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Now Let's All Raise Our Glasses to Risk-Modeling and Optimization

So was born Qwafafew, with a wink and a nod to the group's taste for cold beer while discussing complex theories about financial assets and markets.

Herb Blank, index consultant and Qwafafew senior officer, says it took a bit of reverse engineering to come up with a name for the acronym. Its most recent iteration: Quantitative Work Alliance for Applied Finance, Education and Wisdom.

"They're eccentric, fun, extremely knowledgeable and a wee bit nerdy," says Ed Creed, co-owner of the New York City pub Patrick Conway's, where the group has met in recent years.

The meetings are hardly the picture of a fun night out for average investors. Members, including finance professionals and academics, sparred recently over retirement investing and methods of portfolio rebalancing. But ideas presented are often hot topics in the world of exchange-traded funds and money management.

Fluid Dynamics

On a recent Tuesday evening, around 60 people gathered in a private room in the pub's basement for a discussion about "new paradigms in risk management" and "flows and woes" of different settlement schedules for stock and currency trades. Participants weren't discouraged from seeking refills or shouting questions and criticisms during the presentations.



Daniel Pelavin (photo)

A reference to a "crowded trade" prompted a quick request to define "crowded." Another attendee interrupted a speaker to ask if he wasn't making a simple problem sound more complicated than it really is—leading the speaker to volunteer that it wasn't the first time he had heard that gripe.

A fair number of topics relate to ETFs, which often draw on computer-driven financial models. Over the past two years, there have been speakers from S&P Dow Jones Indices, Axioma, WisdomTree Investments and Emerging Global Advisors.

But let the speakers beware. "If you make an assertion that an ETF is the most efficient way to invest in a particular strategy, you better have the numbers at your fingertips," says Dave Nadig, head of research for ETF-tracking firm IndexUniverse, who has presented at several Qwafafew meetings. "If you haven't looked at every possible alternative, you'll lose the floor."

Colette Coffman, who has been going to the meetings for about 15 years, says she finds them as educational as some professional conferences. "You can spend \$3,000 easily on the industry conference, or you can spend \$35 at Qwafafew and get home the same night," says Ms. Coffman, an investment-marketing professional. The group, which has chapters in other cities, generally charges \$30 to \$60 a meeting, which covers a buffet and soft drinks. Those who pay annual dues are charged less than visitors.

The group doesn't offer continuing-education credits, the carrot used at many conferences and webcasts. "No philosophical reason" not to, says Mr. Blank. "Just sloth and inertia."

New York chapter president Michael Carty, founder of New Millennium Advisors, a locally based investment firm, says he's made many friends and connections at meetings.

Final Analysis

Over its history, the chapter also has spawned one bar fight (with a nonmember) but no romances that Mr. Blank is aware of. (The male-to-female ratio was 7-to-1 at the recent event.)

Boston, Denver, Chicago and San Francisco, among others, also have chapters. Still, New York's may have the most personality. Says Matt Moran, vice president of business development at the Chicago Board Options Exchange and a member of the steering committee of that city's Qwafafew chapter: "In New York, there's lots of interaction—and beverages—and the organization lives up to its name. The Midwest is a little more buttoned up."

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