented method according to claim 14, wherein the entities comprise companies, and wherein said measure of the size of the entities comprises at least one of

gross revenue,

sales,

income,

earnings before interest and tax (EBIT),

earnings before interest, taxes, depreciation and amortization (EBITDA),

number of employees,

book value,

assets,

liabilities,

or net worth.

16. The analysis host implemented method according to claim 1, wherein said objective measure of scale comprises a measure relating to at least one of an underlying attribute of one of the assets, or the entity associated with the asset.

17. The analysis host implemented method according to claim 1, wherein said entity comprises at least one of: a company; a municipality; a municipality issuing bonds; a country; or an issuer of the asset.

18. The analysis host implemented method according to claim 16, wherein said objective measure of scale associated with said asset comprises at least one of:

revenue;

profitability;

sales;

total sales;

foreign sales;

domestic sales;

net sales;

gross sales;

profit margin;

operating margin;

retained earnings;

earnings per share;

book value;

book value adjusted for inflation;

book value adjusted for replacement cost;

book value adjusted for liquidation value;

dividends;

assets;

tangible assets;

intangible assets;

fixed assets;

property;

plant;

equipment;

goodwill;

replacement value of assets;

liquidation value of assets;

liabilities;

long term liabilities;

short term liabilities;

net worth;

research and development expense;

accounts receivable;

earnings before interest, taxes, dividends, and amortization (EBITDA);

accounts payable;

cost of goods sold (CGS);

debt ratio;

budget;

capital budget;

cash budget;

direct labor budget;

factory overhead budget;

operating budget;

sales budget;

inventory method;

type of stock offered;

liquidity;

book income;

tax income;

capitalization of earnings;

capitalization of goodwill;

capitalization of interest;

capitalization of revenue;

capital spending;

cash;

compensation;

employee turnover;

overhead costs;

credit rating;

growth rate;

tax rate;

liquidation value of entity;

capitalization of cash;

capitalization of earnings;

capitalization of revenue;

cash flow; or

future value of expected cash flow.

19. The analysis host implemented method according to claim 1, wherein said objective measure of scale comprises a ratio of any combination of objective measures of scale relating to the asset and the ratio is not based on any one of: weighting the assets based on market capitalization; equal weighting; or weighting in proportion to the price of the assets.

20. The analysis host implemented method according to claim 19, wherein said ratio of any combination of said objective measures of scale comprise at least one of:

current ratio,

debt ratio,

overhead expense as a percent of sales, or

debt service burden ratio.

21. The analysis host implemented method according to claim 16, wherein said objective measure of scale comprises a demographic measure of said one of the asset.

22. The analysis host implemented method according to claim 21, wherein said objective measure of scale comprises at least one of:

employees,

floor space,

office space,

location;

a demographic measure of an entity associated with the asset, or

a measure relating to a demographic attribute of said one of the assets.

23. The analysis host implemented method according to claim 14, wherein said measure of size comprises a demographic measure.

24. The analysis host implemented method according to claim 23, wherein said demographic measure comprises at least one of:

a non-financial metric;

a non-market related metric;

a number of employees;

a floor space; or

an office space.

25. The analysis host implemented method according to claim 1, wherein said (c) comprises weighting based on said objective measure of scale, wherein said objective measure of scale comprises an economic indicator.

26. The analysis host implemented method according to claim 1, wherein said objective measure of scale comprises a measure tied to a particular geography associated with the assets.

27. The analysis host implemented method of claim 1, wherein the method comprises constructing a portfolio of assets based upon the valuation indifferent non-capitalization weighted index of assets.

28. The analysis host implemented method of claim 27, wherein the portfolio of assets comprises at least one of:

a fund;

a mutual fund;

a fund of funds;

an asset account;

an exchange traded fund (ETF);

a separate account, a pooled trust; or

a limited partnership.

29. The analysis host implemented method according to claim 27, further comprising:

selecting the plurality of assets for trading according to the valuation indifferent non-capitalization weighted index of assets; and

trading via a trading host one or more of said plurality of assets based on said selecting or said weighting of the constituent assets of the valuation indifferent non-capitalization weighted index.

30. The analysis host implemented method according to claim 29, wherein said trading comprises: rebalancing the portfolio of assets based on the valuation indifferent non-capitalization weighted index of assets.

31. The analysis host implemented method according to claim 30, wherein said rebalancing comprises:

rebalancing on a periodic basis.

32. The analysis host implemented method according to claim 30, wherein said rebalancing is based upon the constituent assets reaching a threshold value.

33. The analysis host implemented method according to claim 29, further comprising:

applying one or more rules associated with the valuation indifferent non-capitalization weighted index of assets.

34. The analysis host implemented method according to claim 1, wherein the method of constructing the non-capitalization weighted valuation indifferent non-capitalization weighted index is used for at least one of:

investment management, or

investment portfolio benchmarking.

35. The analysis host implemented method of claim 1, wherein the method further comprises an enhanced valuation indifferent non-capitalization weighted index investing method, comprising:

constructing a portfolio of assets in a fashion in which at least one of: holdings; performance; or characteristics, are substantially similar to the valuation indifferent non-capitalization weighted index of assets.

36. The analysis host implemented method according to claim 1, wherein a method implemented by a computer and said (a) comprises:

gathering data about the plurality of assets using one or more computerized databases.

37. The analysis host implemented method according to claim 1, wherein said objective measure of scale comprises a non- financial metric.

38. A system for constructing a non-capitalization weighted index of securities, comprising:

means for gathering data about a plurality of entities having publicly tradable securities;

means for selecting a plurality of securities to create an index of securities, wherein said selecting comprises selected based on at least one objective measure of scale of each of said plurality of entities, wherein said at least one objective measure of scale exclusive of material influence of price of said security; and

weighting means for weighting each of said plurality of securities selected in the index based on an objective measure of scale of each of said plurality of entities,

wherein said weighting means comprises:

means for weighting at least one of said plurality of securities; and

means for weighting other than weighting based on at least one of market capitalization, equal weighting, or price weighting.

39. A computer-implemented non-capitalization weighted portfolio of securities construction system, comprising:

a processor adapted to gather data about a plurality of entities having publicly tradable securities; adapted to select a plurality of securities to create the index of securities; adapted to weight each of said plurality of securities selected

in the index based on an objective measure of scale of each of said plurality of securities; adapted to weight at least one of said plurality of securities; and adapted to weight other than based on at least one of market capitalization, equal weighting, or price weighting.

40. A machine readable medium that provides instructions which when executed by a computing platform, cause said computing platform to perform operations comprising a method of constructing a non-capitalization weighted index of securities, the method comprising:

(a) gathering data about a plurality of entities having a publicly tradable securities;

(b) selecting a plurality of securities to create the index of securities, wherein said selecting comprises selecting based on at least one objective measure of scale of each of said plurality of entities, wherein said at least one objective measure of scale is exclusive of material influence of price of said security; and

(c) weighting each of said plurality of securities selected in the index based on an objective measure of scale of each of said plurality of entities,

wherein said weighting comprises:

(i) weighting at least one of said plurality of securities; and

(ii) weighting other than weighting based on at least one of market capitalization, equal weighting, or price weighting.

41. A system for constructing a non-capitalization weighted securities market index, comprising:

means for gathering data about a plurality of entities having publicly tradable securities;

means for selecting a group of said publicly tradable securities, wherein said group comprises at least one of an entire market or a segment of a market, to create a securities market index; and

weighting means for weighting each of said plurality of securities selected in the securities market index based on an objective measure of scale of said each of said group of securities,

wherein said weighting means comprises:

means for weighting at least one of said group of securities; and

means for weighting other than weighting based on at least one of market capitalization, equal weighting, or price weighting.

42. The system according to claim 38 or 41, further comprising:

means for normalizing said data for said at least one objective measure of scale across said plurality of entities.

43. The system according to claim 41, wherein said objective measure of scale used by said means for selecting differs from said objective measure of scale used by said weighting means.

44. The system according to claim 38 or 41, wherein said objective measure of scale used by said means for selecting excludes any combination of:

market capitalization; and/or

share price.

45. The system according to claim 38 or 41, wherein said means for selecting comprises:

(i) means for assigning, for each said entity, a percentage factor to each of a plurality of said objective measure of scale, each said percentage factor corresponding to the importance of a said objective measure of scale to said selection;

(ii) means for multiplying, for each said entity, each of said percentage factors with the corresponding objective measure of scale thereof, to compute a selection relevance factor for said entity;

(iii) means for determining said selected group of entities by:

(A) comparing said selection relevance factors for said entities;

(B) ranking said entities based on said comparison;

(C) selecting a predetermined number of said entities having highest rankings to be said selected group of entities.

46. The system according to claim 38 or 41, wherein said weighting means is operable to:

(i) for each said entity comprising said selected group of entities, assign a percentage factor to each of a plurality of said objective measure of scale, each said percentage factor corresponding to the importance of a said objective measure of scale to said weighting; and

(ii) for each said entity comprising said selected group of entities, multiply each of said percentage factors with the corresponding objective measure of scale thereof, said corresponding objective measure of scale being a member of said plurality, to compute an entity function;

(iii) setting a weighting function as a combination of the totality of said entity functions.

47. The system according to claim 38 or 41, wherein each of said securities comprises at least one of:

a stock;

a commodity;

a futures contract;

a bond;

a mutual fund;

a hedge fund;

a fund of funds;

an exchange traded fund (ETF);

a derivative; and/or

a negative weighting on any asset.

48. The system according to claim 38 or 41, wherein said securities comprise a stock.

49. The system according to claim 38 or 41, wherein said securities comprise a commodity.

50. The system according to claim 38 or 41, wherein said securities comprise a futures contract.

51. The system according to claim 38 or 41, wherein said securities comprise a bond.

52. The system according to claim 38 or 41, wherein said securities comprise a mutual fund.

53. The system according to claim 38 or 41, wherein said securities comprise a hedge fund.

54. The system according to claim 38 or 41, wherein said securities comprise a fund of funds.

55. The system according to claim 38 or 41, wherein said securities comprise an exchange traded fund (ETF).

56. The system according to claim 38 or 41, wherein said securities comprise a derivative.

57. The system according to claim 38 or 41, wherein said securities comprise a negative weighting on any asset type.

58. The system according to claim 57, wherein said negative weighting is performed for purposes of at least one of establishing and/or measuring performance for at least one of:

any security;

a portfolio of securities;

a hedge fund; and/or

a long/short position.

59. The system according to claim 38 or 41, wherein said objective measure of scale comprises a measure of size of a said entity.

60. The system according to claim 59, wherein said measure of size of a said entity comprises at least one of:

gross revenue;

sales;

income;

earnings before interest and tax (EBIT);

earnings before interest, taxes, depreciation and amortization (EBITDA);

number of employees;

book value;

assets;

liabilities; and/or

net worth.

61. The system according to claim 38 or 41, wherein said objective measure of scale comprises a metric relating to an underlying security itself.

62. The system according to claim 61, wherein said securities comprise at least one of:

a municipality;

a municipality issuing bonds; and/or

a commodity.

63. The system according to claim 61, wherein said metric comprises at least one of:

revenue;

profitability;

sales;

total sales;

foreign sales,

domestic sales;

net sales;

gross sales;

profit margin;

operating margin;

retained earnings;

earnings per share;

book value;

book value adjusted for inflation;

book value adjusted for replacement cost;

book value adjusted for liquidation value;

dividends;

assets;

tangible assets;

intangible assets;

fixed assets;

property;

plant;

equipment;

goodwill;

replacement value of assets;

liquidation value of assets;

liabilities;

long term liabilities;

short term liabilities;

net worth;

research and development expense;

accounts receivable;

earnings before interest and tax (EBIT);

earnings before interest, taxes, dividends, and amortization (EBITDA);

accounts payable;

cost of goods sold (CGS);

debt ratio;

budget;

capital budget;

cash budget;

direct labor budget;

factory overhead budget;

operating budget;

sales budget;

inventory system;

type of stock offered;

liquidity;

book income;

tax income;

capitalization of earnings;

capitalization of goodwill;

capitalization of interest;

capitalization of revenue;

capital spending;

cash;

compensation;

employee turnover;

overhead costs;

credit rating;

growth rate;

tax rate;

liquidation value of entity;

capitalization of cash;

capitalization of earnings;

capitalization of revenue;

cash flow; and/or

future value of expected cash flow.

64. The system according to claim 38 or 41, wherein at least one objective measure of scale comprises a ratio of any combination of two or more objective measures of scale.

65. The system according to claim 64, wherein said ratio of any combination of said objective measure of scale comprises at least one of:

current ratio;

debt ratio;

overhead expense as a percent of sales; and/or

debt service burden ratio.

66. The system according to claim 61, wherein said objective measure of scale comprises a demographic measure.

67. The system according to claim 66, wherein said demographic measure comprises at least one of:

a measure relating to employees;

floor space;

office space;

location; and/or

other demographics of a security.

68. The system according to claim 59, wherein said measure of size of a said entity comprises at least a demographic measure.

69. The system according to claim 68, wherein said demographic measure comprises at least one of:

a non-financial metric;

a non-market related metric;

a number of employees;

floor space;

office space; and/or

other demographics of the entity.

70. The system according to claim 38 or 41, wherein said objective measure of scale comprises a metric relating to geography.

71. The system according to claim 70, wherein said metric relating to geography comprises a geographic metric other than gross domestic product (GDP).

72. The system of claim 38 or 41, further comprising:

trading means for constructing a portfolio of securities comprising one or more trading securities, trading means comprising:

means for receiving data indicative of investment amounts from one or more investors;

means for purchasing one or more of said trading securities using said investment amounts based on said index of securities, to create the portfolio.

73. The system of claim 72, further comprising a trading accounts database coupled to said trading accounts management module, said trading accounts database operable to store said one or more data indicative of said investment amounts.

74. The system of claim 72, further comprising an exchange host computer processing apparatus coupled to said purchasing module, said exchange host computer processing apparatus operable to perform one or more functions of said purchasing module.

75. The system of claim 72, wherein said asset type comprises at least one of:

a fund;

a mutual fund;

a fund of funds;

an asset account;

an exchange traded fund (ETF);

a separate account, a pooled trust; and/or

a limited partnership.

76. The system according to claim 72, further comprising: rebalancing a pre-selected group of trading assets based on said objective measure of scale index.

77. The system according to claim 76, wherein said rebalancing is performed on a periodic basis.

78. The system according to claim 76, wherein said rebalancing is based on the group of assets reaching a predetermined threshold.

79. The system according to claim 72, further comprising: applying one or more rules associated with said objective measure of scale index.

80. The system according to claim 38 or 41, wherein the system may be used for at least one of:

investment management, and/or

investment portfolio benchmarking.

81. The system of claim 38 or 41, wherein the means for selecting is operable to perform enhanced index investing, comprising: computing a portfolio of securities such that at least one of: holdings; performance; and/or characteristics, are substantially similar to an external index.

82. The system according to claim 38 or 41, wherein said weighting means further comprises weighting based on a non-financial metric associated with each of said selected group of entities.

83. A computer-implemented method of constructing a non-capitalization weighted index of securities substantially as herein described with reference to Figures 1-3 of the accompanying drawings.

84. A system for constructing a non-capitalization weighted index of securities substantially as herein described with reference to Figures 1-3 of the accompanying drawings.

85. A computer-implemented non-capitalization weighted portfolio of securities construction system substantially as herein described with reference to Figures 1-3 of the accompanying drawings.

86. A machine readable medium that provides instructions which, when executed by a computing platform, cause said computing platform to perform operations comprising a method of constructing a non-capitalization weighted index of securities substantially as herein described with reference to Figures 1-3 of the accompanying drawings.

87. A system for constructing a non-capitalization weighted securities market index substantially as described with reference to Figures 1-3 of the accompanying drawings.