Investment Management Institute

# 2017 Consultants Retreat Las Vegas

February 26-28, 2017
Las Vegas, NV

# Saving Active Management


**A self-guided exploration**:
Click on any picture to open a related article.

Ron Surz
Ron@PPCA-inc.com
(949)488-8339

# Active Managers Have Lost $500 Billion in Last 3 Years

# S&P, Morningstar, Vanguard, etc. say Active Managers Have Failed


Contents: 80% Losers, 20% Either Good or Lucky

# Watchdogs Have Been Outsmarted

# Gatekeepers Have Let in Way Too Many Losers

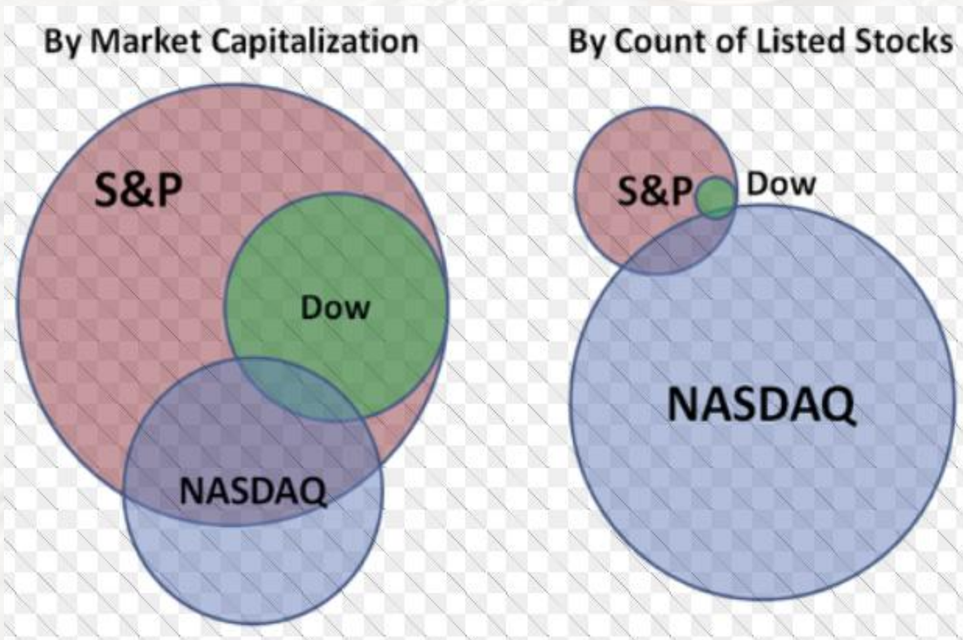
# How Losers Get In

**Antiquated Useless Tools**

**Pay to Play**

# Antiquated Useless Tools

## Indexes




Except for index huggers.
an Index is NOT a benchmark.
A **benchmark** is the return you
could earn with a passive alternative.

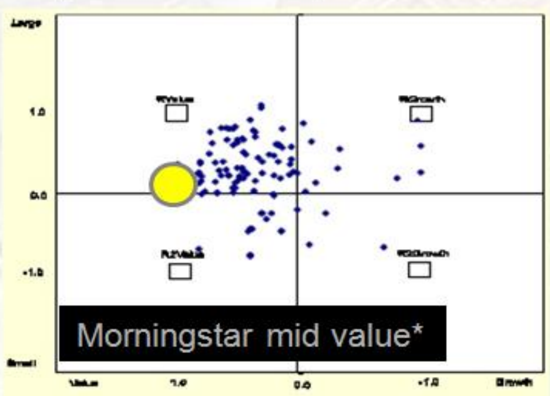
## Peer Groups

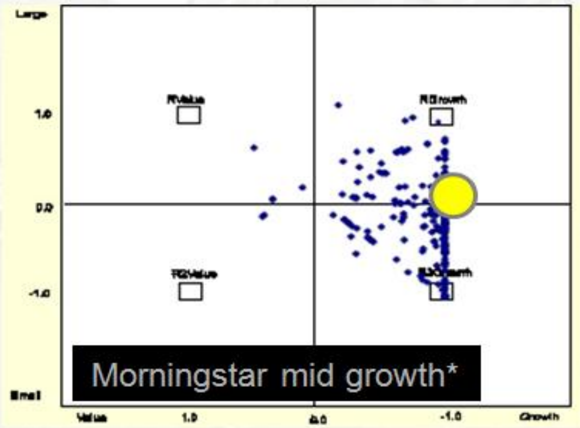

Biases: **Loser**, Classification,
Composition, Survivor.
Would you hire one of these losers?

**Insane for hedge funds (unique)**

# Peer Group Classification Bias


Index for in-favor style is "hard" to beat.





Index for out- of-favor style is "easy" to beat.

*Zephyr newsletter March, 1997

# Replacing Antiquated Useless Tools

| Indexes | Peer Groups |
|---|---|

## Custom Benchmarks

CFA Institute

Blends of passive indexes, using style or factor analysis. Evaluate SKILL, not style

## Hypothesis Testing



Test "Performance is good" against all the possible implementations of custom benchmark using portfolio simulator.

# Saving Active Investment Managers

# The Reward for Saving Active Managers

# Click Below for This Article

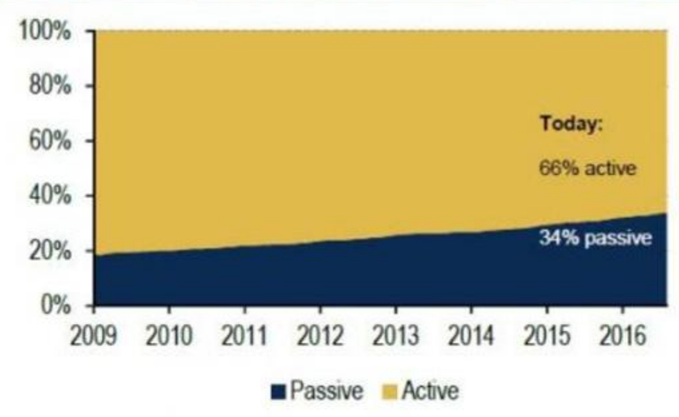
## The Rewards for Saving Active Investment Management

*Three things cannot be long hidden: the sun, the moon, and the truth.* Buddha

- Active investment management is fading away, losing hundreds of $billions every year.
- Advisors can be heroes who save active investment management.
- Those who choose to be heroes will be rewarded with competitive advantages, but maybe not the gratitude of some active managers.

Disappointed investors have withdrawn $500 billion from active managers. Thankfully advisors can save active management. Coming to the rescue has its rewards.

**Chart 5: Active vs. passive funds' assets breakdown, 2009-8/2016**




Source: BofAML US Equity & US Quant Strategy, Simfund