

# TRANSACTION COSTS

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## Editor's Letter

*Transaction Costs* is the fourth Guide that I have been privileged to edit for Institutional Investor. Response to the previous Guides has been outstanding. Three years after publication, I still receive requests for the first Institutional Investor Guide, *Enhanced Index Strategies*, which totally sold out shortly after publication.

With this Guide, we bring you a mix of articles on an important topic: transaction costs. Practitioners know that much of the potential value added can leak out of the investment process when implementing portfolio recommendations. Estimated costs of one percent or more can remove most of the excess return above the benchmark for many managers. Despite its huge potential impact, not many portfolio managers or plan sponsors focus on transaction costs as much as they do their alpha generating investment process. After reading this Guide, perhaps they will.

The Guide is written for the plan sponsor by both academics and practitioners. The articles offer practical and detailed information on product options, defining best execution, strategies to minimizing transaction costs, and other topics relevant to transaction cost analysis.

We at Institutional Investor Journals hope you find this information useful and insightful.

**Brian R. Bruce**  
**February 1, 2001**