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Portfolio Resampling: Review and Critique

by

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Abstract

The authors responded immediately to Bernd Scherer's critique of Resampled Efficient Optimization in this letter to the editor.

The resampled efficiency approach developed by Richard Michaud and Robert Michaud and described in Michaud (1998) is a forecast certainty conditional generalization of mean-variance portfolio efficiency.¹ Practitioners around the world are now using Michaud optimization. Interest has emerged in a number of academic and professional journal articles, working papers, student theses, and presentations. An example is the review of Michaud (1998) by Bernd Scherer (November/December 2002). Scherer was apparently unaware that the procedures he describes are patented with patent pending worldwide and should not be used or distributed without license or permission.² For additional reviews of Michaud (1998) in this and other Journals see Granito (1999) and Ma (2001). Numerous updates and advances have been made to Michaud optimization since publication. Readers who have interest in research updates may wish to refer to Michaud (2003) and Michaud and Michaud (2003).³

¹Resampled efficiency, as described in Michaud (1998, Chs. 6 and 7), was co-invented by Richard Michaud and Robert Michaud and is a U.S. patented procedure, #6,003,018, December 1999, patent pending worldwide. New Frontier Advisors, LLC, has exclusive licensing rights worldwide.

²Scherer has verbally assured us, the *FAJ*, and AIMR that he has no intention of infringing or distributing patented technology.

³ These and other articles on resampled efficiency are available at www.newfrontieradvisors.com/publications.