

CFA Institute Names Top *Financial Analysts Journal* Articles with Annual Graham and Dodd Awards

Best Article of 2013 Suggests Liquidity Be Included as a Benchmark Investment Style alongside Size, Growth/Value, and Momentum in Studies of Stock Returns

NEW YORK, February 20, 2014 — “[Liquidity as an Investment Style](#),” by Roger G. Ibbotson, Zhiwu Chen, Daniel Y.-J. Kim, and Wendy Y. Hu, was selected as the best article in the prestigious Graham and Dodd Awards, a CFA Institute program honoring the top *Financial Analysts Journal* articles each year. The article, published in the May/June 2013 issue of the *FAJ*, finds that liquidity is an important indicator of long-run returns. The authors suggest that liquidity be included in future asset price studies as an investment factor or style. Making their case, the authors find that the returns on liquidity are economically meaningful and sufficiently different from those of other styles. Furthermore, they find that a stock’s liquidity is relatively stable over time, with changes in liquidity associated with changes in valuation.

Rodney N. Sullivan, CFA, editor of the *FAJ*, commented: “I am pleased that the *FAJ* Advisory Council and Editorial Board chose to honor this article with the top Graham and Dodd Award. Despite extensive evidence confirming that less liquid stocks outperform more liquid stocks over time, liquidity has rarely been treated as a control in cross-sectional studies of stock returns. The authors provide a compelling case for including liquidity as an additional control in cross-sectional studies of stock returns.”

The *FAJ* Advisory Council and Editorial Board also awarded five Graham and Dodd Scroll Awards to recognize additional outstanding articles published last year:

- “[Do \(Some\) University Endowments Earn Alpha?](#),” by Brad M. Barber and Guojun Wang (September/October 2013): The authors analyzed the returns earned by US educational endowments using style attribution models and found no evidence that manager selection, market timing, and tactical asset allocation generate alpha.
- “[The Golden Dilemma](#),” by Claude B. Erb, CFA, and Campbell R. Harvey (July/August 2013): The authors explore the dilemma that faces investors: The real price of gold is historically very high and may revert to the mean, but if prominent emerging markets increase their gold holdings, the real price of gold may rise even further from today’s elevated levels.
- “[Shedding Light on ‘Invisible’ Costs: Trading Costs and Mutual Fund Performance](#),” by Roger Edelen, Richard Evans, and Gregory Kadlec (January/February 2013): Using portfolio holdings and transaction data, the authors found that funds’ annual trading costs are, on average, higher than their expense ratio and negatively affect performance.
- “[Active Share and Mutual Fund Performance](#),” by Antti Petajisto (July/August 2013): Using Active Share and tracking error, the author sorted all-equity mutual funds into

various categories of active management. The most active stock pickers outperformed their benchmark indices even after fees, whereas closet indexers underperformed.

- “[The Arithmetic of Investment Expenses](#),” by William F. Sharpe (March/April 2013): The author offers methods for calculating relative terminal wealth levels for those investing in funds with different expense ratios.

This year’s Best Perspectives Award for the timeliest and most thought-provoking opinion article was given to Robert J. Shiller for his piece “[Capitalism and Financial Innovation](#),” which appeared in the January/February 2013 issue.

The Readers’ Choice Award was also given to Erb and Harvey for their article, “The Golden Dilemma.”

The [FAJ](#) is published six times a year by CFA Institute, the global association of more than 120,000 investment professionals. The journal advances the knowledge and understanding of the practice of investment management through the publication of high-quality, practitioner-relevant research.

The award-winning articles may be accessed online at no cost via www.cfapubs.org.

About the Graham and Dodd Awards

The Graham and Dodd Awards were created in 1960 to honor excellence in research and financial writing and the enduring contributions of Benjamin Graham and David L. Dodd to the investment analysis field. Each year, the top Graham and Dodd Award is presented to the author or authors of the previous year’s most outstanding *FAJ* article.

About CFA Institute

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is a champion for ethical behavior in investment markets and a respected source of knowledge in the global financial community. The end goal: to create an environment where investors’ interests come first, markets function at their best, and economies grow. CFA Institute has more than 120,000 members in 147 countries and territories, including 112,000 CFA charterholders, and 140 member societies. For more information, visit www.cfainstitute.org.

For more information, please contact:

Sarah-Jane Purvis, PR Manager, Americas
1-212-705-1738
Sarahjane.purvis@cfainstitute.org