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In 1952, the *Journal of Finance* published "Portfolio Selection," authored by Nobel prize-winning economist Harry Markowitz. The ideas introduced in this article came to form the foundation of Modern Portfolio Theory, which is the basis for many financial models used today. Fifty years later, we are pleased to look at the way Modern Portfolio Theory is being used today in our lead article by Fabozzi, Gupta, and Markowitz.

We look forward to your feedback, which can be sent to us at journals@investmentresearch.org.

Brian Bruce, Editor-in-Chief
Nick Mencher, Executive Editor

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LETTER TO THE EDITOR

The article by Swank et al. in your Spring issue appears to me to oversimplify the low risk of equity ownership over the long run.

We all know the story about the variance ratio. Terminal wealth values are what pay for the groceries, however. In other words, it is not enough to observe that the standard deviation of annual returns on overlapping periods declines as the holding period lengthens. On the basis of the Ibbotson data, a dollar invested for 30 years at one standard deviation below the 30-year mean will grow to only $16 versus $34 at one standard deviation above the mean. And on how many 30-year-periods do these writers base their generalization? Overlapping periods are suspect. We have only 2.5 non-overlapping 30-year-periods since 1926.

For my taste, 100% in equities under those conditions is unpalatable. Some allocations to bonds and cash compresses those uncertainties.

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