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To open this issue, Mladina and Grant introduce a glide path of financial assets over the lifecycle based on a retirement goal and depleting human capital. The result is a dynamic asset allocation over the lifecycle that is a function of critical input variables relevant to retirement planning such as retirement savings, retirement consumption and risk aversion. Chakraborty, Grant, Trahan, and Varma examine the announcement timing as to when investors should execute a short-selling strategy on the stocks of acquiring firms. Idzorek and Blanchett discuss the problem with practitioners embracing LDI techniques when building portfolios for individual investors without properly considering the unique characteristics of the individual's liability or the risk attributes of the assets retirees have available to fund the liability. After incorporating the unique risks associated with the retirement liability, as well as the asset retirees commonly have to fund retirement, they find that retirees are likely best served with portfolios that are balanced and more diversified than traditional LDI models suggest.

Next, McDonald, Puleo, and Shadmani use a well-regarded measure for the "fair" value of interest rates to measure the degree to which the Fed is influencing interest rates, and find that Fed's actions are correlated with a modest negative impact on US equity prices. Trainor, Chhachhi, and Brown examine an option-based portfolio insurance strategy where a fixed percentage of the portfolio is used to purchase in the money long-term call options with the remainder invested in a standard investment grade bond fund. As constructed, these portfolios outperform put option-based portfolio insurance strategies and perform as well as a CPPI, with the added advantage of not needing to be actively managed. Park constructs a 10-year realized term premium from the 10-year zero coupon Treasury yield in year 1 and the ex post 3-month Treasury yields from years 1 to 10. The realized term premium swung wildly until the mid-1980s, and then fluctuated within a fairly stable range showing no trend. Emm and Trevino explore the extent to which a risky investment, like stocks, can become safer given a longer holding period. Their findings lend support to the common practice of investing more aggressively as the investment horizon lengthens.

As we continue, de Franco and Monnier assess the value added of a multi-factor portfolio from a performance-agnostic point of view. They conclude that the measure that underlies this equal-weighting of factors has zero predictive power on cross-sectional differences in stocks' returns. Martin and Sankaran provide evidence on using the Black-Litterman (1991, 1992) asset allocation model and show that if investors

form even partially-correct opinions on small-cap and emerging market stocks, portfolio performance would have improved vis-à-vis no opinions. They conclude that investors may benefit more from investing resources in forming opinions on the future direction of small-cap and emerging market stocks relative to large-cap stocks.

To conclude the issue, Brooks, Tsuji, and Villalon seek to apply the wisdom of many famous investors systematically; to ask whether their philosophies applied broadly might still generate "alpha."

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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