

THE JOURNAL OF INVESTING

VOLUME 19, NUMBER 1

SPRING 2010

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In his commentary that leads off our Spring issue, Haslem looks at whether mutual fund independent directors are sufficiently aligned with shareholder interests. He discusses the four basic reasons why he thinks they have failed in their role as “shareholder watchdogs.” Next, Agrawal and Waggle examine the beta estimates of ETFs available on some leading financial websites and find that there is significant dispersion in the betas that could impact portfolio design. Au and Shapiro suggest that the risk and return relationships of value and momentum have shifted, and they examine the impact on portfolio construction. This is followed by Stutzer’s demonstration of the benefits of diversification using simple math.

Although public company disclosures give analysts a comprehensive measure of top management’s total compensation, this does not demonstrate management’s incentive to increase shareholder value. O’Byrne and Young present a comprehensive measure of management’s incentive to increase shareholder wealth and discuss the uses of these measurements in determining outperformance. Next, Rachlin and Castro discuss risk for relative value arbitrage strategies and conclude that the arbitrage stress test method, or one that measures the dislocation cost of relative value trades, is more useful for understanding risk exposures for relative value arbitrage portfolios than reliance upon the traditional parallel shifts. Rees provides a trading strategy based on a prediction model as to whether firms will meet analyst forecasts in the next two quarters. Then follow Bossert, Füss, Rindler, and Schneider, who examine the information ratio as a reliable performance measure when evaluating mutual fund managers. This issue concludes with Kester’s re-examination of the Super Bowl Stock Market Predictor. Although the model has not been that accurate in recent years, a comeback this year would signal an up market!

As always, we welcome your submissions. We value your comments and suggestions, so please email us at journals@investmentresearch.org.

Brian Bruce
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