



Welcome to the April edition of the DB Quantitative Strategy Team's monthly newsletter, **Quantum**. The aim of Quantum is to make it easier for you to keep track of all the research we publish, and to serve as a forum to highlight the latest news and thinking in the quant investing world. If you only read one email from us every month, make it Quantum!

In this month's research, our major publication focuses on an area that is becoming increasingly important: **socially responsible investing**. Few would argue that making a positive social impact on the world is important, but the actual mechanics of how one might combine such an approach with a quantitative investment process is less clear-cut. After all, social responsibility is, almost by definition, a very qualitative, subjective, and indeed deeply personal matter; does it even make sense to try to force it into a numbers-driven, quantitative framework? In our report we suggest some ideas on how we can tackle this problem.

On the subject of socially responsible quant investing, the Society of Quantitative Analysts is tackling the topic for their annual "fuzzy day" conference in New York on May 31st. Titled "**Sustainable Investing: Hype or Opportunity?**" the event is headlined by Robert Shiller and looks like a great opportunity to learn more about the intersection between quant investing and SRI. For more info, click [here](#). Look forward to seeing some of you there!

Regards,

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## Recent Research

### North America

- **Signal Processing: The socially responsible quant (April 24th, 2013):** In this report we explore ways to blend quant investing with socially responsible investment strategies. In particular, we study a dataset of Environment, Social, and Governance (ESG) scores and investigate how this data can enhance quantitative strategies. To read the whole report, click [here](#).
- **The Quant View (April 2nd, 2013):** In this report we present our latest quantitative forecasts for the coming month. This month our Variance Risk Premium (VRP) indicator took on a slightly more bearish flavor, suggesting investors may be a little complacent in their pricing of risk. To read the whole report, click [here](#).

### Asia

- **Quantfucius: Quantitative ideas for investors in Asia (April 4th, 2013):** In this new monthly report, we showcase the best ideas based on our quantitative signals and model forecasts. We include both bottom-up stock selection ideas as well as top-down country allocation calls. This month we flag Japan as the country with the highest sentiment reading, as well as improving bottom-up stock selection opportunity in Asian markets. To read the whole report, click [here](#).

### Global

- **Academic Insights: Harnessing the best ideas from academia (April 26th, 2013):** Every month we scan the latest academic research for innovative but practical quant investment ideas. This month one of the interesting papers we highlight looks at how changes in a company's cash balance can predict future performance. This is a topical question given the prodigious amount of cash many firms are generating right now. To read the whole report, click [here](#).

Note: to access these links you need a login to the DB Quant website; if you don't have a login, or have forgotten your password, please click [here](#) and fill out the requested details.

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## Quant in the News

Interesting news articles related to quant investing:

- **International strategies key to quant rebound** ([pionline.com.com](http://pionline.com.com), April 29th, 2013): In our conversations with clients we've been getting a tremendous amount of interest regarding emerging market quantitative strategies. As data quality in emerging markets has become better, and generating returns in competitive developed markets becomes harder, EM is an attractive new arena for quantitative investors. To read the whole article, click [here](#).
- **Quant funds run one third of hedge fund assets** ([reuters.com](http://reuters.com), April 10th, 2013): Getting an accurate estimate of quant assets under management is notoriously hard. How does one even define quant? Most fundamental managers use some quant screening these days, and many quants incorporate a human overlay, so picking where to draw the line is hard. Nonetheless here is an article that tries to come up with an estimate. To read the whole article, click [here](#).

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## Quantomatic: Latest trends in quant technology

Each month we use this section to focus on the technological side of quant investing. Our view is that better technology can be a source of alpha in its own right - either via new, cutting-edge data sources or through more data intensive modeling techniques.

Last month we highlighted a start-up firm called QuantConnect that is trying to democratize quant by making it easier to set up and run a quant strategy without the massive IT overhead normally required. This month we came across another interesting firm that is generating a lot of interest in that space: [Battle-Fin](#). The idea is quite simple: think of an American Idol-type contest for emerging quant managers. Managers enter so-called "tournaments" and compete to win capital from outside investors, who can observe the performance of participating managers over the course of the tournament and decide who they want to allocate their capital to (in the contest running currently, managers are competing for a share of \$20m). The key question, as always, is whether the performance of a strategy or manager over the course of a tournament is enough to separate the lucky from the skillful; watch this space.

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