GameStop rally takes hedge fund class on wild ride

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Mara Force, professor of practice in finance, was teaching an independent study course on hedge funds when the GameStop short squeeze began. Her students ended up incorporating the historic rally into their independent study and even did a presentation on it to Force’s Financial Management class.

When Sam Childs, Maria Francque, Gabe Harris and Hunter Mathas signed up for Mara Force's course on hedge funds in the fall of 2020, GameStop wasn't high on their radar. In fact, it wasn't anywhere on their radar. The students, who had enjoyed classes with Force, a professor of practice in finance, in previous semesters, were attracted by the opportunity to design a hedge fund they might be able to launch one day. The competitive nature of the class, which pits student teams against one another, was an added bonus.

Officially known as the Aaron Selber Jr. Course on Hedge Funds, the class introduces students to the broader field of alternative investing through an in-depth analysis of hedge funds. In addition to developing new investment strategies and competing for the best investment pitch, students analyze applied case studies and research papers.

"I definitely wanted to take Mara again as a professor, so that was a driving force, and then also the idea that it was selective. I thought it would be cool if I got in," says Francque, adding, "And then also it was the chance to work with people who are all motivated."

The group, who named their fund DeepNet, found that the Selber course only whet their desire to develop a functioning hedge fund that combined their individual strengths. "It really started with the Selber course," Harris says. "Our group did pretty well in the competition, and I thought especially with my and Sam's background in computer science that we'd have a really good chance of fully implementing an algorithm and beating the market."

Childs agrees, adding, "We realized that Hunter and Maria had a fair bit of experience in the traditional investments field, particularly with respect to analyzing the fundamentals of companies. We built this strategy where we are doing quantitative trading with a company and our models are telling us what to trade, but at the same time, the way that we select the pool of stocks that we want to monitor is determined by fundamental analysis. I felt like it was a good marriage of those two approaches."

DeepNet also had an extraordinary ally on its side. Freeman alumnus Jacques Soenens (BSM '93), founder and chief investment officer of Great Gable Investments, served as a coach and mentor for the team.

“[Jacques] was so willing to sit there and listen to our ideas,” says Francque, who identifies as nonbinary and uses the pronouns they and them. “Our brains work 1000 miles an hour about this, and he was never like, ‘Oh, you are thinking too big.’ He was like, ‘*Keep* thinking big!’”

They add that Soenens consistently went above and beyond for the students he mentors, noting that he met with the group three times in the week before their final presentation, including once at 5:30 a.m. to accommodate the time difference between New Orleans and the West Coast.

For his part, Soenens was thrilled to have the opportunity to mentor up-and-coming Freeman students. “Tulane gave so much to me, so it’s nice to be able to give back,” he says. “I think it’s important to connect to the next generation, to hear their thoughts and to learn from them as they learn from me. Hopefully, [they’ll] take whatever our generation accomplished and take it to the next level.”

Each team in the Selber course engages with an industry professional who coaches and mentors it throughout the semester. “Our alums and parents are so dedicated and generous with their time and knowledge,” Force says. “It’s so much better to get the students to learn how to tap into knowledge themselves and to have them build up life relationships. I’m thrilled if this mentorship continues and builds and creates connections and networks.”

As the fall semester came to a close, it was clear the team was only gaining momentum and insight. With that in mind, they asked Force if they could continue their work as an independent study in the spring semester, and she was happy to oblige. Then, just as that semester began, the wild ride of the GameStop short squeeze began.

Approximately 140 percent of GameStop’s public float had been sold short, and, in the rush to buy shares to cover those positions, the price rose steeply. The squeeze was initially triggered by users of the Reddit message board wallstreetbets. At its height, the short squeeze raised the video game retailer’s stock price from $17.25 to over $500 per share.

GameStop offered a perfect case study for the students, one that allowed them to put Freeman’s emphasis on timely, real-world learning to use in an exciting way. The flexibility of the independent study allowed the students to continue refining their algorithm while studying the emerging situation in real time.

“One of the topics we cover in [the Selber course] is public perception and ethical implications,” says Mathas. “For the independent study, we talked about different options activity, we talked about why this happened and just what this rise of retail investors means for hedge funds. We actually ended up presenting to Professor Force’s Finance 3010 class about it.”

The class was rewarding to Force as well.

“I’m really living in the financial market moment with the students, so that’s exciting, watching these things play out and watching the students attack them intellectually,” she says. “It’s been so rewarding for me to see them develop into really powerful, thoughtful, intelligent, dynamic young adults. I’m super excited for what they bring to the world and how it reflects back on Tulane.”