

3. The “edge” of an Active Investor

“To be an active investor, you must believe in inefficiency to get opportunities, and in efficiency for those opportunities to turn into returns”^[1]

“Who Is On the Other Side?”,
Michael J. Mauboussin (Director of Research, Blue Mountain Capital Management), 2019

I recommend starting with this report if one is interested in figuring out a systematic active investment approach. The author encourages us to ask, whenever we trade on a market: **who is on the other side?**
Whom are we playing against, and why do we believe to have an advantage?

[1] source: <https://www.bluemountaincapital.com/wp-content/uploads/2019/02/Who-Is-On-the-Other-Side.pdf>

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In order to be successful, **an investor must consistently find and exploit some inefficiencies** of a financial market. Micheal Mauboussin identifies 4 such main inefficiency areas:

[1] source: <https://www.bluemountaincapital.com/wp-content/uploads/2019/02/Who-Is-On-the-Other-Side.pdf>