Comment

Acting on Faith: Investments 101

Thomas Schneeweis

March, 2007

It therefore came a little surprise that a recent 'Special Report: Risk Management entitled "Acting on Faith" in the February 5, 2007 Issue of Pension and Investment Age" expressed the fear that institutional investors were leaping into the realm of alternative investments but lack the tools to properly assess the risks. No, I am not recommending that uninformed unknowledgeable individuals or investors immediately invest in areas in which they have no understanding of the risks and expected returns. It was surprising to me that that the author was implying that most investors (especially institutional investors) are clueless about the potential risks in alternative investments.

There are many frustrations in life, but one of the most frustrating ones for any adult is turning over to others responsibility for many major aspects of our lives. Doctors, plumbers, electricians… all provide important services for which each of us individually does not have the background or the talent for appraising the risks nor the benefits of certain actions. When hiring these individuals we are in fact often 'Acting on Faith' that they have the knowledge and self –interest to provide adequate service. Still we solder on, attempting to receive the best available information before acting with the full realization that we are never working with full information.

It therefore came a little surprise that a recent 'Special Report: Risk Management entitled "Acting on Faith" in the February 5, 2007 Issue of Pension and Investment Age" expressed the fear that institutional investors were leaping into the realm of alternative investments but lack the tools to properly assess the risks. No, I am not recommending that uninformed unknowledgeable individuals or investors

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immediately invest in areas in which they have no understandings of the risks and expected returns. It was surprising to me that that the author was implying that most investors (especially institutional investors) are clueless about the potential risks in alternative investments.

Quickly let us remind investors, that it is impossible to obtain abnormal returns without abnormal risks and normal returns without normal risk. Without risk one merely obtains the risk-free return. Fortunately, in those cases where abnormal return without risk does exist, there also exists enough talented individuals who will use their knowledge and resources to investigate and manage those risks for us, taking a fee to cover their costs and their return on knowledge while leaving for us the opportunity of investing in an asset which offers returns (and risk) not found in other investment opportunities. These experts exist in most areas of finance including traditional investments: I rely on equity analysis to decipher when GM is spinning off a unit. I require a bond analyst for determining the exchange rate policy of Singapore.

Now do any of us really believe that we can truly quantify the risks that the stock or bond analyst may be wrong? No, many of us combine some historical knowledge as to the probability (risk) of investing in a particular asset as well as a feeling for the uncertainty (lack of a full model of risk estimation) surrounding any investment. In fact, it is the very dynamic quality and thus the existence of investor uncertainty as to the potential risks and returns that provides the informational asymmetry (analyst has more knowledge than many other investors) that gives alternative asset managers the opportunity of using their skills and resources to obtain higher potential returns than many traditional assets. Are there risks and uncertainties? Yes. Are there uncertainties? Yes. Can they be managed? Yes. Can they be overemphasized? YES.

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In a Weekend interview with Myron Scholes published in the Sunday Wall Street Journal (March 4, 2007), the Nobel laureate says learning can be costly. Scholes states that “In life you pay tuition, right? Sometimes you pay too much tuition. Sometimes learning is costly” In summary he points out that “in life, it would be kind of boring if there was no risk. On the other hand, if there‘s too much risk, too much uncertainty, too much chaos, we can’t handle it either.”

The question in the article “Acting on Faith” is that the author emphasizes that much of current investing in alternatives is based on ‘Too Much Faith.’ This is where the academic in me comes in as well as the investor. I am happy with the article because, if, in fact, there are as many uneducated institutional investors as indicated in the article, I will have the alternative area much to myself for the foreseeable future and I can make a lot of money investing and educating. More individuals will take my class, more individuals will take the CAIA program, and excess returns will remain in the various investment classes.

I do not have the time or the space for pointing out all the issues I have with the article in Pension and Investments. Please merely go to the CISDM website and review the Myths of Hedge funds. Quickly, here are a few:

1) **Assumption: Most Alternative investment strategies are illiquid:** Answer: Yes some but not most. Most trade in very liquid equity and bond markets as well as liquid futures and options markets.

2) **Assumption: Return Distributions are unknown, skewed, and conditional on market events.** Answer: Yes, risk and return are conditional on information. In certain markets all assets fall, in certain markets all assets rise, in most markets some rise and some fall (on the date of the 400 point drop in the DJ, The DJ convertible arbitrage, merger arbitrage and other HF strategies made money). Investors must keep educated. For example, the oft quoted HF are negatively skewed is due to a historical data point and for much of our history, hedge funds returns are positively skewed.

3) **Assumption: Leverage is Bad**: Answer: Academic research has shown that for many alternative investments leverage is not related to risk; that is, leverage exists primarily in the least risky assets

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(EMN) and not in the most risky (Distressed Debt). By the way what is your most levered asset (probably your own house)?

4) **Assumption: Style Drift Exists**: Answer: Yes strategies change. This is good. You do not want a strategy to remain fixed in the past providing no return and not taking advantage of new opportunities. That's where the return is. Simply be aware of what the strategy is and how it is changing. (Remember today's GM is not yesterday's GM and it should even have changed more)

5) **Assumption: Data is Bad:** Answer: For most hedge fund managers prices are available daily, and through third party administrators. Benchmarks are increasingly available including daily hedge fund, real estate, and private equity benchmarks. The fact that we do not have 80 years of data on hedge funds as we do on stocks and bonds is a big so what –what happened in markets 40 or 30 years ago is of little relevance today.

6) **Assumption: Transparency does not exist**: Answer: Does anyone really know what is going on in GM. In fact, there is more transparency (ex post not ex ante) in many real estate, private equity, and hedge fund process especially arbitrage strategies which require liquidity that in equity or bond markets with almost impossible to read debentures or foreign sources of information.

I am always amazed at my students who want a world that is safe and secure and perfectly knowable. I point out that if the world was easy and riskless less their one could hire a monkey and feed it bananas. I understand those who don't have the time or the background to move into new areas of business, new areas of investment. I thank the heavens for them; it offers all those who are willing to remain "on top of things' to move ahead with new risks and new opportunities. Will you always win? No, life has a lot of risk, a lot of uncertainty but for those willing to spend a little of their time taking on that risk and uncertainty ………a lot of return.

Looking forward to your comments.

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Comment

Financial Luddites

Thomas Schneeweis

June, 2007

When walking through my college 'hometown' downtown on Saturday, I witnessed a number of my college students in front of the Bank of America Building with signs condemning Corporate Greed and the previous attempt of the bank to charge individuals for use of their Debit Card. When I congratulated them on helping the rich and hurting the poor, they seemed confused. When I pointed out that the ability of Banks to provide loans (student loans, loans to small firms …) is linked to their stock price and that reducing income to banks reduces loans to a variety of individuals they asked how is this so. I point out that, all else equal, banks are required by law to reduce loans if their stock price falls. The law requires that for a certain amount of equity a bank can only support a certain level of loans. Therefore, if the equity value of the bank falls, the amount of loans must fall – all else equal.

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charges $5 on my debit card I would have had to help subsidize all those with less than the minimum in their checking account. Now without the $5 the bank simply raises the minimum on their checking account to provide the revenue once to be derived from the debit charge. Those who cannot afford the new minimum will pay, I will not.

No, they stated. We will not allow banks to raise minimums. Ok I said. Let them simply reduce services – long lines for people with only $1000 in their checking accounts and short lines for people with $10000. This is not fair, they proclaimed. Not fair, the bank makes 1% on the use of the $1000 or about $10 per year ($100 on a $10,000 account). I think it costs the bank much more than $10 to service a $1000 account over the year. No, they answered. We must subsidize the individual with $1000 in their checking account.

OK, I said, how about putting a $5 a month charge on all debt cards regardless of the amount held at the bank which would ensure that the wealthy would pay fees on their checking accounts and that would permit them to lower the overall fees to far less wealthy individuals. And on top of that, let's make sure that the banks reduce the principal on loans to graduates of college and cover the losses by increasing fees (e.g., taxes) on those individuals who never went to college and have no expectation of earning the higher salaries that those who graduate from college may expect to make. Those are great ideas they said. At least I am teaching my students something.

Looking forward to your comments.

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Comment

Flip Flops and Flip Floppers: The True Terrorism

Thomas Schneeweis

September, 2007

A flip flopper in fact never would accept that they had ever changed one's view and would disagree with you despite verifiable evidence including a picture from his mother. For those individuals west of the Appalachians and east of the Rockies, flip flopping is regarded as a major character flaw. I said what I said, and I said what I meant, an elephant is faithful 100 per cent. No sir no flips flopping here. An elephant would always stick by you through thick or thin.

In a recent rant, I expressed concern over the decline of morals in American and associated that decline with the rise of a certain form of shoe wear – The Flip Flop. I pointed out how easily we rejected our past form of solid (but constrained) foot apparel and accepted an alternative which is hardly attached to one's foot. A free-floating piece of material form whose wearers, until recently, were considered as weak in character as the shoe they so proudly wore. To flip flop comes from the meaning of a quick change in one's position without necessarily a change in circumstances. It is a basic, I said this and now I say this. The fact that this and that are basic 180'does not distract a true flip flopper. A flip flopper in fact never would accept that they had ever changed one's view and would disagree with you despite verifiable evidence including a picture from his mother. For those individuals west of the Appalachians and east of the Rockies, flip flopping is regarded as a major character flaw. I said what I said, and I said what I meant, an elephant is faithful 100 per cent. No sir no flips flopping here. An elephant would always stick by you through thick or thin.

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For instance, I would lay even money that there are not pictures of President Bush wearing flip flops. Mr. Bush is no flip flopper. We cannot leave Iraq. We have given our word. Others have flipped – I said it then but I was wrong I want out now (), others have merely flopped (I was for it a little and I think we have to get out now because well it hasn't worked out as well as I hoped but then again if it gets better I …).

Just as individuals are flip floppers so are countries. France is a flip flopper. I support the UN in its effort to bring peace to Lebanon. We will give 4 thousand troops (four thousand – pardon mol I misspoke 400 and only two hundred are armed). The ex assistant secretary of state under Clinton criticized Rice for not knowing France is a flip flopper. Everyone knows not to trust the French. Look in the dictionary. The fourth definition for flip flopper is The French.

Of course, one cannot, at least today, directly call anyone a flip flopper. Some one may think you are questioning someone's masculinity. For today's youth, flip flop has come to mean something entirely different; it is simply the shoe of choice. The flip flop has transitioned from a person's flaw to a person's appendage (or at least something on a person's appendage.

One would never see a hard core American in a flip flop. Instead, one sees the soft beach towel toting, flower on shirt wearing, long haired hip hugging pants sporting adults as the primary flip floppers. Gun Toting, pickup driving, deer hunting folks very rarely wear flip flops even in the privacy of their own homes. One does not see flip floppers on the cover of a Jim beam or Dexter shoe catalogue A man in a towel ok, a man in a towel and flip flops One need only be in a plane today, men sans shoes with either a pair of cheap flip flops or socks to cover their feet. Respect no – ridicule yes.

Today, Americas flip and flop everywhere. And who created this flip flopping who changed the word from a negative character which any American worth his name would rather die than be labeled,

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Where this insidious concept came from No not the French although the F in French and Flip flop is two similar to be by chance– yes the very place at the very heart of terrorism. Al Quida and their flower new that they had to change how Americans view flip floppers or they would never prevail. What better way than to come up with a piece of clothing that would take over the concept? Moreover, a piece of clothing that is made by their minions, can easily be made into bombs, and prevents anyone wearing it from holding any short of self respect.

I can only suggest that we in America fight this attempt to fundamentally change our culture, our very language (I know the French would never flip flop on this)... Docksiders worked well for decades to protect our tender feet form the clips and claws on boats around the world. Today no one is ever seen on a boat (those who dared mount a deck in flip flops is quickly washed aside.

It took a while but here is the message of this article. We must not flip flop on this issue. That is no more flip flops or flip flopping whether by word by deed or by shoe.

Looking forward to your comments.

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Comment

When Will They Ever Get It?

Thomas Schneeweis

December, 2007

The answer to the failure to address in detail the underlying problems with the empirical data or methodologies is less an honest appraisal of the issues at hand but a simple 'it is what we have or what others did.' How can we compare our work if we do something different? This argument kept 'blood letting' in the medical toolbox for way too long.

I now realize the primary problem of being a parent is the never ending exasperation that must come from telling a small child not to do something and despite your entreaties they continue to make the same mistake, over, and over and over again. In some ways, as the founding director of CISDM I feel somewhat the same exasperation when despite our constant entreaties on the source of hedge fund returns and how investors should be aware of the uses and misuses of hedge fund indices, the same mistakes continue to be made, over, and over, and over again.

One reason for the above tirade is that at the University of Massachusetts we have a Friday Research Seminar in which some of the brightest and best academic minds come to present their papers. In recent months, several of those papers were presented by 'Pure Academics,' 'Pure Practitioners' and several with a foot in each camp. In all cases they were addressing similar issues; that is, the risk and return characteristics of various alternative investment managers. The issue I had to keep raising dealt with their knowledge of the information which formed the basis for their empirical results.

In the Hedge fund area here is the switch from what is often seen in the traditional finance area. The pure practitioners provide a more theoretical approach since they have a feel for the dynamic nature

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of the process and problems with historical data. The academics overemphasize the empirical work because they have little feel for the actual markets. The individuals with a foot in each door have a tendency to point out the failures of either single approach. It is important to realize that I am not against empirical analysis. I believe it is useful to test our theoretical propositions. However, theory trumps data, especially when the data is not fully understood. An often quoted Einstein remark is that when an early researcher said that his data contradicted Einstein's theory, Einstein replies that it was not his theory that was bad but the scientist's data. 30 years later Einstein was proven correct. In the above researcher's case, the academics accepted that 'data base' as perfectly clean. All hedge fund managers' fee statements reflected their true fees. All assets listed reflected their true assets. References to the extent of audit reports – must be true. A fund manager leaves a data base – must be dead (despite the fact that they are in three other data bases). Style classification it is what the data base says it is.

Additional issues surround the statistical tests used in hedge fund analysis. Multi-factor models using a set of independent variables which make little sense continue to find their way into empirical tests (e.g., return on gold, oil….). Lagged stock beta is often used but what of lagged bond betas or credit betas which are more directly related to most strategies. The answer to the failure to address in detail the underlying problems with the empirical data or methodologies is less an honest appraisal of the issues at hand but a simple it is what we have or what others did. How can we compare our work if we do something different? This argument kept 'blood letting' in the medical toolbox for way too long.

Do I have an answer? No. Do I have a suggestion? Yes. For those authors who wish to take positions which are against the established media, but who know the underlying weaknesses in their cohorts' efforts simply write under an assumed name. I realize that this is not an example of courage but perhaps of intelligence. As usual, I look forward to your replies.

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Miss Spoke or Is It Miss Spooks

Thomas Schneeweis

March, 2008

My wife often asked how I come up with the topic on which I opine each week. I point out that I do not have a plan; I simply sit down in front of the typewriter (as the monkey) and start typing. If I do it long enough something comes out that looks enough like what a true columnist might say that the publisher does not have to hold their noises so badly that they do not publish it. Today's comments are the result of just that of effort. While typing I miss typed the word miss spoke – which was to be the title of the commentary. I wanted to ask forgiveness for my previous column in which some individuals criticized my comments. Though lack of courage, I flip flopped and attempted to go back on everything I spoke the previous week... Yes my poor readers, I misspoke.

It is said that if you simply placed a monkey in front of a typewriter and let it type a way, in time it would come up with a reasonable copy of what we know as the bible. That may seem a stretch but I believe that the monkey would at least come up with a fairly good copy of my weekly ramblings. My wife often asked how I come up with the topic on which I opine each week. I point out that I do not have a plan; I simply sit down in front of the typewriter (as the monkey) and start typing. If I do it long enough something comes out that looks enough like what a true columnist might say that the publisher does not have to hold their noises so badly that they do not publish it.

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The word stood out not only not only in spell check but on the spell page. So instead of apologizing for misspeaking I decided to comment on spooks or at least on miss spooks or the extent that we miss spooks. Now let’s admit it – speaking of spooks is a dangerous occupation – the word has a nasty history with a host of meetings

Some spooks are simply the friendly or unfriendly creatures that go bump in the night. Others spooks are government agents who also go bump in the night while for some Neanderthals spooks reflects a racial stereo type. Fortunately for all (an unfortunately for all there very fact that hidden in one’s mind is the remembrance that the word spook carries meanings beyond the friendly Casper indicates how far we went and how far we have to come back ….to the story.

The reason I wanted to discuss miss spook is that in today’s world we need spooks; those individuals, who act as ‘our’ ghosts. Those who sneak into the very parts of the world that nonspooks are afraid to go. Of course, there are those who would disagree. In a world of love and kindness spooks should be relegated to the TV set or at worst the theater (Halloween 8).

I for now don’t know, where it be in the pages of a children’s book or in the world of international politics I MISS SPOOKS.

Looking forward to your comments.

Tom Schneeweis

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He has more than forty years of experience in asset management including President of a firm (Schneeweis Partners) which specialized in 'bespoke' structured finance and Director of Research at Ursa Capital, LLC which managed an approximately $4 billion hedge fund managed account platform. He has been managing partner of a managed futures fund (White Bear Managed Futures Fund) as well as an equity long short hedge fund (White Bear Equity Long-Short Fund) and President of an approximately $1 billion commodity-based investment firm (Alternative Investment Analytics). For over thirty years, he also was on the Board of Trustees of the AMG Funds (a retail distribution arm of Affiliated Managers Group, Inc., a world's leading provider of boutique investment management expertise to institutional and individual investors).

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Comment

Mullin's Legacy

Thomas Schneeweis

June, 2008

While I as speaking of the obviously 'verticle challenge' faced by me fellow basket voties, my breast at once filled with pride and yet shame. As a professor of business how could I be so blind? Yet, what a perfect example of the "Market System" at work. Physical size was not the only determinant of were one played or sat, other issues determined one's relative position. Season tickets and placement were determined by one's contributions to the sports program, followed by proof of continuous support (e.g., previous season tickets) and lastly one's commitment to the school (now where did you graduate from). What student need attend a School of Management when all that is knowable can be taught by going to a B-BALL GAME? Rule I: Money talks loudest. Rule II. Blind loyalty to one's team matters. Rule III. A poor association is better than no association (e.g., a friend of Bill). Class is over.

For those who do not know, I am also a Professor Finance at the University of Massachusetts. A recent visit to UMASS's eighth wonder of the known world (a massive ice hockey/basketball auditorium known as the Mullin Center) has left me with a certain sense of pride. Pride not that we can replicate the feats of our forefathers and build massive monuments on state owned swampland, not even that we can follow in our nation's footprints and report glorious victories over smaller and weaker forces. My sense of pride comes from finally having an on our campus a symbol of the power of American business philosophy; that is, you get what you pay for

. All this came apparent to me, when attending a recent 'basketball battle' between children from parents who were tall against children whose other parents were tall. As a mere one time visitor, I sat amongst those most taken advantage by the system; that is, the short student who could not make it onto a basketball team. I ventured to ask those sited next to me if they were upset about the obvious caste system employed to determine if one played or if one's vantage point for the spectacle was from the bleachers. I

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was treated as one who had uttered the unspeakable, was I so naive, so apart from reality . . . . Money and connections stupid; don't you know how business is conducted in America.

While I as speaking of the obviously ‘verticle challenge’ faced by me fellow basket voties, my breast at once filled with pride and yet shame. As a professor of business how could I be so blind? Yet, what a perfect example of the "Market System" at work. Physical size was not the only determinant of were one played or sat, other issues determined one’s relative position. Season tickets and placement were determined by one’s contributions to the sports program, followed by proof of continuous support (e.g., previous season tickets) and lastly one’s commitment to the school (now where did you graduate from). What student need attend a School of Management when all that is knowable can be taught by going to a B-BALL GAME? Rule I: Money talks loudest. Rule II. Blind loyalty to one’s team matters. Rule III. A poor association is better than no association (e.g., a friend of Bill). Class is over.

Of even greater importance is the chance that this new sports center can give to the rest of UMASS; the true 'Mullins Legacy". If one wants first choice of the best books in the library, simply give money to the library fund. If one wants the best seat in the house for accounting 201, contributions are welcome. If individuals give the same amount, who you know or previous relationships with the school will break the deadlock. Who says there is nothing to learn from attending sports events?

Looking forward to your comments.

Tom Schneeweis

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Comment

Educational Roadblocks

Thomas Schneeweis

September, 2008

The purpose of roadblocks for drunken drivers is to keep intoxicated drivers off the road and to encourage younger drivers for whom the car is the only important relevancy in their social life, not to drink. Similarly, why not have instructional roadblocks for the purposes of education; that is, for the purposes of keeping the ignorant off the road and of giving a "real life" relevancy to education.

While sitting in my car on one of the many I91 south random parking lots, I happened to turn the radio dial to one of the morning talk shows. The subject "Roadblocks in Life" seemed appropriate to the moment. Various "Roadblock" subjects came across the airwaves; problems with barriers: ageism, racism, sexism, and finally substandard education. If one were to believe the airwave experts, the principal problem with current formal education is its lack of relevance to everyday problems. Americans do not care about algebra or literature. They don't use their Shakespeare or their calculus (something that gets on your teeth rather than something you get your teeth into). Solutions were not given, but, to me, the answer was as obvious as the roadblock ahead. If only I had used a car phone my response would have been airwaved to millions of other listeners. Now, however, the solution is limited to hundreds of those of you who still can read. The subject is, "Educational Roadblocks". Let's face it, we have roadblocks all the time for foolish reasons, such as Presidential motorcades, and then sometimes for good reasons, such as drunken driving. The purpose of roadblocks for drunken drivers is to keep

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intoxicated drivers off the road and to encourage younger drivers for whom the car is the only important relevancy in their social life, not to drink. Similarly, why not have instructional roadblocks for the purposes of education; that is, for the purposes of keeping the ignorant off the road and of giving a "real life" relevancy to education.

Upon receiving one's license, each individual would receive a set number of points. Random roadblocks would be established, at which questions would be asked (O.K. mister who is the governor of this state?). Incorrect answers would result in a certain loss of said points. As one falls below a certain level of points one would be restricted to backroads. Various adjustments could be added; for example, a certain number of points could be required for the privilege of driving a sports car, whereas in order to drive a Yugo being able to spell 'potato' would be sufficient. We could even have our Vice-President Head an 'Educational Roadblock Commission' (or is that a commission?) For the very first time in democratic America one's personal class would be finally determined by what the public at large already believes; that is, "you are what and where you drive". Think of it. Children would learn early on the importance of education where they want to learn it; that is, on the road. This could be the start of a revolution, the anti anti-education movement. Firstly, one person, if just one person, then maybe two people, think of it, if two people supported it ... and all of it started right here, not on the radio airwaves but on the printed page... but I have to rush the roadblock is approaching.

Now how do you spell potatoe.

Looking forward to your comments

Tom Schneeweis

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Comment

Where Ben Stein Got It Wrong

Thomas Schneeweis

December, 2008

Again, from an academic point of view, the real worry is that individuals such as Mr. Stein can mix myth with a dollop of truth and portray it as fact rather than fantasy. This is of special concern since the article that he refers to and the additional comments he makes have been well reviewed in academic literature and have been found for the most part to be wanting.

Sometimes one goes back in the past, to see the future. In a recent commentary "Worried About Noisy Children, and Hedge Funds, Too" in the New York Times, Sunday, April 23rd, Ben Stein commented that "hedge funds are largely, but not always, a snare and a delusion". As support for his comment, Mr. Stein cited research by Burton G. Malkiel and Atanu Saha. Malkiel and Saha have two publications on hedge funds which have found themselves into the public domain. One of them is a working paper, "Hedge Funds: Risk and Return November 2004" and a reduced version which contains little of the larger version, "Hedge Funds: risk and Return," FAJ (Vol 61 Number 6, November/December 2005). Again, from an academic point of view, the real worry is that individuals such as Mr. Stein can mix myth with a dollop of truth and portray it as fact rather than fantasy. This is of special concern since the article that he refers to and the additional comments he makes have been well reviewed in academic literature and have found for the most part to be wanting. In the article, he made the following comments:

1. That the long-term record of most hedge funds is not all impressive and that research by Malkiel and Saha found that over long periods hedge funds significantly underperform index funds, like those based on the Standard and Poor's 500 stock index. He maintains that for openers, the hedge funds they looked at

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–starting with 604 in 1996 and rising to 2,700 in 2003 earned less than the S&P 500 (average annual return of 9.3% cited hedge funds versus 9.4% for the S&P 500 index fund).

2. Hedge Funds have far higher fees than index fund and also create much more tax liability because the trade so often. He quotes Malkiel and Saha as calculating that even if hedge funds earned almost 50% more than market returns the higher taxes and fees that hedge funds pay would whittle away their net returns to investors to 20% less than index funds.

Mr. Stein's worries about hedge funds also found support from this colleague Phil Demuth who raises additional concerns.

4. Mr. Demuth pointed out that even the above results overestimate hedge funds' returns due to survivor bias and that if counted above results would be even poorer.

5. Managers can put any price they want on illiquid assets of hedge funds.

Mr. Stein has raised issues regarding the benefits of hedge funds that should be of concern to all investors. Unfortunately, he fails to adequately research the issues addressed in his commentary. In brief other results show that for the 8 year period from 1996 to 2003, non-survivor bias, non-backfill bias weighted hedge fund indices (CISDM EW (15.16%) and HFR FW (12.44%)) outperformed the S&P 500 (11.44%) and the 9.4% for the S&P index fund cited in the Stein comment. As important, the equal weighted Hedge fund indices (HFR and CISDM) outperformed the S&P 500 on a risk adjusted basis (Sharpe Ratio) in 7 of those 8 years. If the low correlation of the HF indices is also considered, HFs are even more beneficial on a portfolio basis. Lastly, using Malkiel and Saha's own results, when the funds in 2000 are backfill to the live and dead funds and those returns added to the earlier set, that performance of that return series (13.44%) is similar to that of the HFR fund weighted (12.44%) and CISDM equal weighted (15.16%). This is no surprise. In short, Malkiel and Saha's results are simply due to their using a small and limited data base (the original TASS) rather than using those databases/indices which dominated the market. The HFR and CISDM databases reflected the performance of the larger universe of managers reporting at that time and their indices contain no survivor or backfill bias and already had in their return indices those funds that Malkiel and Saha added back in their analysis.

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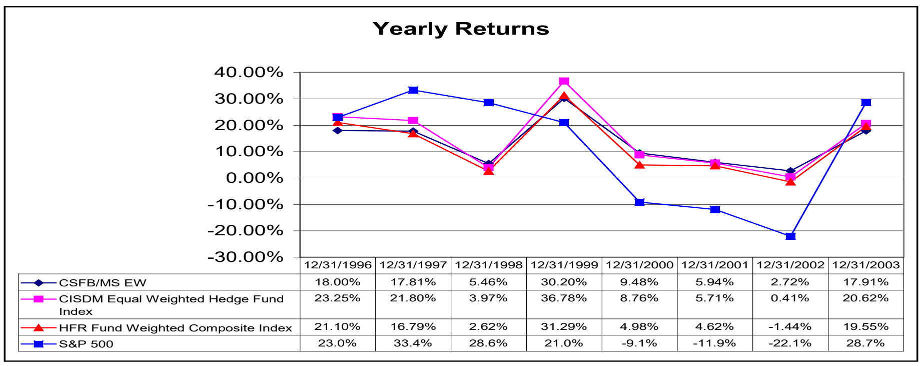
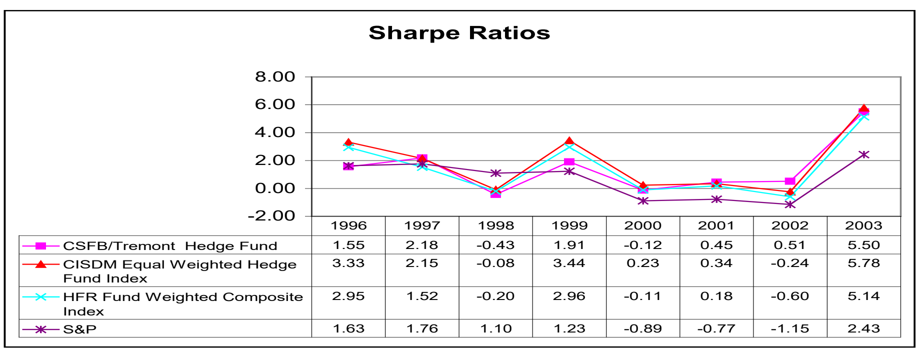
	CSFB/MS EW	CISDM Equal Weighted Hedge Fund Index	HFR Fund Weighted Composite Index	S&P 500
12/31/1996	18.00%	23.25%	21.10%	23.0%
12/31/1997	17.81%	21.80%	16.79%	33.4%
12/31/1998	5.46%	3.97%	2.62%	28.6%
12/31/1999	30.20%	36.78%	31.29%	21.0%
12/31/2000	9.48%	8.76%	4.98%	-9.1%
12/31/2001	5.94%	5.71%	4.62%	-11.9%
12/31/2002	2.72%	0.41%	-1.44%	-22.1%
12/31/2003	17.91%	20.62%	19.55%	28.7%
Average Annual Return	13.44%	15.16%	12.44%	11.44%

CSFB/MW EW is a fund weighted return after combining
the live, dead, and backfill returns weighted by the number of reporting funds





Hedge Fund Underperformance

It is well known (and in fact mentioned by Malkiel and Saha (FAJ, 2006)) that the TASS database was purchased in 1999 and that in early 2000 an effort was made to improve the data base by adding additional managers and ‘backfilling the data base’. In short, the Tass/Tremont database had relatively

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few managers reporting in 1999 or before (less than 600 in 1996) such that the database does not represent the industry returns before 2000. Nor do adding back hedge funds which exist in 2001 solve the problem since most of those managers already existed in the other major data bases at the time (HFR or CISDM) and thus would have already been included in other hedge fund data bases or hedge fund indices. (After backfill Malkiel and Saha report approximately 1500 funds when in fact combining current existing databases the number is close to 3500 funds). It is important to remember that the two primary data bases of the time period were HFR and CISDM both of which were created before 1994 and which contained most manager reporting firms and provide survivor free/backfill free hedge fund indices as well as fuller databases including all reporting managers as of that time period. In brief, Malkiel and Saha return series has a number of known biases (e.g., sample bias) and it is well known in academic and practitioner circles that the results are thus not representative of the larger universe of hedge fund manager returns. See comment by E. Stavetski "Hedge Funds: Risk and Return: A Comment," FAJ March/April, 2006 Vol 62.No 2, 12-13 and Devil in the Details, CISDM, 2005.

Hedge Fund Fees

It is well known that hedge funds as well as many mutual funds charge management plus performance fees. For investors it is important to note that the reported returns in the hedge data bases (as for mutual fund data bases) and in the indices are net of manager's fees. They represent true returns to investors, albeit before taxes. The tax issue is a real one, but again complicated by the fact that many investors in hedge funds or mutual funds are not taxable or that the tax effect is difficult to measure ex ante. For research on the issue please see Janie Bouges ("Alternative Hedge Fund Product Performance: The impact of Regulation on Performance, JAI, (Winter, 2004) In that research it is noted that one must consider a wide range of issue before determining the tax effect, that is, are we in a low volatility/low return market, high return/high volatility ….. In short, simple answers are most often simply wrong.

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(While certainly an asset with a 15% return (net of manager fees) but taxed at the 35% rate on all profit has an ex post return of 9.75% and will underperform by 20% an asset with a return 11.70% but with no taxes or management fees. Now where such an asset exists is beyond my knowledge but perhaps Malkiel and Saha can inform me. Note I cannot find any academic research on the tax effect in any of the Malkiel or Saha research. Except for a brief quote on various news lines I see no evidence in any of their research to back this up). Lastly, given the low correlation between hedge funds and the S&P 500 and the relatively low volatility of hedge funds relative to the S&P 500 an asset may still underperform another on a post tax basis by 20% and still be an important part of an investor's portfolio. I am sure Malkiel and Saha are aware of Markowtiz 101.

Survivor Bias

As discussed earlier, funds that disappear may generally underperform those who remain As result if one simply looked at one database and used its existing sample as a basis for historical returns (rather than hedge fund indices which do not contained backfill bias or survivor bias) one may overestimate expected returns. However, one should never use a single data base (Recent research (Martin, CISDM 2006) has shown that over 40% of the funds leaving a data base continue to report to other data bases. In fact research has shown that over 40% of the funds leaving the TASS data base continue to report to other data basis). In short leaving a database does not mean it is a non survivor. Moreover, one should never equal weight survivors and non survivors. Malkiel and Saha themselves in their FAJ paper point out that most non survivors are small. If one asset weights the sample or merely does not invest in the smallest set of managers (below 10 million) the impact is almost non existent (Schneeweis et al. JAI, 2003, 2003) or as mentioned previously if one wishes to have return estimates that are not affected by survivor or backfill bias why not just use those hedge fund indices which have no survivor or backfill bias.

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Price Reporting

It is well known that some hedge fund strategies (similar to private equity, real estate …) contain a portion of illiquid assets that may not have exchange traded prices. Note that for the largest of hedge fund strategies (equity long/short, equity market neutral) almost all prices are exchange traded. However, for some assets (distressed securities) prices are often broker determined but few are manager determined. It would come of a major surprise to most back office service providers (DPM…….) as well as auditors and fund administrators that hedge fund managers themselves determine the prices of anything more than a small portion of the reported assets and that only for a limited number of strategies and for a limited time period.

Summary Conclusion: One could continue. It is unfortunate, that one has to return again and again to questions that have been thought to have been answered. It is even worse when they find themselves in the business sections of major newspapers, when at the same time, other questions of greater significance remain off the radar screen.

One hopes that the above issues are at least dead for now and that investors come to realize that:

1) Hedge Funds provide access to unique return opportunities not found in many traditional assets and as should be considered by many investors as part of a diversified portfolio.
2) One should not base expected on historical returns from analysis of a single data base. As a result one may wish to use strategy returns from hedge fund indices which do not contain either survivor or backfill bias.
3) One should use or create an index that is either asset weighted or equal weighted depending on how one constructs one's portfolio.
4) Always review the tax and pricing policies of the underlying funds such that the potential tax costs are understood and that pricing policies are state of the art.

Looking forward to your comments.

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Selected Research

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Comment

The Importance of Education (And the CAIA) in the New Financial World

Thomas Schneeweis

March, 2009

As a co-founder of The Chartered Alternative Investment Association, it may seem a bit self-serving to provide my summary observations on the importance of alternative investments or on the role of education in understanding better the role of alternative investments in today's financial world. One could of course, simply roll out many of the 'time worn' clichés' as to the importance of understanding better those areas that are vital to one's personal education or job training. Many of us have stalled in traffic behind the sticker – If you think knowledge is expensive try ignorance." Ok I get it. Now Move On. Well we all did. What we did not do was take the time nor the opportunity of reading the other bumper sticker – The Only Constant is Change.

For many, recent events have refocused us on the importance of alternative investments and their impact on financial markets in particular and the economy at large. Both in the public press, industry reports, and academic research, questions are being raised as to the fundamental basis for a wide range of alternative investments and their place in the modern investor's portfolio. Often one reads or hears that many alternative investments (hedge fund, commodity investments, private equity….) are simply too risky or too complicated for either the individual or institutional investor.

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On. Well, we all did. What we did not do was take the time nor the opportunity of reading the other bumper sticker – The Only Constant is Change.

When I graduated from college (along with Thomas Jefferson, Benjamin Franklin, and the gang) one of my cohorts sat with me, thanking the heavens that he would not have to read another book or article the rest of his life. Several years later I had him in my MBA class as he attempted to retool himself.

If anything is obvious from the recent economic events, are those words – Change, Knowledge, Retool…" are now going to be the focal point of this and the next generation. If the World is Flat how to I make sure that I stand a little taller than the rest. If I cannot forecast a 'Black Swan' how to I take advantage of the market suddenly coming aware of its existence.

In class (yes I still teach) – I try to get two primary points across to all of my students – First of all it is knowing about the process of education that is as important of education itself – Look at your textbooks 2008 copyright (8th edition) – written in 2006 based on academic articles published in 2004 which were written in 2002 based on data ending in 2000. In short, textbook knowledge is almost ten years out of date by the time you read it. Second, what you learn today may not be of direct importance in your current world, but could be in many "of the parallel universes". What you want from education is as many 'relatively costless' options in your backpack; ready to be taken out when needed. Survival in the long run is based on knowledge and chance – But chance opportunities without knowledge provide no basis for taking advantage of the optionality in chance.

As for those who know me, it has taken a long time to get to the point; that is, the importance of education in the Alternative Investments and the role that CAIA in obtaining that knowledge.

First: The CAIA was created to offer a means by which 'a body of knowledge' could be reviewed by both academic and practitioners and made available in a consistent and timely fashion. The CAIA is a non-profit educational enterprise. It has no – I repeat no- direct corporate funding. The CAIA was in part

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the outgrowth of the realization that academic investment textbooks fail to fundamentally offer current and timely knowledge as to the underlying characteristics of alternative investments and their role in the modern financial world – In most investment books – alternatives are considered primarily gold, silver, and your mother's antiques. Second, that practitioner also failed in their role as educators. As long as ten years ago, I and others wrote in the Journal of Alternative Investments that hedge funds were not 'absolute return vehicles' and were impacted by the same market factors as traditional stocks and bonds. In addition - many hedge funds do not hedge – many hedge funds hold little or no leverage – that historical private equity returns are often 'accounting' rather than market based - hedge funds are more of a "legal structure' than a single strategy – that our current measures of 'Alpha" are totally misunderstood. (Many current measures of alpha are merely measures of 'excess returns' and are not necessarily evidence of skill but the ability to provide expected returns not easily available in other forms of investment. In short, the knowledge is there, the CAIA provides the avenue for that knowledge.

Second: The CAIA was created to reduce the perception that many alternative investment strategies are simply too complex to be understood by even the most educated investors – That is; alternative investments are black boxes. Lack of understanding is more of a lack of desire to educate oneself as the basics of an investment strategy than the inability to do so. Moreover, if knowledge is the lock that must be broken, then the CAIA provides the key. To the less informed, I am sure that alternatives seem like magic. As one who performs the show every day, I can assure you that it is not. I can also assure you that no CAIA graduate does not know what is happening behind the curtain - that historical data is just that historical – that 'Simple' VAR is for 'Simple'tons – that in times of crisis (especially credit crises) all assets may fall together - that the ratings that ratings agencies give are often poor if not worthless as measures of market or price sensitivity.

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Lastly, The CAIA is not the fount of all wisdom. The CAIA emphasizes a limited but important part of the investment world; that is, alternative investments. Other professional organizations (CFA, IAFE) offer additional avenues for education in traditional asset markets as well as risk management. As CAIA does not provide detailed background on traditional asset management or risk management, those organizations cannot and do not provide detailed information on alternative investment management. What these organizations have in common with CAIA is their long term commitment to knowledge and education. Many other 'for profit' educational ventures (online or otherwise) offer the teacher of the week – or the just fired executive to provide the educational experience. While these courses have their place, they do not and cannot provide the overall perspective, consistency or honesty required by a professional certification.

The goal of education is to change when change is required and to remain steadfast in our adherence to always asking ourselves if we are providing the 'state of the art' as to our current understanding of the markets. The CAIA has been, is and will continue to be the standard by which our level of understanding of alternative markets can be judged. With the understanding that this is an ever changing standard – I look forward to having all potential members join me in this quest – I hate to remind myself that just as – Ignorance of the Law is NO Excuse – When working with investors, lack of knowledge of the basic truths of alternatives is NOT either.

Here is looking forward with you to being continually educated and reeducated in an ever changing world. Remember if it were simple, they could just hire a monkey and feed it bananas.

Looking forward to your comments.

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Comment

Vacations

Thomas Schneeweis

June, 2009

With the morning sun we got the message, all we got was digit answers, "no one is home we are off to the beach...the office is closed for a long holiday we will reopen next week. . . It is Tuesday now, the crisis is past. We even think of opening up a yogurt shop and having the kids shipped out. The world still turns. I now know why the French take themselves less seriously than Americans do. One really needs two weeks to a month off to understand how really unimportant we are and what we do.

I am not sure if this is usual or unusual. I never take vacations, that is, the "true American" vacation. Two weeks off in the summer, paint the house and head for the beach. I am not sure I know of anyone who does. Perhaps, the introduction of aluminum siding has killed the two week vacation. Now it is a week in the summer, a week in the winter. This summer, at the insistence of my wife, I took a two week vacation. Her reasoning, as it 'always' is was beyond contradiction (at least beyond mine). A week is never enough, your body is here but your mind remains at your office the entire week. We need at least two weeks.

So I did it. Two weeks in a Caribbean island. I could not be reach except by mail via a flat-bottomed boat that arrived only on alternative Thursdays. In short, a costly' Gilligan's Island". Well, how inviting you may think, I'll sign up immediately. Well now for the rest of the story. All went well for the first four days. The first two spent recovering from jet lag. The next two exploring the island. By day five, we had done it all, seen it all . . . Now cam the real test, the breakeven point. Normally we would be on

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our way home; instead an entire week lay in front of us. This oasis suddenly seems a prison. I began to envision horrors (was I supposed to call Jim next week or this week, what crisis was turning the firm into bankruptcy, may career ruin, vagrancy just over the ocean's horison0,. My wife fears even greater horrors (a heat wave had overcomed all electric circuitry turning her house into a sauna ruining years of design effort. her art had become one ‘hugh' Dada'. The children realizing independence would never be the same.

We rushed to the only public phone on the island only to realize that is was evening back home. All night we remained awake, blurry eye we camped in from the phone. I began rereading week old NYT. We were addicts, we were discussing. New arrivals walked past us and turn their eyes. But their thoughts echo’ poor old locals' I returns the gaze ' just wait one week you will see" Our objective was now simple, I must get a message out we are alive, tell us the bad news, all is forgiven.

With the morning sun we got the message, all we got was digit answers, "no one is home we are off to the beach...the office is closed for a long holiday we will reopen next week. . . It is Tuesday now, the crisis is past. We even think of opening up a yogurt shop and having the kids shipped out. The world still turns. I now know why the French take themselves less seriously than Americans do. One really needs two weeks to a month off to understand how really unimportant we are and what we do.

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Comment

The Wizard of Oz or Town Meeting Redux

Thomas Schneeweis

September, 2009

I pointed out to my neighbors that if that was the basis the pro-charter arguments I am amazed that it received the votes it did. The decisions of the Charter commission were as expected. In business it is known as selection bias. Those who ran for the Charter commission had a predisposition to vote for something other than town meeting. How many of us would run for a position only to be elected so that we could publicly state that all our work was for nothing. (I am sure that town department heads feel the same sort of righteous defiance when all their hard hours is rejected at town meeting – How could they – How would they- If They only Knew the time and effort we put in on their behalf). Well 50 men and women good and true in a Charter commission are not necessarily better than 250 men and women good and true and in town meeting. For those with a statistical bent, 'Law of Larger Numbers' almost insures it.

With the recent Charter defeat, my white signs neighbors finally came over to me, the red sign neighbor to discuss and reduce the recent 'elector' tensions. They asked if my action was merely to offer a balance to their position or was it confrontational in nature. I pointed out that my support for town meeting was less a response to the arguments of its supporters than my reaction to the positions taken by Charter supporters. Recent statements in last week's Amherst Bulletin have made me even more comfortable in my decision. Simply put, recent direct or implied statements by Charter supporters such as 1) 50 charter members spending weeks nay months in meetings and voting 7-2 could not be wrong, 2) Amherst voters are afraid of change, and 3) Charter supporters failed to put a face on the new mayor (if people had only known who we could have or would have chosen – a true Wizard of Oz) they would have surely supported the Charter).

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I pointed out to my neighbors that if that was the basis the pro-charter arguments I am amazed that it received the votes it did. The decisions of the Charter commission were as expected. In business it is known as selection bias. Those who ran for the Charter commission had a predisposition to vote for something other than town meeting. How many of us would run for a position only to be elected so that we could publicly state that all our work was for nothing. (I am sure that town department heads feel the same sort of righteous defiance when all their hard hours are rejected at town meeting – How could they – How would they- If They only Knew the time and effort we put in on their behalf). Well 50 men and women good and true in a Charter commission are not necessarily better than 250 men and women good and true and in town meeting. For those with a statistical bent, 'Law of Larger Numbers' almost insures it.

Moreover, as my mother told me just because we can do something (support the Charter) does not mean we should have. It takes little courage to relinquish one's future to the hands of a few. It was not a lack of courage that led me to vote against the Charter. In fact, it would have been easy to simply fall in line with the long list of towns whose voters have willed their lives to the choices of a few. However, a brief look at some of the recent actions of such mayoral/select board Bastions as Northampton and Greenfield has put my mind at rest. Is it lack of courage or a surplus of foolhardiness to put my life in the hands of a few in contrast to the voices of the many?

However, if you only knew the brilliant mind we had to lead us my neighbors responded. Hold everything; I thought the whole concept of the Philosopher King died years ago. I know that many believe that Amherst would be better off in the hands of a New Wizard, (Mayor), a Tin Man, A Scarecrow, and a cowardly Lion (Select board.) However, I remain convinced that Oz was better off with the knowledge and efforts of all its citizens (including the munchkins) who in fact had run the town well before the

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arrival of said Wizard (Oz was not built in a day)). As Dorothy herself discovered, to trust one's life to a single wizard and even a few well spirited colleagues is fraught with danger.

In brief, if the primary basis for charter support was to acquiesce to the efforts of governmental body of individuals (however created) who favored a system which minimizes the actions of the many for the efficiency of a small but favored few (some of whom it was believed would rise to save the town from the decisions of crowd) I guess the authors of many of the letters to the editor are correct. It took very little courage to vote for Town Meeting.

The past two years have been replete with politicizing placards and posters featured throughout public venues suggesting the wisdom of collective acquiescence to a singular viewpoint absolving said populous of a democratic conscious elective participation. The electorate with great hindsight and ironically foresight has chosen to act yet again, with full authorization democratically. My only moment of personal sadness during this controversy lay in the fact that the local book trade never occasioned to provide affordable paperback copies of John Stuart Mill's 'On Liberty' along with their seasonal promotional displays.

Looking forward to your comments.

Tom Schneeweis

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Comment

Wizards of Hedge Funds

Thomas Schneeweis

December, 2009

It is my belief that in the short run greed often wins out over reason. Therefore, I wish all managers the greatest success in charging investors more and more fees if for no other reason that a fool and his money are quickly parted and therefore greedy investors should also be parted from money and the sooner the better.

Often hedge funds seem to want to have it both ways; that is, future performance is simply a mirror of the past and that our past performance (often excellent) will continue into the future. At the same time, if one has a poor performance many hedge fund managers wish to point out that they have unique discretionary abilities such that into the future they will provide an absolute return across multiple market conditions. That this is done should surprise not one. In fact, by so doing we respond to all of the above concerns. First, we state that the future is like the past and that moreover, even if it is not, if one invests in alternatives that one need not worry since we have the chance of doing well in all possible markets.

To do this, investors are asked to depend on the wizardry of the manager to protect us, but wizards are few and often, as in the Wizard of OZ, seem to hide behind the curtain. Better that we come out in the open, and confess that often we do not know the future, that certain strategies may or may not perform well depending on those economic conditions, and that depending on ones current and expected economic profile, that certain alternative investments may fit while others should not be considered. Moreover, the monitoring, manager review and many of the actions involved in product management are complex. If it

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were simple one could hire a monkey and feed it bananas. At the same time, it is not so complex that an experienced professional cannot understand the sources of return and the potential benefits of including these assets in many investors' portfolios. Unfortunately, one is not ordinarily paid not to sell one's product and to suggest that another product in another store may better fit the customer. Maybe that only does happen in the movies, however, while one may not be expected to sell someone else's product for them, perhaps in the new year we can hope to have investment professionals (traditional or alternative, private market or governmental) help to managed investors expectations in a manner consistent with their products expectations. In the traditional stock and bond area, academic research continues to show that managed funds fail to outperform similar investible passive investments. To the degree that the returns of active and passive investment strategies in similar investment areas are similar, managers are simply charging an amount equal to their differential return. This is to be expected. If a manager can provide higher return than a similar passive investment vehicle, he or she should be able to charge for that differential return. The question remains as to how much of that differential return he or she should leave to the investor. In fact, it is not the sole responsibility of the investor to make the manager rich, so an investor should receive at least a portion of the manager's differential return.

Of course, historical returns do not necessarily provide a sole means of measuring potential manager benefits. Even if a manager underperforms a particular investible passive index, he or she may offer services (tax, reporting) that an individual would have to undertake if an alternative passive program is used. In addition, managers may also provide an option to manage risks that for whatever reason do not occur during the period of comparison but would be of value in future time periods. One should pay for that option even if it is never "in the money.'

In short, simply comparing active and passive investible vehicles is often a poor way to determine the value that the fees that a manager may charge for a particular service. Unfortunately, simply looking

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at high fees is similarly a poor way of determining the relative value of a particular manager, especially when there is a lack of a comparable investible passive index. Even academics agree that a manager with more costly information, resources etc. should outperform, on a net basis, other managers with less costly programs. Of course, the difference in return should equal the differences in costs unless the manager can use that information or resources to obtain a marginally higher return after costs. Research has shown that incentive fees may not result in higher rates of return for hedge fund managers (JAI, fall, 2002). In fact, incentive fees in many areas of corporate and asset management have resulted in perverse manager actions that hurt shareholders.

Of course, managers must charge enough to meet costs of managing relative to a passive strategy offer similar return opportunities. As important, managers have the right to charge whatever fees they desire and investors have the right to accept or reject such fees. Recently two leading funds (Caxton and Renaissance Technologies) have raised their fees (Caxton has raised both management and incentive and Renaissance has raised only incentive fees). While various explanations exist for their actions, (various newspapers have maintained that Caxton says it must raise fees to continue to retain senior traders while Renaissance is returning assets to investors and maintains that the increase in fees is necessary to keep income levels for the firm as in the past).

Of course, herein lays the rub. If the increase in fees is required to keep senior traders and if senior traders are not suddenly going to improve their trading skills as the result of their pay increase, net returns to investors must fall. In short, unless traders become more skilled as the result of the new money, I am agreeing to give you more money based on past performance knowing that future performance will most likely fall as the result of the fee increase. This is especially troubling since there is very little evidence that Caxton or Renaissance's returns have been (from an academic viewpoint) strictly compared against

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similar firms trading similar strategies and on this basis their returns to risk are so outstanding. Never mind, the future will win out regardless of the virtue of the choice.

But people do have a choice, at least to provide an honest statement as to the basis for their fee increase. In both cases, the answer is: **Because we can and there are enough investors willing to give it to us**. But please, refrain from the litany of **'we had to do it for our investor's own good.'** If one's senior traders are that good that they require such fees, the question is if the firm will reduce fees when these traders retire and they cannot replace them with similarly talented traders? I think not. And if such replacement traders currently exist, can they not be obtained at a reduced cost than the existing similar talented 'senior traders.' If so why not use them and not raise fees? In the Renaissance case, if Renaissance truly believes that their investors are better off because they (the investor) can put their return money to work elsewhere while there will be little diminution of total dollars even after fees from Renaissance (the money that is left will make even more because the firm is not 'burdened' with the excess nonproductive money) the implication is that there are only so many deals out their and reducing money chasing them increases the gross return enough to pay the high fees. It is great to believe that Renaissance has such 'pure rental fees' in their area – but give us a break. Renaissance does not have a lock on its trading market or removing similar competitors from entering. If the opportunities are being reduced, return assets, fire personnel and keep fees the same.

Well reason rarely wins out over greed and I wish all managers the greatest success in charging investors more and more fees. A fool and his money are soon parted and the sooner the better.

Looking forward to your comments.

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