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LETTERS TO THE EDITOR

"What Risk Matters? A Call for Papers!": A Comment

William L. Valentine ▼

Kudos to Rob Arnott for his [editorial on risk measurement \(May/June 2003\)](#) and his "call for papers." Arnott is dead-on in suggesting that little to nothing has been done to study the real risks of investing OPM (other people's money). I support his call for papers and naively hope that it will serve as a wake-up call for writers to reconcile their studies with the realities of investment management practice.

As the head of a boutique money management firm for high-net-worth individuals, I can tell you that myriad papers focusing on variance-related grasps at risk do nothing to clarify the practical risks of investment on the front line. Arnott's example of "maverick risk" is a prime example of a risk that trumps any arcane standard-deviation-related measure of what determines success or failure in practice.

Many of us AIMR members voted against making increased continuing education mandatory for CFA charterholders as proposed by AIMR because we know that when we try to absorb greater and greater volumes of the most recent studies, we quickly reach a point of diminished returns. If I believed that the papers out there were headed in the right direction, no one would need to regulate the time I spend absorbing work from the field. But too little work has been done on the current and greatest threats to our field—threats arising from the highly visible inherent conflicts of interest we face and threats arising out of the current bear market.

I hope that Arnott's call will bring out works of a new caliber. Wouldn't it be great if it tipped off a renaissance of thoughtful, pragmatic research that we can all benefit from?

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