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By some estimate, the total amount of dry powder in the private equity markets surpassed $2 trillion in 2018. A large number of deep-pocketed investors are eager to have increased allocation to this broad asset class, which includes a diverse group of investment products from venture capital to distressed lending. These investors are willing to deal with the complexities of investing in private equity because of the belief that in the long run it will outperform its close substitutes, public equity, and debt markets. However, despite many years of research and many more academic and industry papers, there is still no consensus on whether private equity has demonstrated persistent outperformance compared to public markets. The first two papers of this issue of *The Journal of Alternative Investments* examine private equity investments. The next three papers examine investment properties of liquid alternatives or alternative mutual funds. The last section of this issue covers cryptocurrencies.

In "Private Equity Valuations and Public Equity Performance" Czasonis, Kritzman, and Turkington argue that changes in private equity valuations should be related to the performance of public equity markets because both are affected by market-wide factors affecting risky assets. However, the relationship between the two markets is expected to be far from perfect because of the significant differences between the two in terms of liquidity and transparency. The authors go on to argue that because private equity managers are less constrained than public market participants by the forces of no-arbitrage pricing, they have greater discretion to introduce biases into their valuations. Based on an extensive sample of private equity valuations, they find persuasive evidence that private equity managers produce positively biased valuations that appear to be rationalized by irrelevant information.

Marchel and Markarian ask, "Why Invest in Private Equity?" The authors point out that investing in private equity is neither easy nor cheap. Investors must accept relatively high fees, commit to providing additional capital when asked by general partners and then accept having that capital locked up for many years. The central question discussed in the paper is whether private equity returns can be replicated by levered investments in public markets? The authors try to replicate leveraged buyouts in the public market by purchasing a variety of hypothetical portfolios, including undervalued and poorly performing stocks typical of buyout targets. Like LBO transactions, simulated investments are partly financed by debt and realized after five-year holding periods. This investment strategy yields IRRs of up to 13.2%, less than the average of 14.2% reported in studies that analyze private equity performance, but without the long periods of illiquidity that characterizes the private equity market. Interestingly, in periods of economic boom, the simulated investments outperform those of private equity.

In the second section of this issue, three papers examine investment properties of hedge funds and alternative mutual funds. In the paper titled "Liquid Alternative Mutual Funds versus Hedge Funds: *Returns, Risk Factors, and Diversification*," Jonathan Hartley offers a comprehensive study of liquid alternative mutual funds, which are available to retail investors. The article compares the performance of these funds to hedge funds both in aggregate and broken down by investment styles and performance quintiles. Overall, liquid mutual funds underperform hedge funds on average by 1%–2% per year on a net-of-fee basis when controlling for standard risk factors.

Baitinger and Maier present a network-based methodology to model hedge fund strategies in "The (Mis)Behavior of Hedge Fund Strategies: *A Network-Based Analysis*." The methodology presented by the authors uncovers considerable misbehavior among various hedge fund strategies from the network perspective. According to the authors, a misbehaving hedge fund strategy has undesired network proximity with strategies from other classifications and/or undesired network-based risk properties. The authors demonstrate that numerous network-based behavioral properties of hedge fund strategies can explain future hedge fund returns. The article titled "The Predictability of Alternative UCITS Fund Returns" studies the out-of-sample predictability of the returns of alternative UCITS funds. Using a large set of fundamental and technical variables, Busack, Drobetz, and Tille employ various forecasting methods. They show that combining various methods reduces estimation uncertainty and leads to economic gains across different market environments.

In "Investments in Cryptocurrencies: *Handle with Care!*" Tobias Glas uses an extensive data set of over 1,500 cryptocurrencies to show that almost none of the traditional investment styles such as momentum or defensive appear to be successful in this young asset class. Cryptocurrencies are also shown to be independent of the macroeconomic environment and cannot be explained by a valuation model. Additionally, the whole cryptocurrency space is dominated by only a few individual digital coins. "Beyond Bitcoin: *A Statistical Comparison of Leading Cryptocurrencies and Fiat Currencies and Their Impact on Portfolio Diversification*" by Ehlers and Gauer attempts to evaluate the performance of cryptocurrencies both as standalone investments and in a portfolio context. Using daily closing prices of leading crypto currencies, the authors show that only a few of these currencies provide substantial diversification benefits. Their findings provide insights for investors who are considering allocations to cryptocurrencies as a way of gaining exposures to uncorrelated sources of returns. Finally, the paper titled "Bitcoin Price Anomalies: *Peer-to-Peer (P2P) Trading on LocalBitcoins*" studies trading behavior on LocalBitcoins, an alternative platform to conventional exchanges that allows investors all over the world to trade Bitcoin on a P2P basis. Holub and Johnson examine the anomalous trade prices on LocalBitcoins, which are settled at values significantly different from prices on other exchanges. As LocalBitcoins are not regulated in the way some exchanges are regulated, the persistence of the anomalous prices suggests that traders may be able to take advantage of the anomalies to generate substantial gains.

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