

Fiduciary Responsibility and Michaud Optimization

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Given great interest in the DOL decision on fiduciary responsibility, we note a blog posted in 2012 by James Watkins that referenced New Frontier's patented optimization process followed by a comment by noted expert Steve Winks that we quote below:

"...[T]here is massive push back from the brokerage industry, which neither acknowledges nor supports the fiduciary standing of brokers, to embrace indisputable innovation in portfolio construction, such as Dick Michaud's expert peer reviewed, patented and proven work in global strategic asset allocation. The reason is the industry technically maintains the broker does not provide advice or acknowledge the fiduciary duty of the broker to act in the consumer's best interest, yet Dick Michaud's resampling efficiency implies advice is being offered and is client specific advice which triggers fiduciary responsibility which the industry seeks to avoid to the detriment of the consumer. We know the Michaud Optimization is far superior to conventional mean variance optimization and we can prove it. Who doesn't agree with Confucius who said that 'to know what is right and not to do it is the worst cowardice.'

"If the brokerage industry were held to the same fiduciary standard of care as advisors, where the broker was (a) accountable for their recommendations and (b) a high professional fiduciary standard, it would relish any and every innovation which would inform better investment decision making. Presently, the brokerage views innovation as a liability in its principle defense from fiduciary liability is that brokers do not render advice and have no ongoing fiduciary duties to act in the consumers best interest. This inability of the brokerage industry to align consumer's best interests with its own best interest is the reason why (a) the investing public has lost trust and confidence of the brokerage industry, (b) the good name of every broker and the reliability of their advice is put into question because the absence of the necessary enabling resources which supports expert advice, and (c) subverts the SEC's directive that broker/dealers are responsible for providing the necessary expert enabling resources which supports fiduciary standing of the broker, not each individual broker."

Michaud optimization is the only optimization technology with a mathematical proof of effectiveness.

This note was posted as an entry on New Frontier's investment blog on May 12, 2016. Read this entry and other posts at: newfrontieradvisors.com/blog.