

**INSTITUTE FOR QUANTITATIVE  
RESEARCH IN FINANCE®**

**SUMMARY**

**SPRING 2008 SEMINAR  
MARCH 30 – APRIL 2, 2008**

**SADDLEBROOK RESORT  
WESLEY CHAPEL, FLORIDA**

## I. INTRODUCTION, SUMMARY AND CONCLUSIONS

James L. Farrell delivered the opening address at the Spring 2008 Seminar of The Q-Group<sup>®</sup>

Geert Rouwenhorst made the first presentation of the seminar, describing a combination of the traditional Theory of Storage with a new Theory of Inventory Behavior to draw a number of conclusions from the state of inventories.

Luis Viceira proposed a new model to deal with life-cycle funds, stressing among other features the importance of labor income across the life cycle. Paul Willen offered a different model, more focused on consumption across a lifetime, and also discussed the true cause of the current debt crisis and some of the suggested remedies.

Ralph Albrecht discussed the origin and use of Business Method patents in theory and practice, and provided examples.

Gregory Valliere was the after-dinner speaker on March 31st and spoke on implications of the 2008 elections, discussing likely changes in tax rates, inflation, deficits, regulation, and control of Congress.

Andrew Lo offered a possible explanation for the extraordinary hedge fund losses in the week of August 6, 2007, and also contrasted the event with the Long Term Capital Management crisis of 1998. He closed with a warning that today's conditions threaten a repeat of the events of last August.

Michael Goldstein discussed a series of major trends that are dramatically changing the investment world, including the rising importance of China, and of emerging markets, the increased competition to achieve superior returns, and the importance of fees.

Ronnie Sadka's topic was divergence of illiquidity commonality, and he showed a significant and growing difference between large and small firms, and implications for the vulnerability of U.S. equity markets to unanticipated events.

Keith Chen explored the sources of systematic investor biases, such as loss aversion, describing their existence in Capuchin monkeys, to conclude that such biases are probably ancient and innate, and not the result of context or experience.

Donald Keim described changes over the years in the nature of institutional stock ownership, showing a dramatic difference in the shifts of households and of institutions in holdings of larger and smaller stocks and drawing conclusions with respect to equity market liquidity.

Jim Scott provided a rationale to explain the success of momentum investing, based on a model of informed and uninformed investor behavior. His model made use of a stock's fundamental value, derived from analysts' forecasts, and its relationship to returns.

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