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The alternative investment universe covers, of course, a wide range of investment opportunities. Traditionally, the primary form of alternative investment was commodity and private equity investment. Over the past decade, Goldman, Sachs & Co. and Frank Russell Capital Inc. have periodically surveyed institutional investors as to their use of domestic and international private investments, including but not limited to venture capital, leveraged buyout funds, mezzanine financing, oil and gas properties, timber, and economically targeted situations. Hedge funds and real estate were not considered to be alternative investments in the context of the survey. Healey and Strong's article provides a summary of the results of their most recent survey, as well as commentary on the importance of institutional demand sources in various subsectors of private investment.

Recent volatility in the financial markets has focused investor interest on alternative investments, which may offer additional means to manage volatility risk or provide return opportunities not available in traditional stock and bond markets. In the second article in this issue, Krause proposes the creation of an alternative volatility contract which is designed to be an exchange-tradable instrument similar in many ways to a futures contract. It is based on the realized or actual volatility that the underlying instrument goes on to display. The ability to directly offset volatility risk is but one means to manage stock and bond portfolio risk.

Traditionally, portfolio risk management has included diversifying across a number of investable alternatives that have a low correlation of returns. Schneeweis and Spurgin's article reviews the risk and return benefits of the new LMEX contract traded on the London Metals Exchange. Results indicate that combining tradable commodity subindices may provide risk and return benefits in comparison to more generic "all-inclusive" long-only commodity subindices. These generic "all-inclusive" commodity indices come in many forms and means of access (e.g., exchange-traded or OTC).

In the fourth article, Chung provides a review of previous research on the performance of various commodity indices, as well as an empirical update of the use of various commodity indices in asset allocation.

Despite empirical evidence of the benefit of commodity investing for portfolio diversification, the actual nature of the returns to long-only commodity investment remains controversial. Greer offers his view of the factors favoring return to long-only commodity investment. The results of this article show that if commodity returns are mean-reverting, even long-only commodity investment benefits from an active management component.

There is an increasing number of new commodity indices as well as commodity futures contracts that may offer investors access to new return and risk reduction opportunities. The LMEX contract offered by the London Metals Exchange offers direct access to a portfolio of non-ferrous metals. King's article examines the actual process of contract creation and construction through a series of questions and answers on the contract's development.

In addition to new exchange-based commodity futures contracts, both OTC and exchange-traded contracts are being created in areas such as electricity, weather, and insurance products. In the Academic Corner, Geman discusses the financial theory and mathematical models behind the pricing and risk management of these "non-traditional" commodity futures and option contracts. While the mathematics may be beyond some readers, the development of the markets requires a full understanding of the pricing processes and risks, so that the contracts can be used to provide their necessary risk management roles.

The development of new commodity contract and investment forms for hedging purposes similarly requires the existence of active commodity traders to provide liquidity in periods in which hedging activity does not suffice. Moreover, active commodity-based commodity futures traders may offer return opportunities not available from commodity trading advisors who concentrate primarily on financial contracts. In the Practitioner's Corner, Di Tomasso and Till provide their views on the basis for active long/short commodity investing and their unique approaches to active "futures/options"-based commodity trading.

In addition to traditional exchange-based trading of commodity futures, there are an increasing number of e-commerce B2B exchanges that offer institutions or corporations alternative means of transacting trades. In the web review, Licis provides a review of several such sites, including those that offer the ability to trade various commodities (e.g., steel, etc.). The impact of such new forms of trading access on traditional spot and futures exchanges is, of course, left for the markets themselves to ferret out.

Finally, in the book review section, Chung continues with his review of books and/or articles of interest to the alternative investment community. In this issue, he reviews two books: Gabriel Burstein's *Macro Trading and Investment Strategies: Macroeconomic Arbitrage in Global Markets*, and Joseph W. Cornell's *Spin-Off to Pay-Off: An Analytical Guide to Investing in Corporate Divestitures*.

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