CFA Society Los Angeles

E-Newsletter

June 2019

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Original Content

CFA Society Los Angeles Hosts Premier Investment Conference

By Tom Derse, CFA

On Thursday, May 30, CFA Society Los Angeles (CFALA) hosted PORTFOLIO, the West Coast's premier investment conference. The inaugural one-day event took place at the Omni Hotel in Downtown Los Angeles and close to 500 people attended. The consensus indicates that the event was an unqualified success.

CFALA Executive Director Laura Carney said, "Feedback has been very positive. For an inaugural event I really feel we knocked it out of the park with great speakers, panels, and topics."

Tom Mahoney, CFA, was also very happy with the first-ever event. He said, "I believe this was the largest first-year event in our (CFALA) history."

PORTFOLIO was an idea generated at a strategic planning retreat held by board members of CFALA. CFALA president Akiko Hayata, CFA said, "I thought it was a good idea and gave it the full support of my presidency. And with enormous help from a committed and active organizing committee, we were able to bring together leaders in the financial community from Los Angeles and from around the country."

The format of the event allowed attendees to pick from a variety of subjects in the breakout sessions, but also come together in one room for several panel discussions. The full-day format was chosen after feedback and surveys indicated members desired a forum to exchange ideas in a more efficient manner, where attendance was not solely predicated on geographic location and commute times. Hayata said, "I hope we succeeded in delivering a full-day of content priced affordably enough that you could attend just a portion and still get your money's worth."

The event featured over 50 speakers, presenters and moderators that covered subjects all over the financial spectrum. Current hot topics such as ESG and Cryptocurrencies were included in some of the breakout sessions.

Still, classics such as Equity and Fixed Income were also included as options in the breakout sessions. The event was designed to provide relevant topical educational material for people who manage, advise or allocate financial assets. Speakers included Richard Bernstein, CEO of Richard Bernstein Advisors, Jay Wintrob, CEO of Oaktree, and Michael Lewis, best-selling author of books including *Moneyball* and *The Big Short*.

The success of this year's event should be an indication for more in the future. "We are hoping to make this an annual event and we are looking at dates and venues for 2020," Carney said.

Mahoney added, "We already have speakers, sponsors, and volunteers for the organizing committee for next year's event." CFALA is fortunate to have Mahoney and his experience with events of this stature. "It has all the ingredients of a gathering that will grow steadily each year."

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Data Science Classes Offered to CFALA Members

By Max Joly

Since 2017, CFA Society Los Angeles (CFALA) has hosted "Introduction to Data Science for Finance" classes taught by Cognitir to aid CFALA members in acquiring the basics of data science skills. With a constantly changing and digitally-driven world, the demand for data scientists and data science-related skills is growing rapidly. Glassdoor listed the data scientist job as the "Best Job in America" in 2016, 2017, and 2018, and it expects the demand for data scientists to grow by 20% by 2020.

James LoBuono, Global Head of Business Development at Cognitir, as well as one of the company's instructors, agreed to answer questions about the field and Cognitir's classes:

- The topic of data science seems to appear everywhere. Could you talk about the growing demand for data scientists in today's job market?

"Data science is literally applicable to every industry. Technological resources at scale, such as the growing deployment of sensors and cloud computing, allow for massive amounts of data to be aggregated for analysis, particularly at an unprecedented rate over the past decade. Data science in a nutshell is the science of extracting useful information from data and applying this information to employ sound decision making instead of using just gut, intuition or past experience. The best decisions use a combination of data and gut feel."

"As a meaningful example, in the financial services world, data science is being utilized through the deployment of machine learning models that work to analyze massive data sets that we can categorize as being "alternative" to traditional information that financial analysts have manually looked at in the past such as annual reports, industry reports, and the major financial statements like balance sheets and income statements. Some of these new forms of information include immense datasets ranging from satellite imagery feeds to social media posts that can only be analyzed effectively with"

"machine learning models in combination with powerful processing architectures, all with the purpose of creating predictive models that drive investment decision making. Analyzing alternative datasets is of course just one example of data science application in the financial world, and these types of decision-making frameworks, based on predictive modeling, are being applied more and more on a daily basis to other fields such as medicine, retailing, and even law. As an example, data science is being used for civil labor law cases to recognize daily employee behavior patterns over the course of many years. This is an analysis that would be pretty hard for one person or a group of people to do on a manual basis, without today's computing infrastructure."

- Why can't computers do all of the work instead?

"Humans still need to be involved and skilled in regards to data science application, because preparing and cleaning data is such a significant component of the process. Complex datasets can be very messy, and depending on where they are sourced from, they will not appear in a neat spreadsheet like traditional finance folks may be used to seeing when they download a 5-year price history of a security off of the web. Before data is fed into a machine learning model where the crunching is done by high-powered GPUs or application specific processors, humans may need to engage in the arduous and time consuming process of making sure that data is formatted properly and gauge how complete and valid it is. Many of the real world datasets used in fields such as finance are considered to be unstructured forms of data, in that they are not organized in a formalized manner that is ready to be analyzed."

"Data that are derived from "big data" sources such as Internet of Things (IoT) sensors as opposed to being housed in a company's traditional relational database management system (RDBMS) will be directly procured in a messy form, and as such, cleaning and formatting data ahead of getting to the end decision making stage, could consume over 80% or more of the entire process alone."

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"Machines can only do so much! Let's not forget that data is converted into 1s and 0s for machines to learn and build predictive models on. There is certainly a great deal of 'gray area' in data science, and the best data science outcomes leverage the best aspects that humans and machines both bring to the table."

- What are some of the tools and skills used by data scientists?

"Data scientists and business folks that learn some of the basics of the field, have various methods and tools that they can employ to make informative business decisions. One of the most common applications in use today is known as machine learning. Machine learning by simple definition is a way for computers to recognize patterns based on their accessing of data. Machine learning comes in different shapes and flavors. One major example of machine learning - and a methodology that we have dedicated an entire one-day class to - is known as Machine Learning Classification. This technique is used to categorize whether or not an observation belongs to a certain class in a binary sense (but can be more than a two-class problem too). The most basic example of classification that we see today in our everyday lives is email being classified as "spam" or "non-spam"."

"Folks working in and around data science utilize Python and R primarily to build data science/machine learning models. At Cognitir, all of our programming courses are taught using Python. Compared to other programming languages, Python is easier to learn and it is backed by a large, globally-based development community that equips users with many open-source data science and machine learning libraries that are geared towards specific use cases or applications."

"Then, there is a world of folks who just use pre-packaged data visualization software for their analytics needs. Such software includes Tableau, Microsoft Power BI, Looker, etc. We are biased of course, but we believe that learning a fundamental general-purpose computer language such as Python affords the greatest flexibility and horsepower."

"Cognitir regularly tells finance professionals that learning a programming language like Python is not just for computer scientists. Python can help finance professionals automate tasks on the job. We do not expect these professionals to become computer scientists overnight by any means, but we do expect them to be able to interface more regularly and constructively with technology teams, especially in the context of finding an edge in today's world. Many large, traditional asset management shops are bringing on lead data science personnel that are becoming directly involved in investment decision processes, and it is pretty self-explanatory that getting down at least some basic data science skills at this juncture is pretty critical."

- Could you elaborate on some of these business problems that would be relevant to our society's members

- Same for the strategic opportunities
"On a fundamental level, this harkens back to what data science is at the most practical level. Instead of making strategic business decisions based off of our gut feeling and best guesses, we are now making more and more decisions than ever based on inconceivably large sets of historical data that the human mind would not be able to come remotely close to processing or finding patterns on its own. Many predictions and forecasts that company management teams used to make based on intuition, can now be made based on verifiable data rooted in science and logic."

- As an example, how can today's technologies, and other forms of automation driven by software, optimize reviewing candidates and the overall hiring process?

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"This is a great example of technology automating seemingly mundane tasks. Nowadays, many companies employ application tracking systems (ATS) to scan resumes for keywords instead of having a human or group of humans read each application individually. As we tell many of our students, having some of the key buzzwords and in-demand technical skills on their resumes, such as Python, SQL, and data science, are great ways to increase their chances of their resume being reviewed by a decision maker!"

Our partnership offers two tracks to help you plan your professional development—programming and non-programming. These will help you grasp knowledge about data science and diversify your portfolios. CFA Society Los Angeles will be hosting Cognitir's Introduction to Blockchain class June 29th and Introduction to Python July 20th.

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Online Career Platform Provides Benefits for Employers and Employees

By Max Joly

We are proud to announce that in April 2019, CFA Society Los Angeles joined forces with CFA Institute to provide our members with a new online career worldwide platform. On this new platform, members can post job opportunities at no cost and find CFA candidates who possess the right expertise and qualifications. As a member, you can also find relevant positions posted by employers for CFA charterholders not only in Los Angeles, but also around the globe.

As a job seeker, you can now create a seeker profile and upload your resume, which allows you to directly apply for certain postings. You also have the ability to allow employers with job postings to review your profile and directly contact you. With your profile, you can save job listings and apply to them later, and choose to receive emails when a new job matching your criteria is posted on the platform. In addition, the platform features a Career Advice tab that offers content in managing, job skills, articles related to job searching, and other relevant information.

For now, this service is only available to regular and affiliate society members. However, CFALA is working closely with CFA Institute to extend this offer to all CFALA members, including student and associate.

CFALA is excited to bring highly sought-after investment professionals, looking for their next career opportunity, together with employers who are seeking top talent in the industry. Please contact info@cfala.org if you have any questions and to receive a coupon code which will give you free postings through 2019.

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Now Read This...

Curated Content
Curators: Stuart Fujiyama, CFA
Sona Shahinian

SEC Approves Regulation Best Interest

In a 3-to-1 vote, the SEC passed Regulation Best Interest (Reg BI). Check out this WealthManagement.com piece by Managing Editor Diana Britton for an overview of the finalized rule package and a discussion of how it compares to the originally proposed version.

Read More... And More....

Report: A Quarter of Americans Have no Retirement Savings

In this Forbes piece, Statista Data Journalist Niall McCarthy uses visual representation to show an age breakdown of the U.S. Federal Reserve's recent findings on the share of Americans who have no retirement savings. We've also provided a link to the Fed's "Report on the Economic Well-Being of U.S. Households in 2018," for those who would like to review the findings in more detail.

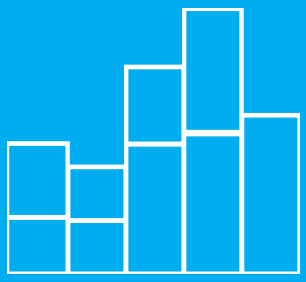
Read More... And More....

Financing College Tuition with Student Loans Vs. "Equity" via an Income Share Agreement

States, universities, and private lenders are currently exploring ways to use Income Share Agreements (ISAs) to finance a college education. In this Nerd's Eye View blog post, Kitces.com Lead Researcher and University of Southern Maine Assistant Professor Derek Tharp, CFP examines ISAs and walks us through his analysis of when it would be more appropriate to finance a college education with equity (in future earnings) instead of debt (traditional student loans). Read More...

Data Hazard: Irrelevant Information Contaminates Judgment

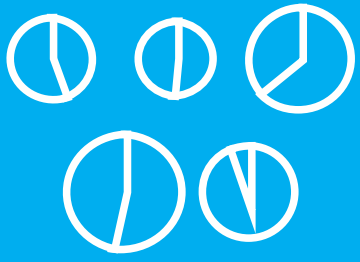
Investopedia defines anchoring as "the use of irrelevant information, such as the purchase price of a security, as a reference for evaluating or estimating an unknown value of a financial instrument." In this Psychology Today piece, behavioraleconomics.com Founder and Syntonic Chief Science Officer Alain Samson reviews new research which examines what happens to this anchoring effect over time. Read More... And More....



Risk Literacy and Interpreting the Probabilistic Risk of Investing and Retirement Planning

In this second Nerd's Eye View blog post, Kitces.com Senior Research Associate and University of Maryland University College Assistant Professor Meghaan Lurtz introduces us to the concept of risk literacy and discusses it in the context of financial decision-making. Read More... And More....

Berlin Numeracy Test



Lurtz also provides us with a link to the Risk Literacy website, which features the Berlin Numeracy Test, a two-minute test which, according to the site, "offer(s) personalized feedback about one's ability to understand and respond to risks compared to educated people from around the world." Give it a try!

Read More... And More....

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The CFA Society Los Angeles (CFALA) e-newsletter is a periodic publication with stories about noteworthy events and programs sponsored or hosted by the society, guest articles by members, book reviews, and other items of interest to CFALA members. If you'd like to contribute a story suggestion or write an article, we'd love to hear from you. Please email Executive Director Laura Carney at laura@cfala.org.

Please note that the content of this e-newsletter should not be construed as investment advice, nor do the opinions expressed necessarily reflect the views of CFA Society Los Angeles.