

**Title:** **PREDICTING ELECTIONS WITH SOCIAL MEDIA**

**Speaker:** Bradley Betts & Ronald N. Kahn, BlackRock

**Importance:** Why this matters

**They argue the landscape of active management has changed. It is being displaced by passive and smart beta. To succeed in the future, active managers will need to deliver “pure alpha” – returns from selection or timing. They view big data and machine learning as a potential source of alpha.**

**Investigation:** "Speaker analyzed XXX data to address the questions yyy, zzz, etc."

After discussing the investment trends, and developing a return attribution framework, they used predicting the 2016 presidential election to illustrate how to utilize big data and machine learning.

**Innovation:** Are there new techniques of interest in the data or approach to the problem?

Their approach to big data and machine learning:

- a. Obtain as many sources and as much data as possible
- b. Construct many weak predictors
- c. Ensemble the weak predictors to form a superior prediction.

**Insights:** 1-2-3, what are the three most important things the speaker offered?

1. Trends in portfolio management: increased competition (the proportion of skilled managers has decreased), explosion of data, and commoditization of smart beta (combined with an understanding of how much of managers' returns have been due to smart beta).
2. They argue that factor timing is difficult, and big data combined with machine learning is an interesting technique to create proprietary models that create alpha. Machine learning is bringing tools and techniques from computer science and applied mathematics to investments. Success will require data, infrastructure and human capital.
3. Due to concerns about disclosing proprietary information, they presented a case study using social media to predict the 2016 presidential election to describe their approach and related issues.

**Audience rating:**