

Applying to the Robert Day Scholars Program: Our Experience

by Nathan Barrymore '09 & Katherine Bobroff '09 SCR

The application consisted of three parts. We applied to the program just like we would apply to a business sector job after graduation. We submitted a cover letter, resume, and transcript to the selection committee who filtered out candidates and chose a subset to go on to a leadership evaluation round. This was the most entertaining part of the application process. The first part of the evaluation was an in-basket exercise. This seemed like a stressful exercise of the mundane, but in reality it was a test of the students' time management skills, ability to prioritize tasks, and effectively communicate. For candidates without prior exposure to formal business interviews, this process seemed particularly unusual. This exercise was the first clue for applicants that the program was looking not only for academic proficiency, but management qualities as well. The in-basket exercise was used as the foundation for the next day's longer evaluation session.

The group evaluation resembled what some aspiring

I-bankers had seen before, but for consultancy applicants; it was a completely new format. We were asked to play the role of a regional manager, and solve both macro and micro level problems. The micro level challenge involved an employee with absenteeism issues. Professional actresses convincingly played the role of the quietly disgruntled employee and it was our role to talk them out of their slump and improve office productivity and dynamics. This coaching session was the most challenging aspect of the interview since most college juniors don't have experience managing subordinates in their late 20s.

The last part of the application process was a panel interview. Small groups of candidates drove into LA to visit the Trust Company of the West office and then took a very long elevator ride to meet with a professor and two alumni. The interviews lasted only half an hour, but the short time was exaggerated in perception because of the eight hours of previous group evaluation and in-basket exer-

cising. The quality of the interview depended greatly on the evaluators, which varied.

Since beginning the program, we have completed an interviewing workshop and a public speaking seminar. The interviewing workshop was largely geared toward CMC students and too basic for students who had already completed summer internships in competitive fields. We expect that in future years, the program will be better tailored to the Scholars. The public speaking seminar was more informative and more acutely tuned to the audience.

Social events and barbecues have bolstered the camaraderie among the Robert Day Scholars and professors. Many CMC students in the program are already friends, and the non-CMC students are enjoying meeting other like-minded individuals. The two authors are happy about what the program has offered them already, and are excited to see it grow over the semesters and years to come.

A Year Abroad: London School of Economics

by Chris Brigham '09

After spending a year abroad at the world-class London School of Economics, if my year abroad taught me anything, it was how exceptional CMC and its economics and finance departments actually are.

The LSE has a reputation as one of the most prestigious universities. Before you study abroad, Kristen Malory reminds you that life overseas isn't "weird," it's

just "different." As similar as you would think the LSE and CMC would be, there is one major way in which their educational systems diverge. At LSE, like most European schools, students' class-work does not count in the slightest toward their grades. The only thing that matters are the exams you "sit" at the end of the year.

While at LSE, the first thing I learned was to translate the

phrase "research university." In simple English, this means "undergraduates don't matter." *Continued on page 2*



“Rich People or Smart People?” by Kyle Casella ’10

On Thursday, October 2nd, members of the CMC Student Investment Fund, the Scripps Student Investment Fund, and the Financial Economics Institute spent an evening with Michael Larson, (’80) Chief Investment Officer of Cascade Investments, and Erik Anderson (’80) of West River Capital at the Marian Miner Cook Athenaeum. Justin Hance (’06), Alan Heuberger (’96), Kim Martin, and Randy Jack, all of Cascade also joined for a discussion on private equity and real estate. West River Capital is a small investment and private equity firm located in Seattle, and Cascade, also known as BGI, is the private investment firm of Microsoft co-founder, Bill Gates.

In anticipation of Henry Kravis’ talk at the Athenaeum, Mr. Larson opened the evening with a question: “How do we think of private equity?” Erik Anderson

spoke of two defining characteristics, ambiguity and volatility, that “you can’t measure in a spreadsheet.” He further stated that in his business, one can never make as much money as projected by analyzing businesses and free cash flows because of the “information gap” between businesses and buyout firms. His three main ideas when looking at a deal are as follows: 1) Determine whether or not there is a value proposition; 2) What should one pay for that value proposition; 3) Can management execute to bring that value to the investor? As opposed to the traditional private equity model, Mr. Anderson looks at everything in an unleveraged context, and only levers up if necessary (his deals are much smaller than those of either KKR or TPG). One of Mr. Anderson’s major points related to a good discussion of the embedded real

option. These embedded real options are value adding intangibles and tangibles that the investor may have identified, and doesn’t necessarily pay for. Larson and Anderson, aside from discussing the benefits of private versus public equity, stressed that the essence of being a good investor lies in one’s ability to make money. Anderson said that in his business, a failed venture can make you smarter, but not wealthier, and according to him “smart people should listen to rich people.”

LUNCH WITH A LEADER

October 31, 12 pm

James Quella P’08: Senior Managing Director and Senior Operating Partner in the Corporate Private Equity group at Blackstone.

December 7, 12 pm

Jeffrey Klein ’75: Jeff Klein was Chief Executive Officer of 101 Communications LLC prior to its acquisition, and is now the non-Executive Chairman of the Board for 1105 Media Inc.

Satori Stirrers by Elan Feldman ’10

Elan Feldman (CMC ’10) developed the idea for Satori Stirrers during an entrepreneurship seminar at Claremont McKenna College during spring semester 2008. He found that the eyesore of any restaurant or cafe is the messy sugar and crème counter. He developed a product that gives restaurants, cafes and coffee houses the opportunity to replace a messy inconvenience with a trendy alternative. Satori Stirrers’ high-pressure molds compress all-natural honey and full-grain

sugar into elongated, hardened stirrers. The stirrers disintegrate steadily while mixing the liquid—guaranteeing the coffee or tea is consistently sweet from the first sip to the last drop. Elan hired Zain Jamal (CMC ’10) to gather financial information and assist with the production of the stirrers, and Evan Sippel (CMC ’08) to specialize in the drafting of Satori Stirrers’ business plan and form Satori Stirrers’ communications. The three submitted the business plan to the Henry R.

Kravis Concept Plan Competition hosted by Claremont Graduate University’s Drucker School of Management. A panel of highly experienced judges, comprised of investors, entrepreneurs, and bankers, selected Satori Stirrers as a final candidate, and awarded the company second place. Satori Stirrers has since incorporated the judges’ comments and ideas into its product. Elan won CMC Entrepreneur of the Year for his invention a month after the competition.

A Year Abroad: London School of Economics (cont.)

Although this is probably no different from major American research universities, it took studying at LSE to convince me of this. While my professors were all unquestionably experts in their fields—three of my four main professors either wrote the textbooks we used or several of the research papers we read—their focus was entirely on research and not at all on their students.

As I’ve told many friends and professors since returning, lectures were taken directly from the textbooks. In fact, my

econometrics professor, in what seemed at the time to be a moment of unusually good wit, actually managed to tell a joke in class. I laughed for about five seconds, until, following the lecture material in the text, I found the same joke right there in the book. For some reason, it became less funny.

Another classic example of the short-changing of undergrads at LSE comes from their Financial Markets Group, which is approximately the equivalent of our Financial Economics Institute. Naive

and excited at the beginning of the year, I visited them and asked if I could help them with some research, since I’d had some experience working at the FEI. They seemed quite interested in getting me involved right up until the point at which they realized that I wasn’t a Ph.D. student and the conversation quickly came to a close.

For all LSE’s flaws, though, I did learn a tremendous amount while abroad.

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A Year Abroad: London School of Economics (cont.)

I knew next to nothing about twentieth century European history when I arrived, but ended up getting my highest marks on the exam in a class entitled Western Intellectuals and the Challenge of Totalitarianism. One of the highlights of the year was taking Development Economics, a class that I think all economics majors ought to take and which we have been unable to offer at CMC for far too long.

I also learned that as much as I thought I pushed myself at CMC, I am not nearly as self-motivated as I once thought. About two months before exams, however, I suddenly found myself more motivated than I've ever been in my life. If what I learned at CMC during my fresh-

men year was how to learn, what I learned at LSE last year was how to teach myself.

Having never left the U.S. before heading to London, it seemed important to take the opportunity to travel and "gain some perspective." With that in mind, winter break became a tour of Western Europe, and our six-week long spring break included a holiday in Thailand with my fellow CMCers at LSE, Jessica Fox and Emily Brister, as well as a careers trip to Dubai that I helped plan with the LSE Business Society. You have not experienced a recruiting event until a major consulting firm has taken you to a beach bar on the Persian Gulf right next

to the Burj al-Arab hotel and not only covered food and "beverages" but also paid for the hookah.

In the end, I experienced at LSE exactly what I went there for (with the possible exception of getting myself into the royal family). My perspective on the world is forever changed, my ability to teach myself has never been better, and by some serious stroke of luck, I secured a full-time job in London. However, with only one more year of school, I can't imagine a better place to be than here. While I'll be returning to England in a year's time for work, for now, it's great to be home at CMC.

The Master's Program by Kevin Arnold

On August 10th, 2009 the Robert Day School will welcome CMC's first graduate class to campus. Participants in the Master's program in Finance will begin their 10-month journey with a 3-week intensive math and computing workshop. The subsequent two semesters will mirror CMC's academic calendar, culminating in the awarding of CMC's first graduate degrees in May, 2010. The Master's in Finance curriculum is rigorous and relies on a solid foundation of prerequisites. The Robert Day Scholars co-curricular program of speakers, workshops and

networking visits will complement the academic instruction.

Recruiting has already begun, leading to three admission windows, with respective application deadlines of November 7th, January 9th and February 27th. Robert

Day's historic gift includes substantial merit-based scholarship funding.

Anyone interested in more information on admission to CMC's Master's in Finance program should contact Kevin Arnold at RDSadmission@cmc.edu, x73347, or visit the office at Bauer 221.



The CMC Student Investment Fund: Applying Theory in Practice

by Kyle Casella '10

The primary aim of the Student Investment Fund is to educate committed CMC students about portfolio management and investment analysis through the management of SIF assets. A group of 30 dedicated Principals, Senior Analysts, and Analysts work together in order to grow the value of our equity. We constantly analyze and adjust our \$170,000 portfolio, which is well diversified across

industries and asset classes. Over the past 12 months, we've generated positive returns, even in this volatile and downward trending market. Our strategy of hedging risk via investments in commodities and other alternative assets has helped us consistently beat the market. In addition, each semester we produce a comprehensive report on the state of the U.S. economy, which helps guide our

investment choices. We hope that our older, more experienced members can supplement the learning of our younger peers with real-world knowledge from Investment Banking, Consulting, and Investment Management internships. Most of all, SIF is an exciting opportunity to apply the knowledge we learn in our economics, accounting, and finance classes in a real-world situation.

**ROBERT DAY SCHOOL OF ECONOMICS
AND FINANCE**

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HAUNTED HOUSES

So much for Halloween this year...

Source: Ed. Stein '07 Rocky Mtn. News NEA

"I like my trailer. Of course it's not as fancy as the ones movie stars have in other parts of L.A. County."

New Faculty Spotlight: Prof. Cronqvist

by Harshvardhan Chowdhary '10 & Maria Löhner '10

Professor Henrik Cronqvist received his Ph.D. from the University of Chicago and completed an M.S. in Economics & Business from the Stockholm School of Economics. He became a member of the CMC faculty this fall and is currently teaching a Special Topics in Corporate Finance class.

How would you compare faculty-student interaction in the US to Europe? I think I would say that Sweden, in particular, is more hierarchical. I don't think that at Stockholm School of Economics you could get as much one-on-one time. It was different for me because I wrote a paper with my professor which we then later developed into my master's thesis. Usually you would not expect to spend as much time with a professor.

What classes would you like to teach in the future? Behavioral finance is one of my research interests, integrating economics, psychology, and finance.

What are your other research interests? I have broad research interests. Recently my work has been on the impact on firms and their policy choices due to the presence of large shareholders. To that effect, I have written two papers, one of which has been published and one of which is under review. We don't look at the stock price; we look at other policies, and see whether they enhance performance. The economic problem is that the shareholders don't want to monitor a company themselves; they want the man-

agement to monitor. In addition, to other measures we use accounting data to show the improvement in performance. We look mostly at individuals, as institutions may just sell the shares instead of fighting the management.

What was the topic of your dissertation? Advertising portfolio: For my dissertation, I was interested in integrating marketing with finance. We see a lot of advertising in newspapers and on TV, so I wanted to see if any of this advertising had any impact on how individual investors made portfolio choices. In particular I was looking at retirement savers and data from my home country, Sweden, because back in 2000 we privatized social security. In 2000, retirement savers, more than 4.5 million people, had to make portfolio choices. I wanted to see if the more advertised mutual funds were more popular. But then you could, of course, ask: so what if the more advertised mutual funds were bought more? I wanted to see if those investors ended up paying higher fees for those funds. I was looking at whether higher advertised funds are associated with higher fees. This especially affects young savers who invest over a long period of time, because these fees might amount to a substantial sum and might affect the wealth generated by the portfolios. I think it has important policy implications. What needs to be publicly seen is which ads provide good information. I looked only at mutual funds of many different kinds, about four 450. If the U.S. were to privatize social

security they would not have so many choices. In 2000, Sweden's high tech fund was doing very well, it was very popular, but it lost close to 70% in value in the next 3 years. Of course, one element which makes the study challenging is that advertisements were randomly distributed.

How do you enjoy your office in the trailer? I was not told about that. Dean Hess is a very smart economist. He knows when to give information to people. I like my trailer. Of course it's not as fancy as the ones movie stars have in other parts of L.A. County. It's not bad. The one thing is that the walls are too thin. That might bug us a little.

Do you live close to CMC? I am living in downtown L.A. I would like to live in Claremont for obvious reasons. My wife works at BCBG, she's a V.P. of Design. So, we have to live there because of her work.

What do you like to do outside class? In terms of sports: tennis, which I play with other faculty members, and running. My wife and I also like to travel. We are seriously considering traveling to South America. We would love to go to Argentina. Going to Buenos Aires would be really neat. I have a pug at home, his name is Vino, you know like the wine. Another thing that we enjoy doing is volunteering for the Special Olympics.

