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One of the principal problems in measuring the potential risk of alternative investments is that for a wide variety of strategies it is difficult to track actual performance on a daily basis or to analyze the strategy across expected economic environments. As for traditional assets, what may be required is a passive benchmark which tracks the actual performance of the strategy. Such passive benchmarks would provide not only a means to better determine the "alpha" of individual managers, but to determine asset allocation based on strictly passive indices, and to provide a basis for determining "levered" risk characteristics of an underlying strategy in future economic markets. In the first article, "A Benchmark for Commodity Trading Advisor Performance," Richard Spurgin describes a passive index that can be used as a benchmark for a particular alternative investment strategy; that is, commodity trading advisors (CTAs). The index is designed to benchmark the performance of diversified trend-followers. Results indicate that the passive index has returns that are highly correlated with the return of the average CTA. As such, this index can be useful in performance measurement and attribution, the creation of traditional and alternative investment portfolios, as well as the determination of future volatility patterns under various leverage and market scenarios.

In contrast to passive indices, active management forms the basis for much of traditional as well as alternative asset investment. In fact, it is often argued that traditional as well as managed fund performance has not shown the ability to outperform acceptable investment benchmarks. Managers with relatively high turnover, reflecting their attempts to time the market or to emphasize the relative value of individual securities, are generally regarded as increasing costs with no direct investor benefit. In contrast, in the second article, "Skill and Turnover: Requirements for Investment Performance," Jason Glazier and Kathryn Wilkens show that, under reasonable assumptions regarding manager skill and transactions costs, increased turnover may in fact result in, and be a necessary condition for, high levels of performance relative to the benchmark.

Whether one believes that active management or passive index based approaches is the preferred method of investment,

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one is always left with the requirement to determine expected return and risk of the underlying strategy. This is generally determined through a wide range of risk management approaches which are generally fitted under the concept of value at risk (VaR). While volumes have been written on VaR and its benefits and shortcomings, value at risk remains at the heart of both the determination of alternative investments' potential for meltdown as well as its potential return to risk tradeoff. In the third article, "Portfolio Risk Measurement: A Review of Value at Risk (VaR)," Sam Chung provides a brief yet in-depth review of the principal approaches to VaR. While the traditional VaR approach has not typically been focused on alternative investment strategies (especially those with pricing or liquidity concerns), VaR remains a focal point of asset risk management approaches. As important, this article provides, for the mathematically adept, examples of both parametric and nonparametric approaches.

Value at risk models, in fact any model of expected return performance, require fundamental understanding of the underlying strategies. In the next two articles, the risk and return performance of various strategies in the hedge fund and managed futures areas are reviewed. In the first of these two articles, "Hedge Funds: Structure and Performance," Glenn Yago, Lalita Ramesh, and Noah Hochman offer a review of the historical background and structure of hedge funds as well as their recent risk and return performance. They also offer a brief review of other academic research on issues of hedge fund performance persistence and survival bias.

Issues of performance and survival bias are also of concern in the managed futures area. In the fifth article in this issue, Fernando Diz does just that. In the first part of a two-part article, Fernando Diz concentrates on the actual performance of survivor and nonsurvivor CTAs. In a follow up article, (next issue) Fernando Diz will attempt to forecast those CTAs who will and will not survive. As such this article is also in line with attempts to better determine the potential failure of alternative investment strategies and thus their potential for market wide impacts.

While the aforementioned articles concentrate on general modeling approaches to determine potential risk and return concerns, often what is required is simply a more qualitative approach. In the next article, "Convertible Arbitrage: A Manager's Perspective" (and

THE JOURNAL OF ALTERNATIVE INVESTMENTS

part of a continuing series) two managers, John Pagli and John Burke, reflect on the actual workings of their "Convertible Arbitrage" strategies. What is especially interesting about their discussion is not only the similarities of their concerns, but also the unique differences in their approaches to asset and risk management.

Some investors may not even regard convertible arbitrage as an asset class. The debate over alternative investments being an asset class or merely an asset strategy continues to separate academics and practitioners. In this issue's Practitioner's Corner, "Toward Defining an Asset Class," Mark Kritzman reviews his approach on this subject. In the final article, "The Usefulness of the Web in Obtaining Global Economic Information: European Union," Kristap Licis continues his review of Web information of value for alternative investments.

This issue begins our second volume. Having successfully completed the first year, I thank all of our readers for their patience with the growing pains of any new journal. In this issue, we have provided a list of all the articles published in the previous volume. Upon reflection, Volume 1 contains material which proves the viability of alternative asset investment as well as shows the need for continued research and development. As always, we appreciate your readership and we look forward to your comments and article submissions.

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Editor