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Dr. Michaud earned a Ph.D. in Mathematics from Boston University and has taught investment management at Columbia University. He is the co-holder of four U.S. patents and is the author of *Efficient Asset Management* and many professional and academic articles.

## The Active vs. Passive Debate

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The passive/active debate continues to dominate academic and professional discourse. But the issue of performance versus cost is not well formed. Any investor should want the benefit of professional management of their savings. And the quality of that professional management often follows the old adage that you get what you are willing to pay for. New Frontier's solution attempts to combine the best active and passive management.

We agree with much of the argument for passive investing. We approve of keeping costs low, avoiding forecasts, and staying invested. We also agree that there is little credible evidence that active investment strategies can provide superior risk-adjusted cost-adjusted return over investor relevant horizons. According to Dr. Michaud's research, presented last year in a CFA Society Boston course and at our [upcoming conference in June](#), the reason is not that markets are efficient but that financial theory and investment technology have been deficient for much of the 20th century and beyond. Our research has been focused on creating asset management technology like our [optimizer](#) that has mathematical proofs of enhanced investment value in rigorous simulation tests.

However, the purely passive approach has flaws as well. Passive management means static investments, which means that investors have little control over their investments. It also means that even current market information, such as the yield curve, is often ignored.

New Frontier's answer is actively managed passive investments. We use low cost, high quality, transparent, tax efficient ETFs, everything that is loved about passive investing, but use enhanced investment technology to manage those funds. We incorporate current information, optimize with our multi-patented optimizer, and rebalance when our [statistical test](#) deems it necessary. In that way you get the best of both worlds: cost-effective, risk managed portfolios that evolve with capital markets.

*This note was posted as an entry on New Frontier's investment blog on April 9, 2019. Read this entry and other posts at: [newfrontieradvisors.com/blog](http://newfrontieradvisors.com/blog).*