such as this, you can view it, rerun it or edit it by typing EQBT <Go> again and clicking on the icons to the right of its name under Actions.

IF YOU HAVE A SAVED EQS SEARCH YOU'D like to backtest, click on the Create Model button in EQBT. Tab in to the EQUITY SCREEN field, enter the name of your search and click on it in the list of matches that appears.

To create your own custom optimization task, click on Analytic Parameters. Click on the circle to the left of Optimized Weights. Then click on the arrow to the right of Existing Task and select Create New Task.

To create a new custom task in the Portfolio Optimization screen that's now displayed, you would set its goals, define portfolio constraints and set properties associated with the securities.

Type **EQBT <Go>** to access your backtesting models.

Click on the Add Goal button for a menu of items you can use in setting your goal.

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BETTING ON BIASES

AlphaSearch's **Alexandre Colin** says investors can benefit from exploiting patterns that arise from market participants' behavioral biases.

PHOTOGRAPH BY **MONIKA HOEFLER**

Alexandre Colin says that investors can profit from three stock market phenomena that academic research has identified: price momentum, earnings momentum and relative value. The founder and managing director of AlphaSearch, a Luxembourg-based maker of stock selection and asset allocation models, says that he uses the terms to refer to observable stock price and volume patterns that reflect behavioral biases. Investors can tap into those patterns to pick stocks that will outperform or underperform, Colin says. "We exploit cognitive biases, emotional biases and, more generally, we exploit agency theory," he says.

Agency theory refers to the study of the problems that can arise when an agent and a principal have differing goals. Money managers, for instance, act as agents of investors. The goal of most equity market professionals isn't actually to pick the best stocks, Colin says. Instead, their main motivation is to hang on to their jobs. "So that will introduce biases in the way they make their investment decisions," he says. For a professional, it's easy to go with glamorous, well-known names such as Apple Inc. or General Electric Co., he says. "If an accident happens with one of these names—they go down 30 or 40 percent as they did in 2008—it's easier to justify to sponsors investments in names that are well known," Colin says. By contrast, for less-known stocks, a similar decline may appear to be the result of a bad investment decision. Value anomalies thus persist because such investments can be riskier for professionals if they turn sour, Colin says.

You can find AlphaSearch's tools on the Bloomberg Application Portal (APPS) function. Type **APPS BEHAVE <Go>**.

JON ASMUNDSSON