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Within recent weeks a plethora of government and quasi-public bodies have reported their findings and recommendations relative to last year's financial crisis. The events that took place a year ago, while now almost ancient history, have placed renewed interest on various means to protect principal as well as on various ways to structure asset flows to investors.

In the first article, Schneeweis and Spurgin review several of these new structures (structured notes and swaps), the economic bases for new product forms and security designs, and provide "simulation" examples of the return opportunities made available through both the "guaranteed" structured notes and swaps offered. Despite the move toward more complex security designs and product structures, the core of the benefits of various alternative investment strategies remains the fundamental risk and return opportunities they provide.

In the second article, the subject returns to more direct "micro" analysis of actual trading and product issues in the alternative investment universe. Angel, Gastineau, and Weber discuss the use of this growing area for hedge fund managers. In the third article, Diz shows the potential for survival forecast models in limiting loss due to investment in "future" CTA failures.

In the fourth article, Chen emphasizes that portfolio managers face two critical decisions: portfolio selection and currency exposure. He finds that funds invested in Europe are more likely to hedge currency risk, while Latin American funds and country funds invested in South Africa and the Middle East do not use currency hedging. This may be attributed to costly but limited choices of derivative instruments for hedging currency risk in emerging markets. For hedged funds, the most popular of the currency hedging instruments is the forward contract. Chen's findings indicate that the performance of closed-end country and international equity funds, on average, is affected by risk, discount/premiums, and currency hedging.

While individual managers may find value in the unique aspects of equity flex options, survivor forecast, and currency hedge impacts on fund performance, many investors rely on multi-fund alternative asset advisors to create and monitor multi-manager funds. In the fifth article, two such managers, Rostron and Colvin,

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discuss in detail their experience in creating and monitoring multi-manager alternative investment funds.

The problems of investing in a single fund are illustrated in the dramatic declines in several single-fund investments last year. Investment loss is at the heart of last year's financial crisis and this year's government and private market scrutiny of Long Term Capital Management (LTCM), as well as the possible systemic impacts on the hedge fund industry. In the next three articles, viewpoints from three different sources are given. Edwards provides an academic's review of the empirical evidence of hedge fund performance and the possible implications of government actions. Next, Yago and Ramesh take a "research foundations" view of the extent to which hedge funds can be directly linked to the systemic problems surrounding last year's events. In the final article, Brittain emphasizes the "practitioner's" approach to the problems of searching for or obtaining a simple single variable or single conceptual approach to managing, monitoring, or investing in hedge funds.

The articles in this volume emphasize again the need for investors to understand the actual investment vehicles or strategies used, as well as the findings of centuries of investment: That is, there is little evidence of "abnormal" risk-free returns. The question remains as to whether it is the government's duty to try to mitigate all risks or just those politically or "short-term" economically expedient. Investors must remember the possible economic impacts of restricting investments or to limiting leverage on the cost of those investments (e.g., mortgages). At the same time, information (especially if relatively costless) can add immediate value. In the final articles, Licis again offers a review of web resources, and, in a new feature, various books of interest to the alternative investment community are reviewed.

As we start our second year, we thank our readers and look forward to more submissions to the journal.

Thomas Schneeweis
Editor