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Attempting to bridge practitioner and academic research is often met with mixed success. For some academic research refuses to meet practical issues or is framed in a manner unreadable to the practitioner. For academics, practitioner research often provides unique case examples, however, the research often shows little example of being general enough to meet a wide range of investment conditions. In the first three articles of this issue, readers will find the authors' attempts to bridge the academic and practitioner divide. The reader is forewarned in that all three articles contain a level of mathematical presentation that requires careful reading.

In the first article, "Pursuing the Debate on Active Currency Management," Emmanuel Acar and Pierre Lequeux investigate the performance of active currency programs either as an asset class or as an overlay. The authors find that managed currency funds have produced positive returns over the years that are mainly due to the presence of trends in the foreign exchange markets. An active currency overlay program has the potential to beat both hedged and unhedged benchmarks in terms of absolute and risk-adjusted returns. However, the authors also provide an exact formula that offers insight into the conditions under which various trading strategies and hedging procedures would be successful.

In the second and third articles, "Equity-Linked Savings—Part I: A New Product Range for Retail Investors" and "Part II: A Real-Life Example and Some Variations," Harry Kat provides both a review of the construction of a linked (in this case equity) savings product and a case study of its application. Investors should note that the general model presented here may be applicable to a number of additional asset-based products. As such, this model may be useful for a number of alternative asset classes. This is especially true for asset classes that can provide access to various index (benchmark) based products.

The issue of asset benchmarking and strategy replication is the center of several of the following articles in this issue. In the fourth article, "The Benefits of Index Option-Based Strategies for Institutional Portfolios," Thomas Schneeweis and Richard

Spurgin review the potential benefit of index option-based strategies as well as the unique risk and return distributions that result from these strategies. A passive benchmark is created and then compared to the performance of a number of active managers attempting to provide similar actively managed index option strategies. Results presented here demonstrate that the returns achieved by actively managed strategies are not necessarily dependent on the unique skills of the managers. Research evidence, which shows that a portion of the return of a particular strategy can be obtained from a systematic passive trading system, offers both good and bad news (some of the return is independent of the manager). In the next article, "The Diversification Benefits of Commodities and Real Estate in Alternative Monetary Conditions," Robert Johnson and Gerald Jensen also show that the return of various alternative investment classes (e.g., commodities and real estate) is also dependent on the monetary conditions existing during the time of investment. Their research indicates that asset allocation between traditional and alternative investments, such as real estate and commodities, may be conditional on current monetary conditions.

In this issue's Practitioner and Academic corners, the issues of performance and benchmarking are further explored. In Practitioner's Corner, "Alternative Investments: Perceptions and Reality," Ian Morley addresses some of his concerns about the perception of hedge funds versus the reality. He concludes that the reality of hedge funds is their ability as a portfolio diversifier. However, he raises concerns over the increased attempts to create benchmarks for hedge funds. Similar concerns over the use of Sharpe ratios and other forms of performance comparison are raised by G. Glenn Baigent in his article "Is There Alpha?" Baigent points out that in a perfect world a perfect benchmark model would produce a zero alpha. Fortunately, we do not live in a perfect world.

Sam Chung reviews two books that offer fundamental information on ways of evaluating or determining the benefit of economic information (Stephen D. Slifer and W. Stansbury Carnes' *By The Numbers* [International Financial Press, 1995]) or evaluating hedge funds (Stefano Lavinio's *The Hedge Fund Handbook* [McGraw-Hill, 2000]).

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Finally, Kristaps Licis continues his review of Web information of value to alternative investments. Given the recent growth in real estate, this issue's Web summary concentrates on major cites with real estate information sources.

We continue to solicit our readers' input as to articles and ideas that you wish explored as well as to our readers offering their own research for consideration. One additional note of importance is that starting this issue, we have several new associate editors. Please respond to their calls for your participation. Your input will help improve the quality and expand the breadth of issues covered by the journal.

Thomas Schneeweis
Editor