The fundamental law of active management by Grinold (1989) is a cornerstone of active portfolio management. However, it only holds under some unrealistic assumptions. I derive a generalized version of the fundamental law of active management under some weak conditions. I show that the original fundamental law of Grinold and various extensions are special cases of the result presented in this paper. I also show that “the strategy risk” is the most important risk that needs to be incorporated into the risk model and portfolio construction process. The fundamental law I derived is robust to forecast model specification. My results show that the variation in IC has a much bigger impact to portfolio IR than the breadth N for a typical investment universe. I extend the fundamental law to models with multiple factors and study the impact of missing one or more return or risk factors to portfolio IR.