

Part 2 of Form ADV: Firm Brochure

New Frontier Advisors, LLC

10 High Street, Suite 800
Boston, MA 02110

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Telephone: 617-482-1433

Contact: Shevawn Hardesty

Email: shardesty@newfrontieradvisors.com

Web address: www.newfrontieradvisors.com

This brochure provides information about the qualifications and business practices of New Frontier Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 617-482-1433 or shardesty@newfrontieradvisors.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about New Frontier Advisors, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Please note that any references within this brochure to an entity being a "registered investment adviser" or "registered" merely indicate the registration status of the referenced entity, and do not do not imply a certain level of skill or training.

Item 2. Material Changes

This section of our brochure discusses only material changes since the most recent annual update of our brochure, which was issued on January 24, 2011.

This firm brochure is our new disclosure document prepared according to the SEC's requirements and rules. This document is a narrative that is substantially different in form and content from previous brochures, because we have clarified and adapted the roles of New Frontier Advisors, LLC and New Frontier Management, LLC.

New Frontier Management is the marketing, distribution, and investment advisor. It owns New Frontier Advisors. New Frontier Advisors creates and licenses investment software. New Frontier Advisors also offers consulting. New Frontier Management uses New Frontier Advisors' software in its investment process.

Item 3.

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Item 4. Advisory Business

New Frontier Advisors, LLC (NFA) is an investment software company founded in 1999. NFA provides financial software to investment advisors, financial planners, and other financial institutions. NFA's principal shareholder is New Frontier Management Company, LLC, a registered investment advisor that also uses our software. Richard Omer Michaud, the President and CEO, and Robert Omer Michaud, Managing Director, indirectly own 25% or more of the firm.

NFA provides investment advisory software to worldwide clients who use it to create a variety of investment products—tactical model portfolios, strategic portfolios used as guidelines, mutual funds, liability studies, financial plans, sets of asset allocations, etc. We provide training, consulting, and software customization to support them as they service their investment clients. Occasionally, we perform consulting projects, researching issues of interest to clients ranging from how to use the software to address their specific problem or the statistical importance of a particular asset. Consulting revenue is less than 10% of the total revenue.

While some standard and widely-known financial formulas are included in NFA's software products, the heart of the software is unique and patented. NFA's optimization technology is an enhancement to modern portfolio theory, accounting for the uncertainty of information inherent in investment. Similarly, our patented rebalance test provides a statistical indication of when trading a specific portfolio might be effective. The software relies on the user to select the investment universe, provide data, choose statistical estimators for smoothing the data, apply constraints pertaining to the client's investment mandate, and choose the appropriate portfolio for investment.

Item 5. Fees and Compensation

NFA's fees are generally fixed fees determined based on the number of user licenses, size of the client, and extent to which the client utilizes the NFA software. There are a few clients with fees based on a percentage of assets under management or revenue in addition to the minimum fixed fee. The annual fees per client generally range from \$20,000 to \$100,000. NFA invoices clients quarterly, monthly or annually depending on the contract terms negotiated with the individual client. Contracts generally renew annually and clients can cancel the contract at the time of renewal. In a couple incidences where the clients asked for flexibility to terminate their contract earlier, NFA modified the contract terms related to cancellation.

For consulting engagements, NFA charges fees based on an estimate of the time required to complete the engagement. Invoicing for consulting engagements occurs monthly or when the engagement has been completed depending on the terms agreed to.

NFA retains the discretion to negotiate alternative fees on a client-by-client basis. Client circumstances—including the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, reports, and other factors—will be considered in determining the fee schedule. The specific annual fee schedule will be identified in the contract between NFA and each client.

Item 8. Methods of Analysis, Investment Strategies, and Risk of Loss

NFA's software can be used for many methods of analysis and investment strategies. Our current clients use it for research studies, financial plans, model portfolio construction, tactical portfolio construction, report generation, portfolio monitoring, and other investment activities. The software provides a statistically rigorous view into the uncertain world of finance, increasing the effectiveness of diversification and rebalancing.

Michaud Optimization

Mean-variance optimization, the traditional method for developing efficient frontiers, takes the provided risk and return estimates, finds correlations between the assets' performance, and calculates the efficient frontier. This method treats the estimates as facts. If a manager forecasts that European stock will return 10% one year and that Japanese stock will return 10.001% for the same year, and then uses traditional mean-variance optimization to find an efficient frontier, the resulting portfolios usually favor Japanese stock even though there is only one thousandth of a difference in the estimates. Traditional optimization, by ignoring investment uncertainty, gives too much weight to miniscule differences between estimates.

NFA's patented Michaud optimization process utilizes a Monte Carlo technique to produce multiple sets of statistically-equivalent risk-return estimates based on the provided estimates. These sets of estimates are then used to compute multiple efficient frontiers, exploring the many possible ways for the market to perform given the original estimates. The software develops the Resampled Efficient Frontier™ by averaging all of the frontiers developed from the statistically equivalent risk-return estimates. Michaud optimization is an averaging process that distills all the alternative efficient frontiers into a new efficient frontier. In this way, the Resampled Efficient Frontier considers thousands of possible futures, instead of betting on just one future.

Harry Markowitz, the Nobel prize-winning father of traditional optimization and modern portfolio theory, tested Resampled Efficiency in an independent academic experiment in 2003. He, along with colleague Nilufer Usmen, pitted traditionally optimized portfolios against Resampled Efficiency portfolios in a simulation test. To Markowitz' surprise, the Resampled Efficiency portfolios performed better in all 30 rounds even when the mean variance optimizer used better estimates as a starting point. Their tests showed first, that Resampled Efficiency outperforms traditional optimization techniques; second, that a better optimizer may often be more important than improving the risk-return estimates; and third, that the portfolios promise less return but achieve more return on average than traditionally optimized portfolios.

Michaud Portfolio Monitoring

The need to rebalance a portfolio effectively is one of the critical responsibilities of sophisticated asset management. All investment strategies need to be rebalanced periodically, as the portfolios drift from their original allocations. A rigorous basis for defining portfolio rebalancing has been an open question

for over 50 years. Portfolio rebalancing has been based largely on ad hoc criteria with little theoretical or empirical justification. Rebalancing rules in practice are frequently calendar based; e.g., monthly, quarterly, or annual. Alternatively, managers employ range rules and rebalance the portfolio when an asset drifts outside of a prescribed range relative to optimality. Such rules are often ineffective.

Rebalancing requires a measure of statistical significance to determine whether the optimal portfolio is different from the current portfolio in terms of likely performance in the investment period. NFA's technology provides the statistical tool for creating a rigorous procedure for portfolio rebalancing. Our patented rebalancing test determines whether or not a significant difference exists between the selected portfolio on the efficient frontier and the current holdings relative to likely performance. This need-to-trade test prevents ineffective and costly trades while enhancing investment value.

Risk of Loss

NFA helps our clients to understand the implications of the investment decisions they make with the software, but all investment decisions are made by the client. NFA does not select securities, provide data, or select specific portfolios. User error and the exercise of individual discretion in setting up a case are significant risks. In addition, investing in securities involves risk of loss, regardless of the methods of analysis, optimization, and rebalancing used. Clients should be prepared to bear this risk of loss.

Item 9. Disciplinary Information

Our firm has no reportable disciplinary events to disclose.

Item 10. Other Financial Industry Activities and Affiliations

NFA is affiliated with New Frontier Management, LLC, a registered investment advisor. New Frontier Management provides marketing, distribution, management, and administration to NFA. NFA provides investment software and technical support to New Frontier Management. Members of NFA are also employees and managers of New Frontier Management and are compensated as such.

Item 11. Code of Ethics, Participation, or Interest in Client Transactions and Personal Trading

NFA has adopted a code of ethics that sets forth high ethical standards of business conduct. The code complies with applicable federal securities law. NFA and our employees owe our clients loyalty, fairness, and good faith in all situations. The firm's policy prohibits the use of material non-public information. Though we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity. A copy of our code of ethics is available to any client or prospective client upon request. We require delivery and annual acknowledgment of receipt of the code of ethics by each supervised employee.

Item 12. Brokerage Practices

NFA does not select or recommend broker-dealers to anyone.

Item 13. Review of Accounts

NFA does not manage any client accounts.

Item 14. Client Referrals and Other Compensation

NFA does not engage solicitors or pay related or non-related persons for referring potential clients to our firm.

Item 15. Custody

NFA does not have actual or constructive custody of client accounts.

Item 16. Investment Discretion

NFA does not manage either discretionary or non-discretionary client accounts.

Item 17. Voting Client Securities

NFA does not have control of client accounts. We do not offer any consulting assistance regarding proxy issues to anyone.

Item 18. Financial Information

NFA does not have discretionary authority or custody over any client funds.

New Frontier has not been the subject of a bankruptcy petition at any time during the past ten years.