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Given the recent interest in hedge funds, investors must be reminded that alternative investments covers a wide range of investment styles and strategies. Real estate, private equity, commodities, and managed futures are just a few of the investments which offer alternatives to long-only stock and bond investment. In this issue, in addition to hedge funds, articles focus on a number of these additional alternative investment strategies. In the first article, "Portfolio Evaluation and Benchmark Selection: A Mathematical Programming Approach," Kathryn Wilkens and Joe Zhu illustrate a new approach to evaluating portfolios in the context of multiple performance measures. The approach is based upon linear programming techniques and identifies the *n*-dimensional efficient portfolio frontier. An illustrative example with commodity trading advisor (CTA) returns shows that benchmarks can be identified for each individual portfolio.

While managed futures continue to play an important part in the alternative investment universe, hedge funds remain a primary investment vehicle. In the second article, "Hedge Funds: A Review of Historical Performance," Magnus Könberg and Martin Lindberg review performance under a wide range of economic conditions and also show that portfolios using alternative investments are more consistent with future portfolios under a wide range of market environments than portfolios composed only of traditional investments.

As mentioned above, however, hedge funds are not the only investment area of interest to the alternative investment community. In the third article, "Empirical Risk-Return Analysis of Real Estate Investments in the U.S., 1972–1999," Jack C. Francis and Roger Ibbotson review empirical risk and return statistics from physical real estate and financial real estate investments made in the U.S. Twenty-seven years of returns from various categories of U.S. real estate are compared and contrasted with concurrent U.S. returns from bonds, gold, silver, common stocks, commodities, and the rate of inflation. In the following article "Benefits of Commodity Investment," Georgi Georgiev shows that while various commodity investments performed

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poorly during the 1990s, in the latter part of the decade, various commodities experienced improved return performance. In this paper, the sources of potential return benefits are reviewed including the impact of commodity volatility on convenience yield.

Issues related to commodity investment are also the emphasis of Daniel G. Giamouridis and Michael N. Tamvakis in "The Relation Between Return and Volatility in the Commodity Markets." In this article, the authors hypothesize that commodity index returns adjust asymmetrically to past information and that the relationship between return and volatility in the commodity markets is inverse of that observed in the stock markets. If the latter hypothesis proves to be true, the use of commodities in equity investment portfolios would have a considerable diversification effect.

Diversification remains a primary concern for Adam Schor in his article "The Benefits of International Small Capitalization Stocks in a Global Portfolio." In this article, the author shows that hedge funds must consider the implications of holding a variety of international equity positions (including small stocks) to improve potential risk and return performance.

In this issue's practitioner's corner, Hilary Till again reviews the benefits of "Taking Full Advantage of the Statistical Properties of Commodity Investments." While she points out that it is well documented that the statistical properties of commodities yield important risk-reduction benefits for a portfolio invested mainly in financial assets, it is perhaps less well known that individual commodity strategies can be so uncorrelated that they can significantly dampen the risk of a commodity-only portfolio. Statistical properties of any portfolio remain the focus of a better understanding of the risk and return attributes of alternative investment portfolios. In this issue's academic's corner, CISDM offers a brief review of various statistical measures commonly used in hedge fund evaluation.

In recent years, the alternative investment industry has witnessed an increasing number of indices which propose to track hedge fund performance. In this issue's trader's corner, two industry experts, Garry

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Crowder and Lee Hennessee, discuss their views on the importance of hedge fund indices and their future in asset management.

In this issue, Jot Yau reviews two books which offer fundamental information on new ways of evaluating or determining the risk of managing hedge funds as well as venture capital (*Managing Hedge Fund Risk: From the Seat of the Practitioner—Views from Investors, Counterparties, Hedge Funds and Consultants*, edited by Virginia Reynolds Parker, Risk Waters Group Ltd., 2000, and Paul Gompers and Josh Lerner's *The Venture Capital Cycle*, The MIT Press, 1999). Given the importance of currency investment and currency markets on investor return potential, Kristaps Licis continues his review of Web information. Given the increased interest in investment in central and eastern Europe, this article reviews information relative to economic information in central and eastern European countries.

We continue to solicit our readers' input as to subjects and ideas that you wish to see explored and invite our readers to offer their own research for consideration. One additional note of importance is that starting this issue, *The Journal of Alternative Investments* has several new editorial members. Their help and participation will help improve the quality and expand the breadth of issues covered by the journal.

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Editor