Preface

Harry Markowitz and Professor Martin J. Gruber shared a keynote address at The International Symposium on Forecasting (ISF) in Nice, France, in June 2008. Harry is President of the Harry Markowitz Company, San Diego, CA and Professor Emeritus, Economics and Finance at Baruch College, City University of New York. Professor Martin J. Gruber is the Nomura Professor of Finance at The Stern School of Business, New York University. This volume was created to honor Harry for his address. We had two sessions at the ISF on applications of Markowitz analysis and portfolio construction, and eight papers in this volume were presented in Nice. Harry created much of the portfolio theory with his seminal monograph, Portfolio Selection (Yale University Press, 1959). Dr. Markowitz is perhaps best known as a co-recipient of the 1991 Nobel Prize in Economic Sciences. Most of the research on Wall Street has developed from this volume. When Harry agreed to deliver the keynote address 3 years ago, I wrote to 20 of Harry’s friends, co-authors, and persons often cited in his papers regarding contributing to this volume. This volume includes 15 contributions from the 20 persons that were invited. Most people responded almost immediately, and several persons said “I love the man,” “I have made a successful career of implementing Harry’s models,” or “I am glad that someone is doing it.” I created this volume for several reasons: (1) to honor Mr. Markowitz for his lasting contribution to portfolio construction and testing; (2) to have a single source where someone who knew nothing of economics or investments could read the introductory chapters and have an idea as to how numbers are crunched in finance and why; (3) to have this volume produced while Harry and the rest of us could appreciate it; Harry is over 65 years old, as are several of the contributors. It is my hope and expectation that Harry will live at least another 20–25 years. This volume is composed of “Wall Street” and academic contributors, Harry having influenced both worlds. I must thank Professor Marty Gruber, who has been a great friend for many years, and who was kind enough to bring Ellie, his lovely wife, to Nice. Marty contributed a chapter based on several of his published articles, and was very helpful in reading papers and advising me on different aspects of the volume. Marty and Ned Elton edited an excellent volume for Harry in 1979, which is referenced throughout this volume. This volume updates much of the portfolio construction management and measurement analysis of the 1980–2008 period.
I would like to thank Robert B. (Bob) Gillam (Bob) and Robert A. (Rob) Gillam of McKinley Capital Management, LLC, for sponsoring the Markowitz address. McKinley Capital Management is a firm that implements Markowitz portfolio construction and management. As a graduate student at UCLA, Bob was influenced by Dr. Markowitz on what became known as Modern Portfolio Theory (MPT). Rob has continued his Dad’s work in portfolio construction and has shown great leadership in helping McKinley grow and develop into a Global Growth specialist.

The majority of the papers in this volume have been peer-reviewed. Several of the chapter authors reviewed other manuscripts. I would like to acknowledge other peer reviewers involved with this volume.

Professor Stephen J. Brown, New York University
Ms. Kathleen DeRose, Hagin Investment Management
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Dr. Steven Greiner, Allegiant Asset Management Group
Dr. Robert Hagin, Hagin Investment Management
Mr. Gil Hammer, The Q-Group
Professor Mustafa Gultekin, The University of North Carolina
Professor Javier Peña, Carnegie Mellon University
Dr. Bernd Scherer, Morgan Stanley
Dr. David Stein, Parametric Portfolio Associates
Professor Sheridan Titman, The University of Texas, Austin
Professor Arnold Zellner, The University of Chicago
Dr. Victor Zarnowitz, The Conference Board

I serve as Director of Quantitative Research at McKinley Capital Management in Anchorage, AK. I co-managed two Japanese equity funds, Fund Academy in Tokyo, and the Japan Equity Fund (JEQ), a closed-end country fund traded on the New York Stock Exchange, with Dr. Markowitz at Daiwa Securities. Harry and our group at Daiwa Securities co-authored several papers that are referenced in the introductory chapters. This book was edited and my three introductory chapters written on Saturday afternoons and Sunday mornings. My chapter on the 130/30 model was written as a McKinley Capital contribution and was presented in Nice, a spectacular city. I serve on the editorial board of the *International Journal of Forecasting* (IJF), the journal associated with the annual ISF. I suggested Nice as a possible venue for the address and could not have been more pleased with the city and the weather (sunny and 90).

I have dedicated the volume to three persons: Julie, my wife, who continues to demonstrate the patience of Job with me, and Bob and Rob Gillam, my bosses. If I can keep these three persons happy (at least satisfied), then my life is successful, or at least worth living. I am a big believer that life is pass/fail. The Wall Street experiences post June-2008 re-enforce my thoughts on that aspect of life. Rene Hollinger typed the first three chapters, as she did for my Springer volume with Eli Schwartz. Nick Philipson of Springer was very supportive of the project. Julie and I have three children, Richard, Katherine, and Stephanie, who continue to be a source of pleasure and pride. To Julie, Bob Gillam, Rob Gillam and Harry Markowitz, I say, thank you.

Anchorage, AK

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