

What do Investment Practitioners Read?

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ABSTRACT

Articles abstracted in the CFA Digest over the 1997-2011 period are used to proxy what investment practitioners read. We find that about 20% of the abstracted articles are from the “top three” academic financial journals and about 50% are from the “top 21” academic financial journals. Equity Investments, Portfolio Management, Economics, and Alternative Investments have consistently been the major topics of interest to the investment practitioner. These results indicate that investment practitioners use a wider source for information than the top academic financial journals.

INTRODUCTION

For many years, the usefulness of financial research has been questioned. So far, it is academics who have asked such questions as: which are the “top journals” in finance? Or: do the top journals publish only “top articles”? Or: Do lesser journals publish “top articles”? The current research expands the usual questions to ask whether the investment practitioner benefits from academic financial research.

The CFA Institute is a self-regulating professional organization with over 100,000 members worldwide. Benefits of membership include the opportunity to earn Chartered Financial Analyst (CFA) and Certificate in Investment Performance Measurement (CIPM) designations, advocacy concerning market efficiency and investor protection, and the dissemination of information via seminars, webcasts, conferences and publications, including the Financial Analysts Journal, conference proceedings, CFA Magazine, a daily newsletter, and the CFA Digest.

As the investment area of finance has grown, the volume of published work has exploded making it difficult to stay current in the field. To help alleviate this problem to some degree, the CFA Digest was established in the summer of 1971 as a quarterly publication to provide summaries of some of the articles published in journals and magazines. Readership surveys indicate that “the CFA Digest meets [readers’] expectations”, and that it is “highly relevant to [the readers’] needs and is of high quality” (Sullivan, 2009, p. 1). The survey results support the use of the articles abstracted in the CFA Digest as a proxy for what the investment practitioner considers to be important professional readings.

Articles abstracted in the CFA Digest from 1997 to 2011 are included in the study. Our objective is to find what percentage of articles come from “top academic financial journals”, and whether this has changed over time.

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The CFA Digest classifies articles into categories which indicate the topic of the article abstracted. Since 2002, the categories correspond to the core knowledge categories in the CFA Institute's Continuing Education Topics for Investment Professionals. We also sort abstracts into these categories to find which areas of investments are of more interest to the investment practitioner, and if there has been a change in the areas of interest over time. Since the CFA Institute changes the categories over time, we used the categories as of January 2011 for our classification scheme.

Over the 1997-2011 period, 2,074 articles were abstracted in the main section of the CFA Digest. About 20% of the abstracted articles are from the top three academic financial journals, and about half are from the top 21 academic financial journals. The major areas of interest to the investment practitioner are Equity Investments, Portfolio Management, Alternative Investments, and Economics. Top academic financial journals are a major source for the first two categories but not for the latter two categories.

The remainder of this paper is organized as follows: The next section provides a review of the ranking of financial journals literature. The literature review is followed by a brief description of how an article is selected for inclusion in the CFA Digest, how this study determined which journals are "top academic financial journals", and how the classification categories are determined. The results section is followed by a conclusion section.

LITERATURE

Citations in journals are often used to define a "top journal". Borokhovich, Bricker, and Simkins (1994) used interjournal citations from eight finance journals in 1990 and 1991 and found that the Journal of Finance (JF) and Journal of Financial Economics (JFE) had the highest number of citations in other journals. Alexander and Mabry (1994) used citations from the JF, JFE, Journal of Financial and Quantitative Analysis (JFQA), and Review of Financial Studies (RFS) over the January 1987 to March 1991 period to rank the top 50 finance journals, and they ranked JFE, JF and JFQA as the top three journals. Arnold, Butler, Crack and Altintig (2003) ranked journals based on citations in the same four journals plus the Journal of Business (JB) and Financial Management (FM) during 1990-1999. The authors found that the ranking of journals differed depending on the criteria used, but JF, JFE, RFE, JFQA and JB are consistently the top five journals. The authors also concluded that the JF, JFE and RFS are the top three academic financial journals.

In additions to citations, other methods have been used to determine "top journals". Borde, Cheney and Madura (1999) survey department chairs and found the JF, JFQA, JFE, JB, and RFS to be considered the "top journals". Christoffersen, Englander, Arize, and Malindretos (2001) surveyed members of the Financial Management Association (FMA) and found the top journals in corporate finance are JF, JFE, JFQA, and FM, but the top journals in investments are Journal of Portfolio Management (JPM), JF, and the Financial Analysts Journal (FAJ). Oltheten, Theoharakis, and Tavlos (2005) surveyed finance faculty and found that the JF, JFE, RFS, and JFQA are perceived to be the "top journals".

Borokhovich, Bricker, Brunarski and Simkins (1995) used 16 finance journals to examine institutions' research productivity over the 1989-1993 period. Chan, Chen, and Steiner (2002) ranked institutions on a global scale based on productivity in a similar set of 16 journals over the 1990-2001 period. The Chan et al. study substituted the Journal of Financial Intermediation for the Journal of Money, Credit and Banking (JMCB) which was used by Borokhovich et al. The JMCB was considered to contain mostly economics articles as opposed to finance-oriented articles. In the Chan et al. study, the JF, JFE and RFS are considered to be the "top journals". Chan and Fok (2003) used the same group of 16 journals as Chen et al. (2002) to rank finance departments based on memberships on journal editorial boards. Smith (2004) used a subset of 14 journals from Chan et al. (2002) plus the JMCB to examine whether top articles are published in top journals.

Chan, Chen, and Lung (2007) expanded the list of 16 journals from Chen et al. (2002) to 21 journals to study global research productivity over the 1990-2004 period. This group of 21 journals is also used by Hardin, Liano, Chan and Fok (2008) to examine what factors influence the selection to the editorial board of a finance journal. The current study uses this group of 21 journals to examine whether investment practitioners read top academic financial journals.

METHODOLOGY

SELECTION OF ARTICLE FOR *CFA DIGEST*¹

An article must pass a rigorous screening process to be included in the CFA Digest. Its editors make the first selections from recommendations made by others and from their own readings. The article is then sent to an investment professional, who may be an academician or a practitioner, to write an abstract. The abstract is usually about 600-650 words long excluding a 100-word abstract of the abstract. Next, the abstract and the original article are sent to one or more members of the Editorial Board for a third screening. The Editorial Board member evaluates both the article and the abstract for its quality and its appropriateness to the CFA Digest. In other words, a poor abstract of a good article may be rejected as may a good abstract of a poor article. The editors make the final decision about the inclusion of an abstract in the CFA Digest.

JOURNALS

Since 1977, at least one article from each of over 100 journals or magazines has been abstracted in the CFA Digest. Our interest consists of the portion of the abstracted articles from the "top journals", using two classifications of "top journal". The first classification is the "top three journals" consisting of the Journal of Finance (JF), the Journal of Financial Economics (JFE), and the Review of Financial Studies (RFS). The second classification expands the "top journals" designation to the "top 21 journals" used by Chan, Chen, and Lung (2007). In addition to the top three journals, this list includes: Financial Analysts Journal (FAJ), Financial Management (FM), Financial Review (FR), Journal of Banking & Finance (JBF), Journal of Banking, Finance & Accounting (JBFA), Journal of Business (JB), Journal of Corporate

Finance (JCF), Journal of Empirical Finance (JEF), Journal of Financial and Quantitative Analysis (JFQA), Journal of Financial Intermediation (JFInter), Journal of Financial Markets (JMkt), Journal of Financial Research (JFR), Journal of Financial Services Research (JFSR), Journal of Futures Markets (JFM), Journal of International Money and Finance (JIMF), Journal of Portfolio Management (JPM), Pacific-Basin Finance Journal (PBFJ), and Review of Financial of Quantitative Finance and Accounting (RQFA). Of these 21 journals, four journals (JBFA, JEF, JMkt and JFSR) have not had an article abstracted for the CFA Digest, probably due to their orientation to areas of finance and economics other than practitioner-oriented investments.

Over the years, the CFA Digest has consisted of several sections including the main part, "Research Foundation of CFA Institute Monograph", "Select Financial Analysts Journal Author Summaries", and "Items of Interest". In the main part, the articles are sorted by categories. Only articles included in the main section are included in our study so we may use the same categories as the editors of the CFA Digest. Note, over the 2002-2008 period, authors of some FAJ articles wrote abstracts of their articles for the CFA Digest. The FAJ is published by the CFA Institute and is in the "top 21 journals" group. Since these articles were not allocated to a category by the editors, they are not included in the study. This means the proportion of abstracted articles from the "top 21 journals" is underestimated during this period.

CATEGORIES

The article abstracts in the main section of the CFA Digest are classified by the editors of the CFA Digest into categories that indicate the broad topic of the abstracted articles. We propose that categories of greater interest to the investment practitioner will include more article abstracts. A change over time in the portion of article abstracts in the various categories indicates a change in the topic areas of interest to the investment practitioner.

A complication in this investigation is that the category labels have changed over the years. Since 1997, over 40 categories have been used to classify abstracted articles. There are many reasons for the changes in category labels, including name changes (i.e., Fixed Income versus Debt Investments), a clarification of a category (i.e., Risk Measurement and Management versus Risk Management), the divesture of one category from another (i.e., Derivatives from Risk Management and Derivatives) or the addition of a new area (i.e., Behavioral Finance). Beginning in May 2002, the editors began using the same categories as used in the CFA Institute's Continuing Education Topics for Investment Professionals (TIP). We decided to use the 21 TIP categories as of January 2011 to indicate the topic area of each article abstracted in the CFA Digest, and as much as possible, we tried to fit the other categories into these 21 categories. The one exception is Behavioral Finance, which became a category in 2010, and we decided to include this as a separate category. Consequently, changes in abstract categories are examined for the 2002-2011 period so we can use the category allocation made by the editors of the CFA Digest as much as possible. The final list of 22 categories includes: Alternative Investments (AI),

Advocacy, Regulatory and Legislative Issues (ARL), Behavioral Finance (BF), Business Strategy (BS), Corporate Finance (CF), Corporate Governance (CG), Debt Investments (DI), Derivative Instruments (DerI), Economics (E), Equity Investments (EI), Ethics and Professional Standards (EPS), Firm Management (FM), Financial Markets (FMkt), Financial Statement Analysis (FSA), Investment Industry (II), Investment Theory (IT), Managing the Investment Process (MIP), Portfolio Management (PM), Private Wealth Management (PWM), Quantitative Tools (QT), and Risk Measurement and Management (RMM).

RESULTS

Table 1: Percentage of CFA Digest Abstracts from “Top” Journals

Year	Number of Abstracts	Abstracts from Top 3 Journals	Percentage of Abstracts from Top 3 Journals	Abstracts from Top 21 Journals	Percentage of Abstracts from Top 21 Journals
1997	106	17	16.0%	63	59.4%
1998	122	26	21.3%	64	52.5%
1999	146	25	17.1%	70	47.9%
2000	150	25	16.7%	83	55.3%
2001	151	25	16.6%	82	54.3%
2002	137	37	27.0%	68	49.6%
2003	139	29	20.9%	69	49.6%
2004	137	11	8.0%	58	42.3%
2005	115	21	18.3%	57	49.6%
2006	120	23	19.2%	64	53.3%
2007	128	36	28.1%	75	58.6%
2008	124	29	23.4%	67	54.0%
2009	169	35	20.7%	74	43.8%
2010	160	28	17.5%	72	45.0%
2011	170	32	18.8%	78	45.9%
Total	2,074	399	19.3%	1,044	50.8%

Table 2: Percentage of Abstracts Allocated to Top Four Categories

Category	All Abstracts	Abstracts from Top 3 Journals	Abstracts from Top 21 Journals
AI	10.6%	6.4%	7.2%
E	10.8%	4.4%	4.3%
EI	15.4%	23.1%	20.2%
PM	13.9%	15.0%	18.2%

Table 1 presents the number of article abstracts included in the main section of the CFA Digest over the 1997-2011 period, the number and percentage of abstracted articles from the “top three journals”, and the number and percentage of abstracted articles from the “top 21 journals”. A total of 2,074 abstracts were published ranging from 106 abstracts in 1997 to 170 abstracts in 2011. Overall, 19.3% of the article abstracts are from the top three journals with a range of 8.0% in 2004 to 28.1% in 2007. The low

contribution of the top three journals to the CFA Digest in 2004 appears to be an outlier, and the average number of abstracts from the top three journals increases to 20.1% if this year is omitted. Finally, 50.8% of the article abstracts are from the top 21 journals with a range of 42.3% in 2004 to 59.4% in 1997. The results indicate that about 80% of the article abstracts are not from the top three academic financial journals and about half are from sources other than the top-21 academic financial journals. This implies that investment practitioners do read the top academic financial journals, but they also read other finance-oriented material.

Table 2 provides the percentage of abstracts allocated to the top four categories for all abstracts. The percentage of abstracts from the top three journals and the top 21 journals for these categories is also provided². The four categories with the highest allocation account for 50.7% of the abstracts and include: Equity Investments (15.4%), Portfolio Management (13.9%), Economics (10.8%), and Alternative Investments (10.6%). It is not surprising that these are the most popular topics since the CFA Digest represents the interests of the investment practitioner. It is interesting that 17 of the 22 categories (77.3%) have at least 1% of the abstracts allocated to them. This indicates that there is a wide variety of topics with which the investment practitioner tries to stay abreast.

Of the article abstracts from the top three finance journals, the top two categories correspond to the top two categories from all abstracts. The Equity Investments (23.1%) and Portfolio Management (15.0%) categories account for 38.1% of the articles from the top three journals that are abstracted in the CFA Digest. Similar results are also found for the top 21 journals where Equity Investments (20.2%) and Portfolio Management (18.2%) account for 38.4% of article abstracts. These results indicate that the major academic financial journals are a source of information for the two major practitioner areas of investments.

The other two areas that have broad interest to the investment practitioner did not come from the top academic financial journals. Corporate Governance, Investment Theory and Debt Instruments have larger abstract allocations from the top three journals and/or the top 21 journals than Alternative Investments and Economics. Alternative Investments accounts for only 6.4% of articles abstracted from the top three journals and 7.2% of articles abstracted from the top 21 journals; and, Economics accounts for 4.4% of articles from the top three journals and 4.3% of articles abstracted from the top 21 journals. The Alternative Investments topic is a specialized area, and articles concerning this topic are less likely to appear in major general academic financial journals. In November 2009, 19 of the 59 articles (32.2%) were allocated to the Economics category which increased the weight allocated to this category. As with Alternative Investments articles, Economics articles are less likely to come from academic financial journals and are more likely to appear in academic economic journals such as the American Economic Review and the Economists.

The percentage of abstracts allocated to each category annually is examined. The number of categories having 1% or more articles allocated to it ranges from 11 in 2008 to 17 in 2010 with an

average of 14.5 categories and a median of 15 categories per year. The results indicate that the investment practitioner has a wide range of interests.

The results also indicate that some topics are of greater interest to the investment practitioner than other topics. Table 3 shows the annual percentage of abstracts allocated to the top four categories over the 2002-2011 period³. More than half the article abstracts are allocated to the top four categories in each year except 2003, when 46.1% of the article abstracts were allocated to the top four categories. The most popular categories are Equity Investments, which is in the top four categories with the most allocations in all 10 years; Portfolio Management, which is in the top categories in eight of the 10 years; Alternative Investments, which is in the top four categories in six of the 10 years, and Debt Investments and Economics which is in the top four categories for five of the 10 years. Of interests, Economics has been a top-four category for each of the last three years. These results indicate that the topics of interest to the investment practitioner have remained consistent over the period of this study.

Some other topics generated less interest. An article was allocated to the Business Strategy (BS) category only in 2006 and to the Managing the Investment Process (MIP) only in 2007. Firm Management (FM) and Quantitative Tools (QT) have had articles abstracts assigned to their category in only five of the 10 years. Since article abstracts often can be categorized into one of several categories, low-percentage categories may be due in part to the allocation of articles to alternative categories. For example, Private Wealth Management (PWM) is similar to the MIP category. Additionally, some topics are of less interest to the finance investment practitioner, who is more interested in the application of investment concepts to making money. Topics such as Business Strategy, Firm Management and Quantitative Tools may be of more interest to the general business practitioner or the finance academician than to the investment practitioner.

Table 3: Annual Percentage Allocations to the Top Four Categories

Category	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
AI		7.2%	16.1%	14.8%	10.8%		14.5%		12.5%	
CF	15.3%	9.4%								
CG			10.9%	10.4%	10.0%					
DI			10.2%	14.8%	16.7%	9.4%				9.4%
E	9.5%					9.4%		19.5%	20.0%	14.1%
EI	9.5%	11.5%	10.2%	22.6%	20.0%	18.8%	22.6%	11.2%	13.1%	17.7%
IT						11.7%	10.5%			
PM	16.1%	18.0%	16.1%			13.3%	11.3%	14.2%	18.1%	13.5%
PWM								11.8%		

CONCLUSION

The CFA Digest over the 1997-2011 period is used as a proxy for the readings of the investment practitioner. During this period, 2,074 articles from over 100 journals were abstracted in the main section of this quarterly publication. The results indicate that major academic financial journals are an important source of information for the investment practitioner, with about 20% of the abstracted articles coming from the top three academic financial journals and about 50% from the top 21 academic financial journals.

These results also support the opposite corollary that the investment practitioner reads more than just the top academic financial journals with about 50% of the abstracted articles from non-top academic financial journals. The importance of non-top academic financial journal may increase in future years since the editors have indicated an increase in the sources used for articles that are abstracted in the CFA Digest (Sullivan, 2009).

The investment practitioner reads across many topics in the investment area with Equity Investments, Portfolio Management, Alternative Investments, and Economics the most popular topics. The top academic financial journals are a major source of information concerning Equity Investments and Portfolio Management, but these sources are less important for Alternative Investments and Economics articles. These results are consistent with Smith (2004) who found that a “top article” in terms of the Social Sciences Citation Index had a 44% probability of not appearing in a top journal. We also conclude that good articles from the investment practitioner’s point of view do not always come from the major academic financial journals.

The sources of useful information for the investment practitioner have exploded in recent years. It is becoming increasingly difficult to find the information and to determine what is important and what is noise. This increases the importance of publications such as the CFA Digest to the investment practitioner.

ENDNOTES

Both authors of this paper are under contract to write abstracts for the *CFA Digest*. M.E. Ellis also serves on the Editorial Board

The percentage of abstracts allocated to each of the categories is available from the authors.

The annual percentage allocation of abstracts to all categories is available from the authors.

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