

From the Editor

Karen Eilers Lahey

This first issue of Volume 7 for 1998 focuses on empirical tests of strategies that may be appropriate for individual investors. The lead article by Clarie E. Crutchley, Carl D. Hudson, and Marlin R. H. Jensen examines the impact of changes in the aggressive management of the California Public Employees' Retirement System (CalPERS). They discuss the history of activism by this leading state pension fund that annually publishes a list of firms that are being specifically targeted and monitored for changes in performance. The authors conduct tests of the changes, if any, in the portfolio of target firm's return.

Robert A. Kunkel and William S. Compton address an investment strategy that many professors may have a personal financial stakeholder interest in, the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF). They provide an excellent review of the literature on seasonal anomalies that include the January effect, the weekend effect, and the turn-of-the-month effect. A switching strategy based on this anomaly concept is then applied to the money and indexed stock funds offered by TIAA-CREF funds and contrasted with a buy-and-hold strategy.

The third article by Dale Domian and William Reichenstein examine the predictive content of intermediate and long-term bond spreads for bond market prices utilizing the period 1942 to 1994. Their unique results indicate that the bond market prices an intermediate-short spread, which tracks the reward for bearing duration risk. Based on their empirical findings, they offer advice to individual investors who wish to practice asset allocation strategies.

F. Larry Detzel and Robert A. Weigand author one of two articles in this issue that examines the persistence performance of mutual funds or their managers. They focus on a model that relates mutual funds returns to the specific characteristics of the stocks held, such as market capitalization, book-to-value equity, earnings yield, and cash flow yield. Their model helps to explain the previous empirical findings on persistence.

The final article by Gary E. Porter and Jack W. Trifts approaches the persistence of mutual fund performance by looking at 93 fund managers who have run the same fund for at least ten years. They investigate the performance of long-term managers versus those with a shorter term. Both studies on persistence utilize approaches that are different from previous research and produce interesting results.

The issue closes with a book review of Kwok Ho and Chris Robinson's *Personal Financial Planning* for Canadians. They are bringing out an American version this year.