



**The Journal of Investment Management and New Frontier Advisors Name
2019 Harry M. Markowitz Award Winners**

Top Honor Goes to Hull, Lo and Stein for "Funding Long Shots"

Lafayette, CA—January 28, 2020—The *Journal Of Investment Management* (JOIM) and New Frontier Advisors LLC today announced the winners of the 2019 Harry M. Markowitz Award. The winners are finalized by a Special Selection Panel comprised of Nobel Prize Laureates.

The Markowitz Award is sponsored jointly by JOIM and New Frontier Advisors and recognizes the seminal and transcendent impact of Dr. Markowitz's work as a financial economist and mathematician on both theoretical finance and the practice of asset management. The award was established to honor his legacy and to support future research and innovation in practical asset management. Candidates for the annual award are chosen from among papers published in JOIM in a calendar year. An honorarium of \$10,000 is bestowed for the winning paper. Two additional finalist papers receive a Special Distinction Award along with a \$5,000 honorarium.

2019 Markowitz Award Winners

This year's top recognition was awarded to **"Funding Long Shots,"** by John Hull, Professor of Derivatives and Risk Management at the University of Toronto's Rotman School of Management, Andrew W. Lo, the Charles E. and Susan T. Harris Professor of Finance and the Director of the Laboratory for Financial Engineering at the MIT Sloan School of Management, and Roger M. Stein, Adjunct Professor at New York University's Stern School of Business.

The winning paper examines the increased difficulty in funding long shots, which the authors define as investment projects that have low probabilities of success, significant delays before cash flows are realized, large initial investments, and large payoffs—relative to up-front payments—in the unlikely event of success.

Though the undertaking of such investments is crucial to battling some of today's most pressing societal challenges, even high-risk investment vehicles such as hedge funds and venture funds are struggling to finance these investment projects. The paper aims to both examine the problem and offer a possible solution: pooling long shot investments into a single portfolio financed by securitized debt and examining the conditions under which such funding mechanisms are likely to be influential.

Special Distinction Awards

In addition, two 2019 Special Distinction Awards were given for the following papers:

"Does Trading By ETF and Mutual Fund Investors Hurt Performance? Evidence From Time and Dollar-Weighted Returns," by Ananth Madhavan, Managing Director, BlackRock, and Aleksander Sobczyk, Director, BlackRock.



“Quantifying the Skewness Loss of Diversification,” by James X. Xiong, Head of Quantitative Research at Morningstar Investment Management and Thomas M. Idzorek, President of Morningstar Investment Management.

The first paper analyzes the “return gap” between internal rate of returns that account for intermediate investor flows and buy-and-hold returns that funds typically must report. The authors utilized a sample consisting of all US-domiciled open-end mutual funds and exchange-traded funds (ETFs), fixed-income and equity funds, as well as active and index styles of management. The paper concludes that the cross-sectional pattern of the return gap can be explained by return chasing behavior and that high turnover of liquid ETFs does not lead to sub-par returns for investors in these funds.

In the second paper, the authors examine skewness loss. Many view diversification as the “only free lunch” of finance, yet the authors argue that skewness is typically positive for individual stocks and negative for diversified portfolios. The paper defines the move from positive to negative skewness that comes from diversification as the skewness loss of diversification and quantifies its economic value using option pricing models. The authors conclude that skewness loss is in fact a meaningful cost for investors.

“We are pleased to recognize the outstanding work of the 2019 Award Winners who exhibit the influence of Harry Markowitz and honor his work in the financial community,” said Dr. Richard Michaud, President and Chief Executive Officer at New Frontier Advisors. “Now in their tenth year, the Markowitz Awards continue to expand, with the winners reflecting the kind of high-quality research being done in the market today.”

About New Frontier Advisors

[New Frontier](#) is a Boston-based institutional research and investment advisory firm specializing in the development and application of state-of-the-art investment technology. Founded in 1999 by the inventors of the world’s first broad spectrum, patented, portfolio optimization process, the firm continues to pioneer new developments in asset allocation, equity portfolio optimization and long-term investment policy decision making.

About The Journal Of Investment Management (JOIM)

[The Journal Of Investment Management \(JOIM\)](#), established in 2003, is a high quality, fully refereed publication, which bridges the theory and practice of investment management. The JOIM offers rigorous research with practical significance, drawing from the disciplines of finance, economics and accounting. Special issues on timely topics including distinguished authors who have both impressive academic and professional experience are a highlight. The JOIM’s overall goal is to be mindful of the need to present the very best quality material in a form appealing to the practitioner, student and academic.

Upcoming:

March 22 – 24, 2020

Rady School of Management, University of California, San Diego

Asset Allocation & Supporting Risk Analysis

<https://www.joim.com/conference-series/>



About the JOIM Conference Series

The mission of the [JOIM Conference Series](#), founded in 2006, is to extend the mandate of the *Journal Of Investment Management* (JOIM) in bridging the theory and practice of investment management.

Whereas the JOIM journal is a rigorous peer reviewed publication, the JOIM Conference Series showcases very high quality presentations and a platform for interactive discussions of current topics in the investment management arena. Prevalent throughout both activities is the highest quality material suitable for the academic, practitioner and student.