Title: **PATIENT CAPITAL OUTPERFORMANCE: THE INVESTMENT SKILL OF HIGH ACTIVE SHARE MANAGERS WHO TRADE INFREQUENTLY**

Speaker: **Martijn Cremers**
Affiliation: University of Notre Dame

Importance: Why this matters:

Cremers and his co-authors investigate the characteristics of active managers that historically have out-performed the index funds. They identify three factors that lead to success:

1. "Active" has to mean different; closet indexers hold portfolios that too strongly resemble the indexes;
2. Fees and operating expenses cannot be too large; and
3. Patience, as indicated by longer holding periods, is more likely to outperform.

Investigation: "Speaker analyzed XXX data to address the questions yyy, zzz, etc."

Cremers group investigated benchmark-adjusted returns of equity portions of large, medium and small cap mutual funds, and hedge funds with monthly data from 1983 through 2013.

They measured the degree of active investment by computing holdings overlap with index weighting. They measured patience as the average length of time an average dollar has been in the portfolio.

Innovation: Are there new techniques of interest in the data or approach to the problem?

Both of the measures described above are largely innovative, and highlight two uncommon measures that he shows are predictive of superior investment performance.

Insights: 1-2-3, what are the three most important things the speaker offered?

1. Patience – and having a clientele willing to tolerate low activity and long term perspective – likely lead to better performance. (But it is very hard to be patient!)
2. Investors and their clients cannot expect significant outperformance when the fund is hugging the index through closet indexing. Only idiosyncratic funds can show distinguishable long-term performance.
3. Skill, guts, and opportunity, rare qualities indeed, need to be combined to sustain superior long-term performance.

Audience rating: 3.87