University of California, Berkeley

DeCal 98/198: **Qualitative Investing** (Spring 2014)

Prerequisites – Strong interest in at least óne of these fields:

- Analyzing Companies and Markets
- Fundamental Analysis
- Pattern Recognition
- Trading Experience
- Behavioral Finance
- Macro Economics
- Market Research

Instructor: Joe Thaxton – InvestDeCal@gmail.com

Class Format: Lectures
Units of Credit: 2
Day and Time: TBD
Location: TBA
Enrollment: Email InvestDeCal@gmail.com to explain how you satisfy prerequisites. Attach Application Form and Resume.

Goal:

Educate Qualitative Quants for how one can beat the market by timing the future.

Description:

The Qualitative Investing DeCal will literally prepare you for the future. As financial markets become more efficient, connected, globalized and integrated – finding and capturing the alpha gets increasingly harder. To the point where one has to model the present, and create a myriad of scenarios of how the future can unfold. Qualitative Investing is a merge between business, finance, economics, stats, math and computer science – training you in how to collaborate with others of complimentary skills, to gain an edge in an ever increasingly competitive market for making the most accurate predictions of future movement in the financial markets.

The lectures will introduce you to the many challenges of predicting the future, and how new technology allow for the development of a richer understanding of our reality – combined with capabilities for predicting market movements.

We welcome all relevant majors to apply, in particular those with double and triple majors, as the class will in addition to lectures and guest speakers also let you join groups that will engage in developing, researching, tweaking and optimizing various investing strategies.

Overall this DeCal should help you get a job – and increase your chances for making it on your own. The world of Quant Trading is constantly changing, hungry for talent and pays well – with a shift towards Qualitative Investing that has already begun. Past students looking to become Quants join this class very qualified and determined, finding a sense of direction – which allowed them to get jobs at Goldman Sachs, Morgan Stanley, JP Morgan, RGM Advisors, Ronin Capital, Cerebellum Capital, Headlands Technologies and others.

Topics:

- History
- Industry
- Alpha
- Simulation
- Analysis
- Behavioral
- Strategies
- Risk
- Markets
- Fundamentals
- Economics

Homework: Assigned weekly, 12 total. Either readings or investing strategy assignments. Readings provided. Quizzes at beginning of class on all readings.

Project: Identify and test an alpha signal. Data and investing strategy suggestions will be provided. Project account for 30% of the final grade.

Attendance: Attendance sheet will circulate each class. Absence for more than 2 classes will put you at risk of not passing the class, given the complex nature of the curriculum for this class.

Extra Credit: A couple extra credit suggestions are given in each lecture. These are generally very fascinating papers or videos which are too long or too specific to be normal homework.

Grading: P/NP.
Not Pass grade given for failure to complete homework and project and for poor attendance. Extra credit can compensate for missed homework and absence, but will not compensate for missing project.

Class Roadmap:

Week 1	**Introduction –** History and Industry Overview
Week 2	**Definitions –** Terms and the many facets of Quantitative Trading
Week 3	**Factor Models –** How a 2 factor model can consistently outperform the market Required Readings: *The little book that beats the market*
Week 4	**Investing Strategies** – Behavioral Economics & Finance
Week 5	**Factor Models –** How a 60 factor model can outperform the world index Required Readings: *Alfred Berg Global Alpha Fund materials*
Week 6	**Stocks and Bond Markets –** *Guest Speaker:* **Jake Freifeld, Founder of Chilmark Hill**
Week 7	**Factor Models –** How a 53 factor model can generate 30% returns per year
Week 8	**Macro Economics and Investing Opportunities –** *Guest Speaker:* **Federal Reserve contractor Andrew Trabulsi**
Week 9	**Investing Strategies –** Examples of successfully executed trades
Week 10	**Portfolio Management –** The value of market neutral portfolios
Week 11	**Hedge Fund Management –** *Guest Speaker:* **Blake Marino Woodard**, Founder of **RLF Capital Management**
Week 12	**Testing –** Backward & Forward Testing of Strategies
Week 13	**Options Trading –** Strategies & pros/cons to investing in stocks

DeCal 98/198 Qualitative Investing Application Form

This application is how we choose the students who make it into the class. We're interested in your background and why you want to take the class.

Who are you?

1. First Name, Last Name

2. Student ID Number

3. Email Address

4. Phone Number

What are you studying?

1. Undergraduate School, Major and Graduation Year

2. Current Work Experience

3. Prior Work Experience?

4. What unique talent or expertise do you bring to the class?

Why This Class?

1. How did you hear about this course?

2. Why do want to take this class?

What relevant Quant Experience do you have?

1. Analyzing Companies and Markets
2. Fundamental Analysis
3. Pattern Recognition
4. Trading Experience
5. Behavioral Finance
6. Macro Economics
7. Market Research

Why You?

If there was one spot left in the class and we were choosing between you and another applicant, tell us why you should be the person in the class.