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As investors in the United States celebrate strong markets during 2013, European investors have had positive, but less dramatic, returns. Despite a better outlook in 2013, investors continue to be divided on whether to invest in high or low beta strategies. Therefore, investors are looking for new opportunities to enhance the value of their indexing and ETF investments and control risk in their portfolios. In this issue, we focus on ETFs and indexing in the European markets.

While smart beta strategies offer performance benefits, risks are involved as well. We open the issue with Amenc and Goltz's discussion of controlling these risks while maintaining the benefits of using smart beta benchmarks. Citing simplicity, flexibility, transparency, liquidity, and cost efficiency, Hall discusses the reasons for using ETFs in active management asset allocation. Exchange-traded funds (ETFs) are still a relatively new investment in Europe—April 2013 marks only their thirteenth anniversary. Fuhr provides an overview of the ETF and ETP industry. Johnson, Bioy, Kellett and Davidson discuss the factors that influence tracking error and tracking difference. Rompotis investigates the performance and risk of Greek index funds over the 2008–2012 period. Walsh examines the core–satellite strategy, where the core portfolio is largely dedicated to ETFs and the satellite portion of the portfolio invests exclusively in active instruments. Gademsetty and Brog compare the European and the United States ETP markets, finding that ETPs in Europe have the potential to become as popular as they are in the United States. However, structural hurdles will need to be addressed in order for institutional and retail investors alike to fully embrace these products.

Hassine and Roncalli present a measure to evaluate passive management performance, particularly of ETF investment vehicles. Schofield discusses active versus passive management techniques. Kannan, Rathore, and Bhayana present a study that provides a chronology of significant innovations and offers insights into the nature of innovations to practitioners and researchers in the United States and Europe. Bienkowski reviews the development of ETPs from passive instruments focused on more plain-vanilla indexes and strategies to active instruments. Paris and

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Sondhi discuss how geographic exposure can be used in a new way to disentangle country and regional exposures of multinational companies, resulting in a new set of tools for portfolio construction, benchmarking, and asset allocation. Luhr examines the continued importance of ETFs in emerging market investment. We conclude this special issue with Mistry's discussion of the growth of ETF as one of the most efficient ways for investors to gain emerging markets exposure.

We welcome your submissions. Please encourage those you know who have good papers or have made good presentations on indexing, ETFs, mutual funds or related subjects to submit them to us. We value your comments and suggestions, so please email us at journals@investmentresearch.org.

Brian R. Bruce
Editor-in-Chief