



For Immediate Release

Contact: Mike MacMillan
MacMillan Communications
212.473.4442
mike@macmillancom.com

2013 HARRY M. MARKOWITZ AWARD WINNERS NAMED BY THE JOURNAL OF INVESTMENT MANAGEMENT AND NEW FRONTIER ADVISORS

Nobel Prize Winners Harry M. Markowitz, Robert C. Merton, Myron S. Scholes, and William F. Sharpe again make up Special Selection Panel

Top prize goes to a paper on LIBOR vs. OIS; papers recognized for analysis of the impact of the 2008 short sale ban, validity of the “investing in what you know thesis”

LAFAYETTE, Calif., (February 3, 2014) – The *Journal Of Investment Management* (“JOIM”) and New Frontier Advisors, LLC (“NFA”) today announced the winners of the fourth annual Harry M. Markowitz Awards, as determined by a Special Selection Panel comprised of Nobel Prize winners Harry M. Markowitz, Robert C. Merton, Myron S. Scholes and William F. Sharpe.

For 2013, top recognition was awarded to John Hull and Alan White of the Joseph L. Rotman School of Management at the University of Toronto, for their paper “**LIBOR vs. OIS: The Derivatives Discounting Dilemma.**” In this significant study, the authors seek to clarify the interest rate that should be used to price derivatives and collateralized portfolios. They note that the traditional practice of using LIBOR as a proxy for risk-free rates when valuing derivatives has been called into question by the financial crisis of 2007-2008. As a result, many banks now believe that overnight indexed swap (OIS) rates should be used when collateralized portfolios are valued, and that LIBOR should be used when portfolios are not collateralized. The authors conclude that OIS rates should be used in all situations.

Special Distinction Awards

The two Special Distinction Awards were given this year to **“Investing in What You Know: the Case of Individual Investors and Local Stocks,”** by Mark S. Seasholes, Professor of Finance at Hong Kong University of Science and Technology, and Ning Zhu of the Shanghai Advanced Institute of Finance; and **“Price Inflation and Wealth Transfer During the 2008 SEC Short-Sale Ban,”** by Lawrence E. Harris, Professor in Finance and Business Economics, the USC Marshall School of Business; Ethan Namvar, Lecturer in Finance, Haas School of Business at UC Berkeley; and Blake Phillips, Assistant Professor, University of Waterloo.

In the first paper, the authors seek to examine the value of the investment proposition, “invest in what you know” by looking at more than 40,000 accounts and 950,000 trades from a discount broker to see if investors are able to achieve positive alpha by focusing on local stocks. They first confirmed the tendency to invest in local stocks, reporting that, “Individuals invest heavily in local stocks and put 14 percent more into these stocks than a market-neutral portfolio would suggest.” Then, using actual transaction data, they examined returns and found that no positive alpha was generated by investing in local stocks. In fact, local stocks tended to underperform non-local stocks.

In the second paper, the researchers examined the impact of the ban on short-selling of financial stocks imposed by the SEC in September 2008. They estimated that this resulted in price inflation for these stocks of approximately 10-12 percent, with an ultimate transfer of wealth from buyers to sellers of \$2.3 billion to \$4.9 billion over the period the ban was in effect.

“The 2013 Markowitz Award winners have again tackled important issues in finance, with the potential to have a major impact on the investment decisions of both institutions and individuals,” said Dr. Richard Michaud, President and Chief Investment Officer at New Frontier Advisors. “They have done outstanding work, and we congratulate them on this recognition.”

“Now in our fourth year, the global footprint of the Markowitz Awards continues to expand, with the winners reflecting the high-quality research being done around the world,” said H. Gifford Fong, editor of the *Journal of Investment*

Management. “We’re pleased to see this international interest and look forward to honoring this year’s recipients.”

About the Harry M. Markowitz Award

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 in 2010 to honor his legacy and to support future research and innovation in practical investment management. Candidates for the annual award are selected by Editorial Board members from papers published in *JOIM* each calendar year. Final selection consists of recognition solely by the panel of Nobelists.

Papers are judged based on their practical significance, technical excellence, and theoretical quality. Again in 2013, the final winners were selected by Nobel Prize Winners Harry M. Markowitz, Robert C. Merton, Myron S. Scholes, and William F. Sharpe, who make up the Special Selection Panel. 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* annual Spring 2014 Conference being held this year on March 16-18 in San Diego. The keynote speaker for this year’s event will be Harry M. Markowitz.

For more information on the conference or to register, please go to <https://www.joimconference.com/conferences.asp>. Attendance is limited.

About the *Journal Of Investment Management*

For more information, please go to www.joim.com

About New Frontier Advisors

More information is available at www.newfrontieradvisors.com

###