



# UPCOMING PROGRAMS

CFA Society of Los Angeles, Inc. ■ 350 South Grand Avenue, Suite 1680 ■ Los Angeles, CA 90071 ■ Phone/Fax: 213.341.1164 ■ [www.cfala.org](http://www.cfala.org)

## March 2010

### Adaptive Markets and the New Investment Paradigm

**Wednesday, March 10, 2010**

12:00 pm – 1:30 pm

**Speaker:**

**Andrew W. Lo, Ph.D.**

AlphaSimplex Group, LLC and MIT

**Chair: Cynthia Harrington, CFA**

The recent financial crisis has called into question every major tenet of modern investment theory and practice, from long-only passive investing to "stocks for the long run" to diversification and portfolio optimization. If markets are driven mainly by fear and greed, are systematic investment principles too much to hope for? In this talk, Andrew Lo will present a different perspective in which behavioral and rational market dynamics can co-exist. By using evolutionary principles to explain investor behavior, Professor Lo will show that the existing models and methods of modern finance are not wrong, but merely incomplete. In the new investment paradigm, alphas routinely morph into myriad types of betas, more powerful indexes and passive investment strategies are made possible by technological innovations, and the risk/reward trade-off is not a static relation but can vary greatly across time and market conditions.

Andrew is the Harris & Harris Group Professor of Finance at the MIT Sloan School of Management where he pursues a separate but complementary research agenda focused on the fundamental aspects of investments and financial markets. Examples of the complementary nature of this research include his studies on measuring illiquidity risk in hedge-fund returns, alternative betas and hedge-fund replication strategies, the growth of systemic risk in the hedge-fund industry, and his Adaptive Markets Hypothesis. This research agenda provides the academic foundations for the applied R&D and product engineering activities at AlphaSimplex.

His awards include the Alfred P. Sloan Foundation fellowship, the Paul A. Samuelson Award, the American Association for Individual Investors Award, the Graham and Dodd Award, the 2001 IAFE-SunGard Financial engineer of the Year Award, a Guggenheim Fellowship, and the CFA Institute's James R. Vertin Award. He is a former governor of the Boston Stock Exchange, and currently a research associate of the National Bureau of Economic Research, and a member of the FINRA's Economic Advisory Board.

Andrew has published numerous journal articles and several books, including *Hedge Funds: An Analytic Perspective* (2008), *A Non-Random Walk Down Wall Street* (1999), and *The Econometrics of Financial Markets* (1997).

**Registration Links:**

CFALA Members: \$20.00

Non-members: \$40.00

**Time: 12:00pm – 1:30pm, lunch and refreshments to be provided.**

**Location:** California Plaza 2  
350 S. Grand Ave, **ETC Room** ([Map](#))  
Los Angeles, CA 90071

## The Investment Case for Gold and Ways to Access the Market

**Wednesday, March 17, 2010**

12:00-1:30PM

**Speaker:** Juan Carlos Artigas, [World Gold Council](#)

**Sponsored by CFA Society of Los Angeles & the [World Gold Council](#)**

***THIS PROGRAM SHOULD BE OF INTEREST TO MEMBERS WHO WANT TO LEARN ABOUT CONTEMPORARY ISSUES IN THE DECISION MAKING FOR INVESTING IN GOLD.***

For thousands of years, gold has been valued as a global currency, a commodity, an investment and simply an object of beauty. However, as financial markets developed rapidly during the 1980s and 1990s, gold receded into the background and many investors lost touch with this asset of last resort. Recent years have seen a striking increase in investor interest in gold. While a sustained price rally over the past 8 and half years, underpinned by fundamental factors of demand and supply, is clearly a factor in this resurgence, there are many reasons why people and institutions around the world are once again investing in gold. This presentation provides you with the background to these reasons and describes the defining characteristics of the gold market from an investor's point of view.

In this program\*, we will cover some of the main characteristics that make gold an attractive strategic investment. In particular, its role as portfolio diversifier, safe haven, inflation hedge, and dollar hedge. Moreover, we will discuss the factors that drive demand and supply as these, ultimately, define the price of gold. On the demand side, we will discuss drivers of jewelry (68% of average annual demand), investment (20% of average of annual demand), and industrial demand (the remaining 12%). On the supply side we will cover trends and drivers in mining supply, exploration spending, recycled gold, and central bank sales. Finally, we will discuss various ways to access the gold market.



**Juan Carlos Artigas** is an Investment Research Manager for the World Gold Council in New York, where he is in charge of writing strategic and tactical notes that put gold in the context of global financial markets. He regularly presents the strategic case for investing in gold to institutional and private investors.

The World Gold Council's mission is to stimulate and sustain the demand for gold and to create enduring value for its stakeholders. The organization represents the world's leading gold mining companies, who produce more than 60% of the world's annual corporate gold production in a responsible manner and whose Chairmen and CEOs form the Board of the World Gold Council (WGC).



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As the gold industry's key market development body, WGC works with multiple partners to create structural shifts in demand and to promote the use of gold in all its forms; as an investment by opening new market channels and making gold's wealth preservation qualities better understood; in jewelry through the development of the premium market and the protection of the mass market; in industry through the development of the electronics market and the support of emerging technologies and in government affairs through engagement in macro-economic policy issues, lowering regulatory barriers to gold ownership and the promotion of gold as a reserve asset.

The WGC is a commercially-driven organization and is focused on creating a new prominence for gold. It has its headquarters in London and operations in the key gold demand centers of India, China, the Middle East and United States. The WGC is the leading source of independent research and knowledge on the international gold market and on gold's role in meeting the social and economic demands of society.

*\* The program is subject to revisions according to market developments.*

**Registration Links:**

Members: \$0.00

Non-Members: \$0.00

**Location: [Omni Los Angeles](#)**

251 South Olive Street

Los Angeles, CA 90012 (For [directions](#) call hotel: (213) 617-3300)

**Parking:** Omni Valet \$12.00

## **How Deregulating Derivatives Led to Disaster, and Why Reregulating Them Can Prevent Another**

**Wednesday, March 31, 2010**

12:00 pm – 1:30 pm

**Speaker:**

**Lynn A. Stout**

Professor of Law, UCLA School of Law

**Chair: Cynthia Harrington, CFA**

When credit markets froze up in the fall of 2008, many economists pronounced the crisis both inexplicable and unforeseeable. That's because they were economists, not lawyers.

Lawyers who specialize in financial regulation, and especially the small cadre who specialize in derivatives regulation, understood what went wrong (some even predicted it). That's because the roots of the catastrophe lay not in changes in the markets, but changes in the law. Perhaps the most important of those changes was the U.S. Congress's decision to deregulate financial derivatives with the Commodity Futures Modernization Act (CFMA) of 2000.

It was the deregulation of financial derivatives that brought the banking system to its knees. The leading



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cause of the credit crisis was widespread uncertainty over insurance giant AIG's losses speculating in credit default swaps (CDS), a kind of derivative bet that particular issuers won't default on their bond obligations. Because AIG was part of an enormous and poorly understood web of CDS bets and counter bets among the world's largest banks, investment funds, and insurance companies, when AIG collapsed, many of these firms worried they too might soon be bankrupt. Only a massive \$180 billion government funded bailout of AIG prevented the system from imploding.

Professor Lynn A. Stout is the Paul Hastings Professor of Corporate and Securities Law at the University of California, Los Angeles School of Law. Professor Stout is an internationally recognized expert in the fields of corporate governance, securities regulation, financial derivatives, law and economics, and moral behavior. She has published numerous articles and books on these topics and lectures widely. She serves as Independent Trustee and Chair of the Governance Committee for the Eaton Vance family of mutual funds, and as an Adjunct member of the RAND Corporation. She has also served as Principal Investigator for the UCLA-Sloan Foundation Research Program on Business Organizations; as a member of the Board of Directors of the American Law and Economics Association; as Chair of the American Association of Law Schools Section on Business Associations; and as Chair of the American Association of Law Schools Section on Business Associations. Professor Stout has also taught at Harvard Law School, NYU Law School, Georgetown University Law School, and the George Washington University National Law Center, and served as a Guest Scholar at the Brookings Institution in Washington, DC. She holds a B.A. *summa cum laude* and a Masters in Public Affairs from Princeton University and a J.D. from the Yale Law School.

#### Registration Links:

CFALA Members: \$20.00

Non-members: \$40.00

**Time:** 12:00pm – 1:30pm, lunch and refreshments to be provided.

**Location:** California Plaza 2  
350 S. Grand Ave, **ETC Room** ([Map](#))  
Los Angeles, CA 90071

## Choice Under Uncertainty: The Rules of Randomness

**Tuesday, April 13, 2010**

12:00 pm – 1:30 pm, Lunch

**\*This event will be teleconferenced to the Santa Barbara Club** (*see registration below*)

#### Featured Speaker:

**Leonard Mlodinow, Ph.D.**

California Institute of Technology

**Chair:** Cynthia Harrington, CFA

*An Applied Behavioral Finance Group Event*



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In this presentation, Leonard Mlodinow, PhD, demonstrates how our lives are profoundly informed by chance and randomness. Drawing from the detailed research in his bestselling book, *The Drunkards Walk*, and author of upcoming book on cognitive neuroscience and behavioral economics, Mlodinow shares the criteria for choice in the face of uncertainty.

In this presentation, he will demonstrate the mathematical nature of chance and discuss the psychological illusions that keep us from factoring chance into our decisions. For instance, the psychological effect of expectation bias masks our ability to determine the role of chance in investment performance attribution. Being attuned to investor biases heightens awareness, especially to "fat tail" events, decreasing the likelihood of being surprised by randomness.

**Leonard Mlodinow** received his doctorate in physics from the University of California, Berkeley, was an Alexander von Humboldt fellow at the Max Planck Institute. For his doctoral thesis he developed a new approximation method in which you solve a problem in infinite dimensions, and then calculate corrections to account for the fact that we live in only three. His previous books include *Euclid's Window: The Story of Geometry from Parallel Lines to Hyperspace*, *Feynman's Rainbow: A Search for Beauty in Physics and in Life*, and, with Stephen Hawking, *A Briefer History of Time*. He now teaches about randomness to future scientists at California Institute of Technology.

Event sponsor: **Analytic Investors** provides quantitatively-driven investment management services to corporations, public funds, foundations, and other institutional investors. Based in Los Angeles, Analytic employs over 70 professionals and manages approximately \$9 billion as of December 31, 2009. Since its founding in 1970, the firm's mission has been to fulfill clients' objectives through rational, systematic identification of market opportunities, while minimizing the impact of human emotions that often dominate investment decision making. Analytic manages a range of equity and derivative-based assets for clients in relative benchmark and absolute-return-driven strategies.

### [Registration Links:](#)

[Members: \\$20.00](#)

[Non-Members: \\$40.00](#)

**Time:** 12:00 pm – 1:30 pm, Lunch

### **Location:**

[Omni Los Angles](#)

251 South Olive Street

Los Angeles, CA 90071

For directions call hotel: (213) 617-3300

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### **\*We will be teleconferencing in from the Santa Barbara Club:**

**Location:** Santa Barbara Club

1105 Chapala St

Santa Barbara, CA 93101

(805) 965-6547

**Santa Barbara Registration** ([Click Here](#)) for members attending the Santa Barbara location

[Members: \\$15.00](#)

[Non-Members: \\$20.00](#)

*This location is limited to 15 attendees, so please register early.*



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## Education Registration Policies

### INFORMATION

Specific questions on course content should be directed to the course coordinator and education chair. General questions should be directed to Laura Carney at the CFALA administration office at 213-341-1164 x701 or e-mail: [info@cfala.org](mailto:info@cfala.org).

### CONFIRMATIONS

The Society will only send confirmations of enrollment by e-mail. You will be notified if a course has been oversubscribed or canceled. If applicable: grades and/or certificates of completion will be made available only if requested from the course coordinator or instructor at the conclusion of the course.

### CANCELLATIONS

Cancellations must be made in writing and received at least 5 business days before the first day of class. Please fax or e-mail cancellations to: (213) 341-1164 or [info@cfala.org](mailto:info@cfala.org). All cancellations will incur a \$30.00 processing fee. If canceled after the 5-day deadline, a 50% cancellation fee will be charged. The Society reserves the right to cancel any course for any reason. Society cancellation will usually occur because of insufficient preliminary enrollment. The Society will call registrants to notify them of any course cancellations. All prepaid fees will be refunded. The Society also reserves the right to change the location, date and/or time of a course, in which case prior notification will be given to students.

### PAYMENTS

Make all checks payable and send to: CFA Society of Los Angeles, Inc., 350 S. Grand, Ste 1680, Los Angeles, CA 90071. Returned checks will incur a \$35 returned check fee. You may also pay by credit card through our online registration at: <http://www.cfala.org/cfmfiles/cal/eventlist1.cfm?t=g>

## Event Registration Policies

### CFALA MEMBER REGISTRATION GUIDELINES

All reservations must be made via website. In order to assure quality and service to our members, please make reservations in advance.

Please make your reservation online. Reservation deadline: 12 noon, two business days prior to an event. Limited space may be available after this deadline. No confirmations are made. You will only be contacted at the phone number provided on your RSVP if space is not available.

### CANCELLATIONS

Cancellations must be received in writing by 9:00 am the day prior to the event. No phone cancellations are accepted. Please fax to the CFALA office at (213) 341-1164 or e-mail [info@cfala.org](mailto:info@cfala.org). Member "no-shows" will be billed at \$40 unless otherwise noted. CFALA members will be billed the additional \$20 to meet the \$40 "no-show" fee requirement.

### GUESTS

Guest fees are \$50 for CFALA events unless otherwise noted. Payment must be received prior to the event. Returned checks will incur a \$35 charge.