Media Contacts
Kathy Valentine
+1 (434) 951-5348
kathy.valentine@cfainstitute.org

Jessica Galehouse
+1 (434) 951-5376
jessica.galehouse@cfainstitute.org

FAJ ARTICLE DISPELS "20 MYTHS ABOUT ENHANCED ACTIVE 120-20 STRATEGIES"; BRUCE I. JACOBS TO EXPLAIN DURING WEBCAST, SEPTEMBER 19 AT 1:00 P.M. EDT

120–20 strategies allow equity managers to sell short individual stocks worth up to 20 percent of portfolio value and invest proceeds in additional long share purchases

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Charlottesville, Va., September 6, 2007 – Although enhanced active equity strategies of the 120–20 variety have become increasingly popular in the search for alpha, they are not always well understood, according to a CFA Institute *Financial Analysts Journal* article.

Bruce I. Jacobs, co-founder and principal of Jacobs Levy Equity Management, will discuss the findings of research he conducted with his colleague Kenneth N. Levy, CFA, during a CFA Institute webcast Wednesday, September 19.

In the article "20 Myths about Enhanced Active 120–20 Strategies," published in the July/August 2007 issue of the *FAJ*, Jacobs and Levy dispel common misconceptions about enhanced active equity strategies. They address frequently heard comments on the impact of enhanced strategies on portfolio performance and the flexibility of 120–20 compared with long-only and market-neutral long–short strategies, and they explore the risks of shorting and leverage restrictions, as well as operational issues.

"Enhanced active equity strategies differ in some fundamental ways from other active equity strategies, both long only and long–short," according to the authors. "As a result, the financial community has formed some misconceptions about these strategies…. myths about enhanced active equity strategies do not necessarily survive objective scrutiny."

The free webcast begins at 1:00 p.m. EDT; a question and answer session will follow. Comments and questions may be submitted to questions@cfainstitute.org.

During his career, Jacobs has introduced many new concepts, including disentangling pure returns, the law of one alpha, integrated long–short optimization, and trimability. He received a *FAJ* Graham and Dodd Scroll Award in 1988 as well as outstanding article awards from the *Journal of Portfolio Management* and *Journal of Investing*. He is author of *Capital Ideas and Market Realities: Option Replication, Investor Behavior, and Stock Market Crashes*, co-author of *Equity Management: Quantitative Analysis for Stock Selection*, and co-editor of *Market Neutral Strategies*.

This is the sixth in a series of free webcasts based on *FAJ* articles. Past archived webcasts are as follows:

- **Michael Stutzer**, professor of finance at the Leeds School of Business at the University of Colorado, Boulder, and director of its Burridge Center for Securities Analysis and Valuation, examines "The Misuse of Expected Returns," a November/December 2006 *FAJ* article he co-authored with Leeds School of Business colleagues Eric Hughson and Chris Yung.
- **Atanu Saha**, managing director at Alix Partners in New York, discusses the concepts he presented with Princeton University Professor Burton G. Malkiel, in an article in *FAJ*'s November/December 2005 issue, "Hedge Funds: Risk and Return."

- **M. Barton Waring**, managing director and head of the Client Advisory Group at Barclays Global Investors, San Francisco, presents a seminar based on the *FAJ* March/April 2006 article "The Myth of the Absolute-Return Investor," which he co-authored with Laurence B. Siegel, director of research in the Investment Division of The Ford Foundation, New York.
- **Vijay Singal**, **CFA**, department head and J. Gray Ferguson Professor of Finance at Virginia Tech's Pamplin College of Business, Blacksburg, discusses the July/August 2006 *FAJ* article "Index Changes and Losses to Investors in Equity Index Funds," which he co-authored with Honhui Chen, assistant professor of finance at the University of Central Florida, Orlando; and Gregory Noronha, CFA, professor of finance at the Milgard School of Business at the University of Washington, Tacoma.
- **Mark Hirschey,** Anderson W. Chandler Professor of Business at the University of Kansas, Lawrence, explains why small-cap stocks consistently experience abnormally high rates of return in the month of January, the topic of the September/October 2006 *FAJ* article "The January Effect," which he co-authored with Mark Haug, a lecturer at the University of Kansas, Lawrence.

For a token to access *FAJ* articles and other CFA Institute publications online, please contact pr@cfainstitute.org.

CFA Institute

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