Reprinted with permission from

Pensions&Investments

The International Newspaper of Money Management

September 3, 2001

REVIEW POSTSCRIPT

Rubinstein to stay on editorial board of FAJ despite talking with Fridson

By Barry B. Burr

H. Gifford Fong, editor of FAJ, won't remove Mark E. Rubinstein as a member of the editorial board of the Financial Analysts Journal, even though he had said he wouldn't have on the board any member who pressured a writer.

Mr. Rubinstein, professor of applied investment analysis at Haas School of Business, University of California, Berkeley, contacted Martin S. Fridson, FAJ book review editor, after Mr. Fridson wrote a favorable review of a book that was critical of Mr. Rubinstein's past firm, Leland O'Brien Rubinstein Associates Inc., and the portfolio insurance his firm sold in the 1980s (*Pensions & Investments*, June 25).

Mr. Fridson subsequently wrote in the January/February FAJ what he termed a "postscript," essentially retracting his original review, and taking a critical view of the author, Bruce I. Jacobs, and the book, "Capital Ideas and Market Realities."

Mr. Rubinstein, in an interview, said his call to Mr. Fridson initiated the idea of the retraction.

No one has said Mr. Rubinstein pressured Mr. Fridson, but Mr. Rubinstein acknowledged he influenced Mr. Fridson to write the retraction, saying he gave him the idea.

Mr. Fong, president of Gifford Fong Associates, Lafayette, Calif., a risk and investment analytics consultant, said he won't ask Mr. Rubinstein to leave the board, because he doesn't know if Mr. Rubinstein contacted Mr. Fridson in his capacity as a member of the FAJ editorial board, or as simply an interested reader.

"THE REAL QUESTION IS: WAS MARK ACTING IN HIS CAPACITY AS AN EDITORIAL BOARD MEMBER? IT SEEMS TO ME INTENT IS VERY IMPORTANT HERE."

"The real question is: Was Mark acting in his capacity as an editorial board member?" Mr. Fong said. "It seems to me intent is very important here. You have to ask Mark if he told Marty whether he was calling as a member of the editorial board."

Mr. Fong said he won't look into that issue.

Mr. Fridson, who is chief high-yield strategist at Merrill Lynch & Co., New York, is also a member of the FAJ editorial board.

Mr. Fridson, in his third published comment on the book, dismissed Mr. Jacobs' claims in the book that risks of portfolio insurance might not have been fully disclosed by saying, "that sophisticated investors who knew the right questions to ask would not have been misled." Mr. Jacobs contends that statement violates Association for Investment Management and Research ethics standards and Securities and Exchange Commission rules on disclosure.

Mr. Fong waived off questions about Mr. Fridson's statement that seems to put the onus of risk disclosure on investors, rather than investment managers.

"It's only a book review," he said.

"I'm of the belief we have fairly aired both sides in the FAJ," Mr. Fong added. "There is a limit on how much space we will devote to that, and we've reached that limit."

Patricia Walters, senior vice president-professional standards and advocacy at AIMR, has declined to discuss Mr. Fridson's situation. But she said that a statement published in the FAJ isn't a violation of AIMR standards, because "no one is giving anyone investment advice in the journal."