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According to Pension and Investments (October 29, 2007), "assets in 130/30-type strategies climbed 77% in the six months ended September 30, topping $53 billion from $30 billion six months ago." For those not familiar with 130/30, it is an equity portfolio with 130% long exposure and 30% short exposure for a net exposure of 100%. It is different from a hedge fund as the beta exposure is left intact. 130/30 typically have no derivatives, swaps or overlays. 130/30 is similar to long only products in that performance can be measured with traditional benchmarks and traditional metrics. 130/30 is being integrated into traditional equity allocations, not just alternative allocations. In a low return environment, many fund sponsors are looking for higher alpha which has been increasingly defined as higher tracking error/concentrated portfolios. 130/30 is a means of searching for additional alpha by loosening manager constraints.

This strategy is quickly gaining the interest of investors and their managers. We introduce our Winter issue with a special section on 130/30 strategies. We have included articles that discuss the organization needed to support a 130/30 strategy, alpha and betas with regard to 130/30, relaxing constraints in enhanced index portfolios and the positive effects of adding short positions to an equity portfolio.

As always, we hope you find the articles presented useful and thought-provoking. You can e-mail comments or suggestions to us at journals@investmentresearch.org.

Best wishes to all,

Brian Bruce
Editor-in-Chief