Book Review

The encyclopedia of alternative investments

Greg N. Gregoriou (ed.)

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Sophisticated investors such as foundations and endowments, corporate and public pension funds, and high net worth individuals are increasingly demanding alternative and diversified sources of return that are less volatile, yet higher on a risk adjusted basis, as they want to prevent repeating the severe capital losses they sustained in the early 2000s. Not surprisingly, alternative investments – hedge funds, managed futures, commodities, real estate, private equity and venture capital – have therefore become established components of their asset allocation. The returns on these alternative investments are typically loosely correlated with traditional equity and fixed income, mitigating undue portfolio risk and offering the potential for higher returns. Although the level of correlation depends on the specific type of alternative investment considered, when properly used, these new assets can dramatically enhance the performance of traditional equity/bond/cash portfolios.

Over time, alternative investments are likely to gain increasing prominence in all portfolios, including the ones of less sophisticated investors. But today, they are still perceived as being complex and presenting unique challenges in terms of investment, due diligence, planning and risk controls. Moreover, many private investors are still struggling to understand what alternative investments are exactly and how they operate in

practice. Students and researchers are also experiencing difficulties, primarily because of the large amount of jargon and acronyms used in this area. Fortunately, with the *Encyclopedia of alternative investments*, this could now be passé.

Compiled, organised and edited by Greg N. Gregoriou, a professor of finance in the School of Business and Economics at the State University of New York (Plattsburgh) and a prolific author in the field, the *Encyclopedia of Alternative Investments* is a superbly presented source of information. It is positively encyclopaedic, covering almost anything relative to alternative investments. In one single volume of 540 pages and 545 entries, it allows the reader to identify, define and clarify the meaning of almost any investment terms used in the area.

In my opinion, finance encyclopaedias are generally disappointing. Some of their content is simply outdated and not useful for most readers. In addition, the quality of the work is invariably uneven and subject to redundancies. But the *Encyclopedia of Alternative Investments* is truly different. Its great strengths are the selection of its contributors, the scope of topics covered and masterful editing of the material. The experience and expertise of the series of well-known and respected academic or professional contributors from around the world that authored the entries is visible. Each entry is written in a readable and accessible style and

provides a clear definition of a specific term, as well as references to the most relevant academic literature for the reader that would like to further explore the topic. Some entries take up several pages and are completed with sub-definitions, tables and illustrative figures, whereas others are shorter. A few entries are more mathematically demanding, particularly the ones dealing with some derivative contracts, but most of them are sufficiently accessible so that the less mathematically adept reader can gain insight into the topics discussed.

While these days you can look up any definition on the Web, there will always be times when finding just the specific information you want can be like looking for a needle in a haystack. Although its entries are sorted in alphabetical order, the *Encyclopedia* is not just another glossary or series of definitions. It is rather a very thoughtful collection of brief but penetrating essays on alternative investments. Each essay follows a uniform and easily readable layout that lends itself well to both detailed reading and quick perusal. This makes the *Encyclopedia* easy to use as a supplement to various texts and courses in finance, but also as a reliable desktop reference book when

researching and writing. Last, but not least, investors and business executives should find the *Encyclopedia* a good resource for helping to sort through the jargon of alternative investments. Did you find somewhere a term you do not understand? Search the *Encyclopedia* for an explanation. Or simply browse the *Encyclopedia's* entries to learn more about alternative investments in general.

Of course, the *Encyclopedia of Alternative Investments* is not a book that one could ever hope or be required to master in its entirety. But it is a comprehensive, definitive and up-to-date collection of work that will be a valuable addition to our respective reference library. Its scope and breadth will make it an invaluable resource for the professional, the academic researcher and for the student in this rapidly growing area.

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