From the Chair of the Editorial Board

The retirement risk zone: a baseline study
BRETT DORAN, MICHAEL E. DREW SF Fin and ADAM N. WALK F Fin
This paper undertakes a baseline study to explore the heady mix of the portfolio size effect and sequencing risk facing superannuants within the retirement risk zone. It explores the impact on retirement outcomes when portfolios are subjected to a single sequencing risk event at different points through a member’s investing life. We report sensitivities between the timing (or sequence) of a negative return event on terminal wealth outcomes and the associated impact on longevity risk. Our findings suggest that greater priority needs to be given to sequencing risk earlier in a member’s accumulation phase than convention suggests.

Reducing the risk of VWAP orders execution — a new approach to modelling intra-day volume
JĘDRZEJ BIAŁKOWSKI, SERGE DAROLLES and GAÉLLE LE FOL
This paper proposes a new dynamic approach to modelling intra-day trading volume based on factor models. It assumes that intra-day volume can be decomposed into two parts each predicted using separate time-series models. By enabling more accurate prediction of intra-day volume, this methodology allows for a significant reduction in the cost of executing Volume Weighted Average Price orders.

Do large Australian companies emphasise non-GAAP financial measures over statutory net profit (GAAP) in annual reports?
ROBYN CAMERON, MAJELLA PERCY and PETA STEVENSON-CLARKE
Large companies’ frequent focus on non-GAAP financial measures (‘pro forma’ earnings), rather than statutory net profit or GAAP measures, raises concerns about the potential for misinformed financial decision-making. Despite recommendations by ASIC and Finsia, in Australia there is no consistency in the calculation of non-GAAP financial measures or in their reconciliation to statutory net profit. Our study of the disclosures and the reconciliation to GAAP earnings by the largest 50 Australian listed non-mining companies finds considerable variations in reporting practices from highly transparent reconciliations to what appears to be considerable secrecy.

Buying’s one thing, holding’s another: how much does Australian housing really cost?
ROB BROWN SF Fin, GREG SCHWANN, IAN O’CONNOR SA Fin and CALLUM SCOTT
Despite widespread media reports on the problem of housing affordability, our research finds that user housing costs appear relatively modest except for the late 1980s and early 1990s, and the early 2000s. This paper presents estimates of the user cost of housing, a measure of housing affordability that takes into account the full range of housing costs and benefits for owner-occupiers and investors and the typical multi-year holding period for residential property. Our research also examines the differences in housing costs between owner-occupiers and investors.

Global investing — innovating for sustainable growth
JOHN FRASER, UBS Global Asset Management and VFMC
After several decades of rapid growth, financial services and the investment management industry, in particular, are facing significant challenges arising from changes in the macroeconomic environment, the sources of investment pools and the types of investment that clients are seeking. The industry needs to address the strategic issues raised by these trends if it wants to continue prospering in the post-crisis economic and financial environment. John Fraser presented this paper at the recent Melbourne Financial Services Symposium.