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**For Immediate Release**

**NEW TAKE ON OLD DEBATE – ACTIVE v. PASSIVE:  
Breakthrough White Paper Details Outperformance of Disruptive AI-Based  
Investment Approach**

**September 5, 2018** – A newly available White Paper published by the EAM Research Consortium, “Ensemble Active Management – The Next Evolution in Investment Management,” tests the viability of a new approach to active management, **Ensemble Active Management**, versus traditional Active and Passive Management. Ensemble Active Management (“**EAM**”) is the result of investment management being ‘re-imagined’ through the insights of technologists, and the proven power of Artificial Intelligence.

“**EAM Portfolios**” are built by applying time-tested “Ensemble Methods,” a core component of Artificial Intelligence and Machine Learning for decades, to the high conviction stock selections of traditional actively managed mutual funds. The result is a ‘multi-expert’ solution, vs the ‘single-expert’ paradigm of traditional Active Management. To test the concept, a massive database was built consisting of 30,000 EAM Portfolios, evaluated over more than ten years, and featuring more than 165 million data points.

The clear, statistically significant conclusion was that EAM-based portfolios have a higher probability of outperforming both traditional actively managed mutual funds and the S&P 500 Index over time.

“In the early 1990’s, I was a core member of the team that launched ETFs and permanently changed the course of investment solutions,” said Robert Tull, a White Paper Contributing Editor and an ETF industry icon since the industry’s founding in 1993 (as demonstrated by being recently awarded the ETF 2018 Nate Most Lifetime Achievement Award). “Now, 25 years later, I am excited to be part of the team introducing a breakthrough approach to investing that should change the face of investing once again – Ensemble Active Management. Technology enables innovation, and in this case, investors win.”

Key findings from the White Paper include:

- EAM Portfolios **outperformed the S&P 500 Index 72% of the rolling 1-year periods** from July 2007 through December 2017. The **average annual excess return was 340 bps (3.4%)**.
- Demonstrating the power of compounding, EAM Portfolios **outperformed the S&P 500 Index 94% of the rolling 3-year periods**. The **average annual excess return was 380 bps (3.8%)**.
- EAM Portfolios **outperformed actively managed mutual funds 82% of the rolling 1-year periods, and 95% of the rolling 3-year periods**.
- EAM Portfolios **delivered a risk-adjusted-return** (as measured by Sharpe Ratios) that was **17% greater than the S&P 500 for rolling 1-year periods, and 22% greater for rolling 3-year periods**.

The above data would compare to the ACTUAL results for actively managed large cap US equity funds versus their corresponding index funds, where active funds outperformed **only 16% of the rolling 1-year periods and 0.4% of the rolling 3-year periods** (January 2008 to December 2017)<sup>1</sup>.

In addition to a thorough presentation of the data and its analysis, key sections of the White Paper include:

- *“Ensemble Methods – Breaking Through the Glass Ceiling”*: How and why Ensemble Methods work.
- *“Ensemble Active Management”*: Why traditional mutual funds are a near-ideal foundation for applying Ensemble Methods.
- *“Mechanisms to Deliver EAM Portfolios”*: Details of three viable approaches that investment firms, technology firms, and institutional investors could use today to create and deliver EAM Portfolios.
- *“Conclusion – Throwing Down the Gauntlet”*: Potential benefits that Ensemble Active Management would deliver for Retail Investors, Institutional Investors, and a wide-range of Advice Providers, if real market results of EAM Portfolios can even approximate the White Paper results.

***The White Paper is currently available for immediate download at [ensembleactivemanagement.com](http://ensembleactivemanagement.com).***

About EAM Research Consortium:

EAM Research Consortium is a group of technology professionals, data scientists, investment professionals, and academics who believe that Ensemble Active Management is a real and viable concept, and who have come together to advocate for its broader acceptance and use.

**Join the EAM Research Consortium Group on LinkedIn.** In an effort to encourage engagement, and to foster transparency, all EAM Research Consortium Group members will have access to the summary data generated as part of this White Paper.

<sup>1</sup>Source: Morningstar Direct.