



**For Immediate Release**

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**FIRST HARRY M. MARKOWITZ AWARD WINNERS NAMED BY  
JOURNAL OF INVESTMENT MANAGEMENT AND NEW FRONTIER ADVISORS**

Andrew W. Lo and Mark T. Mueller are top prizewinners for their paper  
“Warning: Physics Envy May Be Hazardous to Your Wealth!”

Special Selection panel included Nobel Prize winners Harry M. Markowitz,  
Robert C. Merton, Myron S. Scholes, and William F. Sharpe

LAFAYETTE, Calif., (February 24, 2011) – *The Journal Of Investment Management* (“JOIM”) and New Frontier Advisors, LLC (“NFA”) announced today that Professor Andrew W. Lo, MIT Sloan School of Management and Alpha Simplex Group, LLC and Mark T. Mueller, MIT Sloan School of Management have received the first-ever Harry M. Markowitz Award for their paper, **“Warning: Physics Envy May Be Hazardous to Your Wealth!”**

In the paper, published in the JOIM in the Second Quarter of 2010, the authors state that, “The quantitative aspirations of economists and financial analysts have for many years been based on the belief that it should be possible to build models of economic systems and financial markets in particular that are as predictive as those in physics.” This “physics envy” has, they contend, often created a false sense of mathematical precision. The authors describe an alternative perspective of economic behavior based on a “new taxonomy of uncertainty.”

“Physics and other empirical sciences have increasingly been brought to bear in trying to understand and predict the behavior of the financial markets,” said

Richard O. Michaud, president and chief investment officer at New Frontier Advisors. “Andrew’s paper is a refreshing look at the impact of this phenomenon on investing practice, with tightly reasoned analysis for improving the process through a more effective incorporation of uncertainty.”

Two Special Distinction Award winners were also announced: David N. Esch, New Frontiers Advisors, LLC: “**Non-Normality Facts and Fallacies,**” and John Hull and Alan White, University of Toronto: “**An Improved Implied Copula Model and Its Application to the Valuation of Bespoke CDO Tranches.**” Similar to Lo and Mueller, the Esch paper, focused on the implications of uncertainty in investment information, finds that the summary rejection of normal distributions in financial modeling by many analysts is almost always ill advised. Hull and White present an improved version for modeling prices of collateralized debt obligations (CDOs) and related derivatives and note relationships of estimated parameters to macroeconomic variables.

All the papers were selected for recognition by a Special Panel that included Nobel Prize winners Harry M. Markowitz, Robert C. Merton, Myron S. Scholes, and William F. Sharpe.

“These papers speak to what the Harry M. Markowitz Award is all about: outstanding research, theoretical excellence, and practical impact on the ways investors analyze and understand markets,” H. Gifford Fong, editor of the JOIM. “We are pleased to recognize such outstanding work with our initial awards.”

### **About the Harry M. Markowitz Award**

Announced late last year and sponsored jointly by *The Journal Of Investment Management* and New Frontier Advisors, LLC, the Harry M. Markowitz award 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. It was established to honor his legacy and to support future research and innovation in practical investment management. Candidates for the annual award are selected from papers published in the *JOIM* each calendar year.

Papers are judged based on their practical significance, technical excellence, and theoretical quality. The winner will receive a \$10,000 honorarium. The two

additional finalists each receive a Special Distinction Award and a \$5,000 honorarium.

The awards will be presented at a dinner during *The Journal Of Investment Management's* 11<sup>th</sup> annual Spring 2011 Conference on March 6-8 in San Diego. For more information on the conference or to register, please go to [www.joimconference.com/index0.asp](http://www.joimconference.com/index0.asp). Attendance is limited.

**About the Journal Of Investment Management**

For more information, please go to [www.joim.com](http://www.joim.com)

**About New Frontier Advisors**

More information is available at [www.newfrontieradvisors.com](http://www.newfrontieradvisors.com)

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