

**A**lternative to what? Is your first question, particularly as there are so many definitions to the concept of alternative investments. We define it broadly, as alternatives to the mainstream asset classes of stocks and bonds as well as alternative strategies within mainstream assets (such as hedging, arbitrage or market neutral styles). *The Journal of Alternative Investments* covers a range of assets: managed futures, private equity, commodities, hedge funds and funds of funds, oil and gas, timber, REITs, distressed securities and currencies.

The phenomenal growth in alternative asset investing by institutions in recent years has been driven by the need to diversify away from traditional assets, to enhance absolute returns and to benefit from the expertise of alternative asset managers. Institutional investors are now demanding more transparency in alternative strategies, though many of these products remain private and illiquid. Responding to their need for information, practitioners and academics have increasingly turned the spotlight on studying market correlations, performance benchmarks and trading rationales in a range of these asset classes.

Tapping into this growing body of research, *The Journal of Alternative Investments* will provide authoritative answers to the most significant investment developments in alternative assets. It will enable investors to compare different portfolio strategies and performance measurement techniques and provide manager assessments, thereby helping investors determine their optimal asset allocation. It will allow fund managers to review differing trading styles and portfolio strategies, offering best practice studies in risk management and bench marking. Finally, it will be a forum for the exchange of ideas between the buy and sell side, presenting comprehensive research on why and how to implement or manage alternative investments.

The editor of *The Journal of Alternative Investments* will be a familiar name to many of you. Tom Schneeweis, professor of finance at the University of Massachusetts, has widely published his work in this area and is a frequent keynote speaker at industry conferences. He runs the non profit research group, Center for International Securities and Derivatives Markets, and is principal at consulting firm TRS Associates. He spearheads our effort to deliver the best, original research on alternative investments from fund managers, academics and consultants.

Please do write to Tom or myself on any suggestions or comments. I hope you'll find the Journal to be both challenging and rewarding!

**Gauri Goyal**  
**Publisher**

# THE JOURNAL OF ALTERNATIVE INVESTMENTS

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Welcome to the first issue of Institutional Investor, Inc's newest publication, The Journal of Alternative Investments. During the past decade, the investment management industry has undergone numerous changes. New forms of investment products such as managed and hedge funds have come into existence to meet the needs of changing financial regulation, information technology, and investors' demands. In addition, alternative investments, as venture capital, leveraged buyout, distressed securities, private equity, oil and gas programs, and timber or farmland have also witnessed a dramatic increase in investment. The mission of the The Journal of Alternative Investments is to increase the interaction between the academic, practitioner, and investor communities. The Journal of Alternative Investments is devoted to the understanding and analysis of these markets including regulatory, administration/management, and investment performance issues.

As with most undertakings, the Journal will evolve to meet our readers' demands and concerns. The Journal of Alternative Investments will offer, a comprehensive comparison of the various alternative investments as additions/substitutes for traditional or other alternative asset forms as well as regulatory, legal, and management issues which are of interest to the alternative investment management community.

It is always an exciting undertaking to begin a new journal. Our inaugural issue leads off with an article which briefly reviews on a series of concerns over the use of managed futures in investment including performance persistence among commodity trading advisors, survival bias in managed futures research, and the availability of benchmarks for use in managed futures research. In future issues, readers can look forward to a quarterly article reviewing current academic research on alternative investments as well as short review pieces dealing with technical aspects of performance management (e.g., drawdown, skewness).

For alternative investments to grow, investors must feel comfortable about their ability to understand the various trading styles and market opportunities. In the second article, David McCarthy and Richard Spurgin offer a performance analysis of the principal hedge fund benchmark indices used to capture the risk and return performance of a wide range of alternative

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investment strategies. The article offers a brief introduction to those readers who wish to understand the unique characteristics of various industry performance standards. The next article provides readers with a backdrop to a current area of investment interest; private debt. In order to appreciate future developments it is necessary that one obtain a basic grasp of how the private debt area has developed. In the first of a two part article, George Martin provides an introduction to the historical development of the private debt area.

The next four articles deal with empirical issues in alternative investment strategies and asset allocation. In the first, Mark Potter looks at the ability of equity commodity trading advisors (CTA) to provide unique risk and return opportunities not generally available in traditional long only stock and bond investment. In the following article, Richard Spurgin compares the performance of managed futures, hedge funds and traditional mutual funds which have an equity class focus. Philip Halpern and Randy Warsager review the relative performance of various energy and non-energy based commodity indices as well as energy based commodity trading advisors during periods of high and low inflation. In future issues, similar articles on other alternative investment strategies will be explored. In the area of asset allocation and currency risk management, Hossein Kazemi offers, albeit a little more in the mathematical vein, an introduction to a modern method of asset allocation and currency risk management.

The ability of our readers to better understand the interaction of academic research, practitioner products and public/private mandates requires an understanding of the ever-changing information and financial landscape. In the final article, Kristap Lics reviews some of the primary academic 'WEB' sites that may of interest to our readers. In future issues, we will attempt to provide backdrop on informational "sites" for professional organizations focusing on 'alternative investments' as well as sites which provide more basic information on alternative investment products. As the Journal grows, future issues will deal with more specific investment strategies, management policies, and risk management procedures. However, the ultimate success of the journal depends on readers such as yourselves. We welcome your comments, suggestions, and article submissions. For further information, please see our submission guidelines in the back.

**Thomas Schneeweis**  
Editor