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Investors now have access to financial stocks through leveraged, inverse and traditional, financial ETFs. We open this issue with a discussion by Curcio, Anderson, and Guirguis of the effect of these ETFs on the price volatility of the underlying stocks. Sum then analyzes the covariance patterns of the returns on the commodity and equity markets. Investors of all types are faced with the decision of allocation between active management and index-based strategies, and Crook provides a framework for this decision-making. There has been much discussion about conflicts of interest among mutual fund managers, fund sponsors, and fund shareholders. Martin, Malhotra, and Tsetsekos explore the relationship between mutual fund returns and mutual fund governance.

In this issue, we feature a special section on smart beta. Smart beta, or alternative index tracking, strategies are a small but rapidly growing part of institutional clients' portfolios. Smart beta strategies started with fundamental indexes and have grown exponentially to cover many strategies. We open the section with Draper's overview of smart beta and its uses in current portfolios. Bender, Brandhorst, and Wang examine smart beta portfolios that combine the factors of value, low volatility, and quality. Montier compares so-called financial innovations to snake oil repackaged in new bottles as he discusses true innovation versus high-quality marketing. Cazalet, Grison, and Roncalli focus on risk-based (RB) indexing, the aim of which is to capture equity risk premia more effectively. A comparison of traditional style strategies and smart beta strategies is presented by Hsu. Denoiseux demonstrates how to implement a minimum variance portfolio using sector and country ETFs. Callin and Albrecht examine the use of an actively managed bond strategy within a smart beta solution. Meziani discusses smart beta ETFs and their rapidly expanding share of the overall ETF market.

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 Bruce
Editor-in-Chief

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