Title: **WHO IS ON THE OTHER SIDE?**

Speaker: **ANTTI ILMANEN**
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Importance: Why this matters:
Investors that expect to profit from a given strategy should consider who is going to "pay", i.e. suffer long-run underperformance. Stated another way, why don't other smart investors arbitrage away the perceived opportunity? Understanding who is on the other side of some of the most factor trades will help investors decide if the factor is likely to continue to generate positive excess returns.

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

The main question is: Do historically rewarded factors have a sustainable other side? Sub-questions include:

- Is the empirical return edge persistent, pervasive, and robust?
- Why does the opportunity exist, and why is it not arbitraged way?
- Can flows or holdings identify a well-defined group on the other side?
- Has the opportunity been arbitraged away?
- Was the performance due to a run-up in prices that is likely to reverse?

He then used the framework to investigate four style premia strategies: value, momentum, defensive (quality & low risk) and size.

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

Ilmanen used 13F data from Thomson Reuters to infer who is on the opposite side of the various strategies in order to model how various investor types were positioned relative to each of the factors. He used the data to produce the average tilt for each group, as well as charts showing time series behavior. He also use the data to understand how factor exposures can explain returns of each of the investor types.

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

12. Small non-13f investors are one other side for 1 year momentum. Mutual funds may be the other side for multi-year reversals. Hedge funds are one other side for quality / low-risk investing.
13. Hedge fund 4.3% excess return was attributed: 1.7% market risk premia, 1.8% alternative risk premia, and .8% alpha.
14. While there were cycles of valuation, currently the trades do not look crowded.
15. Defensive is only style that currently appears clearly expensive versus its history.
16. Differences between time weighted returns and investors' dollar weighted returns may be due to high returns in 1990s, rather than poor timing decisions. (unrelated to the factor research)

Audience rating: 4.38