

THE JOURNAL OF
INVESTING

VOLUME 20, NUMBER 2

SUMMER 2011

BRIAN R. BRUCE Editor-in-Chief
NICK MENCHER Executive Editor
DEBORAH TRASK Managing Editor

HARRY KATZ Production and Technology
Director

DEBORAH BROUWER Production/Design

ANDREW O'DONNELL Director of Marketing
SHARON CHIEN Marketing Manager

SEGAL BENGIGI Global Digital Sales Manager

PETER JUNCAJ Head of Subscription Sales
Account Manager

JENIFER HILL Account Manager

DEWEY PALMIERI Reprints Manager

KELVIN LOUIE Senior Fulfillment Manager
EMPERATRIZ MIGNONE Fulfillment Manager

STEVE KURTZ Director, Finance & Operations
ALINA LEONOVA Business Manager

DAVE BLIDE Associate Publisher

JANE WILKINSON President & CEO
ERIC HALL Publisher
ALLISON ADAMS Group Publisher

The decade from 2000–2009 had a tremendous impact on investors, but it was particularly devastating for investors who began investing in 2000 and expected to remain in the market for 30 or more years. We lead off our Summer issue with Jones' examination of the effect on future performance for these investors as well as his thoughts on likely probabilities of future rates of return. This is followed by Mozes and Cooks' investigation of the impact of inflation on stock returns. Rauterkus, Rauterkus, and Bos test a model to estimate the equity risk premium based on a stock valuation model suggested by Alan Greenspan. Next we have Klement's discussion of bond returns where he determines that many investors use inaccurately high long-term historical averages in their assumptions. Kohlert examines the effects of the economic recovery on frontier assets and suggests these assets could offer considerable diversification benefit as well as superior performance.

In their article, Deng, McCann, and O'Neal address the problem in reporting the average term of bond mutual funds. The ambiguity in this statistic can lead to increased risk exposure for investors. The following article by Viole and Nawrocki discusses utility functions and the need to be less generalized. Athanassakos examines whether value investors add value in the stock selection process by being able to identify truly undervalued stocks from a universe of possibly undervalued stocks. This is followed by Al-Shakfa and Lypny who discuss the restrictions imposed by religious or social screening of portfolio and whether these restrictions affect the ability to diversify. We conclude our regular section with Blank and Hanes' analysis of hedge fund returns on a macro-economic level and the ability to use this information to predict future returns.

Publisher's Note:

We are listening! *The Journal of Investing* has a new look, presents even more practical and applicable articles, and will include a special section of interest to our readers in every issue. JOI's editor, Brian Bruce, offers that "JOI is a readable journal where you'll find at least one investable idea in every issue." We welcome your feedback and if there is a trend or topic that you feel warrants greater depth, please send it along and we will consider it for our special section. We hope that you enjoy reading JOI and utilizing Institutional Investor Journals' research platform at www.ijournals.com or www.ijoi.com. We look forward to hearing from you and thank you for subscribing to *The Journal of Investing*.

Eric M. Hall
Publisher, Institutional Investor Journals, ehall@ijournals.com

T H E J O U R N A L O F
INVESTING

Our special section in this issue of the journal covers transition management. The section begins with Brzezinski and Kidambi discussing the significant effect of trading costs and risks on performance and offering ways to avoid the negative impact. Johnsey demonstrates the importance of monitoring the transition process to ensure a successful outcome. Weiler and Iannucci examine the similarities between fixed-income and equity transitions—including the benefits. Cook explores the use of trading benchmarks in transition management and discusses their use in performance attribution. We conclude the section with Bagley and Murphy who examine transition management for the shift to liability-driven investing. Restructuring continues to be a priority this year, making transition services in great demand. We hope you will find these articles both timely and relevant.

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

Brian Bruce
Editor-in-Chief