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The Editors

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Dear Editors,

We request you to consider my paper, “Average Variance Managed Investment Timing”, for publication in the RFS.

Using the decomposition of market index variance, I identify a better portfolio investment management signal. Weighting index investment by the inverse of the average of asset variance rather than the index variance is a new addition to the portfolio management literature letting investors capture better performance as measured by expected annualized returns, performance ratios, costs, and utility gains. The average variance management strategy uses practical levels of leverage with lower turnover making it cheaper while providing utility gains for many classes of investors regardless of risk aversion or borrowing restrictions. I show evidence consistent with the argument that average variance is the unsystematic and uncompensated component of economy-wide risk. The average variance management strategy works across asset classes where other approaches fail. The returns to the AV managed portfolio improve our understanding of the risk-return dynamic by showing that the time variation in the mix between the systematic and unsystematic parts of the market index variance is an essential dimension of risk and optimal investment over time.

Given the importance of the question and the implications of my results on investors and anyone interested in the risk-return dynamics in the economy my paper would be of interest to a wide readership.

With best regards,

Jeramia Poland