EDITOR'S NOTE

Inna Okounkova

I am honored and enthusiastic to assume the responsibilities of *Journal of Investment Consulting* editor-in-chief and would like to thank my predecessor, Margaret M. Towle, for her support and guidance. In addition, many thanks to the editorial board members and to our impeccable managing editor, Debbie Nochlin.

This issue begins with two Masters Series interviews. First, Mellody Hobson, president and co-chief executive officer of Ariel Investments, generously shares her experiences growing up and working in asset management. She provides powerful advice on how to get more diversity on management teams and boards.

Next, NYU Stern Professor Edward Altman reviews fifty years of his Z-score models, which still are used widely in the industry and have remarkable predictive power. He also provides a timely warning about the current overextension of credit. You can find more details about Professor Altman's views on the current state of credit markets in his *Investments & Wealth Monitor* article, "Where Are We in the Credit Cycle?"

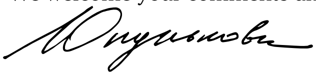
In a cutting-edge paper, "Diversification, Volatility, and Surprising Alpha," Adrian Banner, Robert Fernholz, Vassilios Papathanakos, Johannes Ruf, and David Schofield explain why equal-weighted, random-weighted, and other naïve portfolios tend to outperform the market. The authors derive an elegant mathematical formula that shows the source of the outperformance. The formula, incidentally, provides a recipe for maximizing such outperformance. (It's also a response to "The Surprising Alpha from Malkiel's Monkey and Upside-Down Strategies," noted below.)

In "Accessing Currency Returns Through Intelligent Currency Factors," Amy Middleton starts with a detailed description of the typical carry, value, and trend/momentum trading styles for currencies. She then shares a methodology that adjusts trade sizes of the carry style in periods of risk aversion and scales trade weights of all three styles based on the magnitude of the information coefficient in order to enhance performance.

Authors Lars Kaiser and Florian Schaller analyze various ways of constructing ESG portfolios (focusing solely on the environmental aspect of ESG ratings in Europe) and compare the results in their paper, "Environmentally (Un-)Friendly Portfolio Construction." And in "Quants' Quandary," author Richard Roche dismisses the claim of widespread quantitative investment management adoption and explores why quantitative strategies have not been embraced by more investors.

We also include reviews of two papers that appeared in other journals and provide interesting observations about individual stock and portfolio returns: "The Surprising Alpha from Malkiel's Monkey and Upside-Down Strategies," by Robert Arnott, Jason Hsu, Vitali Kalesnik, and Phil Tindall, mentioned above, and "Do Stocks Outperform Treasury Bills?" by Hendrik Bessembinder.

Thank you to all who helped create this issue of the *Journal of Investment Consulting*. We welcome your comments and suggestions.



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