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BUSINESS EDUCATION

# HOW TO PREPARE FOR THE HIGH-STAKES WORLD OF FINANCE

Graduates of Canada's first MBA program to fully integrate the Chartered Financial Analyst® curriculum at the John Molson School of Business earn trust in the investment industry

As an adviser to institutional investors such as pension funds and insurance companies, Adam Reichert of Montreal has a front-row seat to the fast-paced, constantly changing world of international finance, where many millions of dollars are at stake on a daily basis.

He has the confidence to work in that high-stakes world, he says, because of the knowledge he drew from his studies in a specialized MBA focused on the investment industry at the Goodman Institute of Investment Management, a part of Concordia University's John Molson School of Business. It offers Canada's first MBA program to fully integrate the Chartered Financial Analyst® curriculum of the CFA Institute, a worldwide professional and education body.

"It's not that people think you're smart just because you have the designation," says Mr. Reichert, a director in foreign exchange sales for BMO Capital Markets, "but it definitely gives you some kind of relevance — like a doctor you trust because they're a doctor. Investment professionals want to put their trust in someone, and what is the designation in the investment world? It really is the CFA."

Having both tools together helps create deeper conversations and solid relationships with clients, he says. "If you're adding an MBA, it just adds another dimension to your capability, your knowledge. You know the investment side of the business, and you can also understand how companies work, what kind of decisions leaders in these companies need to make. That brings another analytical aspect to portfolio managers who are analyzing companies on a daily basis. It just helps with the conversation."

Ned Goodman, the founder, president and chief executive officer of Dundee Corporation, an investment company, contributed to start the institute in the belief that a conventional business school education did not prepare graduates for the real world of investment management.

The program runs over three years, instead of the usual two years of the MBA alone, so that it can integrate 100 per cent of the content on which the critical CFA exams are based. At a cost of \$18,000 a year, it provides students with the market understanding they



Students at the Goodman Institute of Investment Management, a part of Concordia University's John Molson School of Business, find that studying for an MBA while integrating the curriculum of a Chartered Financial Analyst® creates deeper, more effective conversations with clients.

need, says Ian Rakita, director of the Goodman Institute of Investment Management.

"Ethics, quant [quantitative analysis], economics, financial statement analysis, fixed income and equity analysis, derivatives and portfolio management are the necessary tools. Staying current by reading trade publications and remaining up to date with trends in the market are vital since the big institutional players read many of the same publications and generally feel more at home when speaking with people who reinforce the news items (and their financial implications) that they regularly see."

Companies are looking for employees who don't need extensive training, he says.

"More and more they want to hire students who are knowledgeable and capable of, more or less, hitting the ground running. Training is costly and the less they have to do the better."

Classes are Wednesday evenings and Saturdays from September to April, in both Montreal and Toronto, which enables people with busy work and family lives to fit the

full-time program into their schedules. Faculty teach "live" in alternating cities each week, with state-of-the-art interactive video conferencing connecting the students in the other city. Unlike many MBA programs, the Goodman program does not require that students have business experience before entering (the average business experience among students is two years when they enter; the average age is 26).

To obtain the CFA® designation, students need to pass three levels of exams and have four years of work experience acceptable to the CFA Institute — it needs to involve investment-related decision-making.

The students at the Goodman Institute have an excellent track record on the Level 1 exam. In 2014, 91 per cent of them passed, compared to just 42 per cent of the more than 100,000 people worldwide who attempted the exam. The school explains the high success rate by pointing to the integration of CFA materials into its curriculum, the extensive exam preparation it conducts in May (the exam is in June) and its

requirement that the students pass Level 1 before graduating with the MBA.

"We're one of the few programs where we actually make passing Level 1 a requirement for graduation," Professor Rakita says. "Most universities run into trouble when they try to put that in as a requirement. A lot of institutions would prefer not to have an outside organization have an influence on their ability to grant a degree. We felt that it was fundamental. Many of them pass not just Level 1 but Level 2 and sometimes Level 3 before they graduate, and are in position to obtain the CFA Charter."

Graduates often become analysts in equity or fixed-income areas, he says. "With more experience they will reach portfolio manager level and many have reached the VP level in areas such as capital markets, sales and trading and others." After three years of experience, most graduates with an MBA and CFA® earn at least \$100,000 a year, and 10 per cent or more earn over \$500,000 a year after five years, he says.

Women, who made up about

33 per cent of students in the 2014 entry-level class, are under-represented in the finance industry, in which more than 80 per cent of those in middle to senior management are male, Professor Rakita says. But "there are a lot of opportunities for capable women and slowly this pattern may be changing."

Professor Rakita takes pride in having taught every single student who has enrolled in the program in its 14-year history. Math and language abilities are both important to success, he says.

"It's a very big plus to have a good math background. Reading skills and writing ability are important. Often new students have better quantitative abilities than verbal knowledge and ability. When you get to the university level, I find it's harder to teach the verbal communication skills than it is to teach math skills."

This content was produced by The Globe and Mail's advertising department in consultation with Concordia University. The Globe's editorial department was not involved in its creation

## JUST TALKING In the front rows of finance

An ability to solve problems and a knowledge of history are keys to success in investment management, say Ian Rakita, the director of a specialized MBA program at the John Molson School of Business, and Adam Reichert, who works in the field

**Q:** What do students need to learn about investor behaviour?

**Ian:** They need to learn that traditional models of investor behaviour do not work well. Most investors are not, as is commonly assumed, risk averse. This means that they do not simply want to avoid risk. More likely, they are classified as loss averse. That is, they want to avoid the pain of loss and commonly hold on to losing positions far too long. There are many examples of this type of behaviour — Nortel comes to mind.

**Q:** What are three things students need to know to understand markets?

**Ian:** Investors often overreact by buying when prices are already too high (based on hype and not wanting to feel left out). Investors are reluctant to sell when prices are declining (they can't accept the reality that they made a bad decision). Most of the traditional theories about the market (Efficient Markets Hypothesis) are generally flawed — otherwise, no one would be able to make money. But many still do.

**Q:** We saw in the crash of 2008 that some people working in the markets got carried away. What do you tell students to keep them grounded?

**Ian:** The old adage that "if you are ignorant of history, you are bound to repeat it," seems to work well. I encourage students to read about the stories of Enron, Bre-X, Long-Term Capital Management (LTCM) and Nick Leeson and Barings Bank (to name a few). There are so many examples out there that it is not difficult to find meaningful learning opportunities.

**Q:** How different is the world of financial markets today from the world before 2008?



**Ian:** The only real difference I see is that things happen faster. Greed and get-rich-quick money-making schemes will always be available. We are in the information age and news, good and bad, travels very quickly. Students have to really be on the ball to take advantage of new information — or someone else will.

*Ian Rakita is Director of the Goodman Institute of Investment Management at Concordia University's John Molson School of Business where he is an Associate Professor of Finance. He earned his CFA® charter in 2001.*

**Q:** Many people think finance is high-flying and exciting. Are they right?

**Adam:** It's a very exciting environment, and it's an always-changing world, so you have to be able to adapt and make decisions quickly. Whether it's new regulations coming in, whether it's new market forces at play, every day is different. That is my favorite part.

**Q:** What is the biggest reward of being in your industry?

**Adam:** I think it's a mix of the people and the excitement — just being in the action, being in the market, being front row. Also, the people you meet are all very driven and come from very exciting backgrounds.

**Q:** What's the toughest part of being in investment management?

**Adam:** The hardest part is dealing with regulation today. Regulation has increased since the crisis in 2008 and it makes everyone go through more processes to get the same amount of work done. This makes the market a safer world to invest in but it creates some consequences that were not anticipated.

**Q:** To what extent did the particular education you have prepare you for this?

**Adam:** You learn how to problem-solve in school. You come with an open mind and learn how to tackle problems before anything else.

*Adam Reichert, a director in foreign exchange sales at BMO Capital Markets, is a graduate of the Goodman Institute of Investment Management at Concordia University's John Molson School of Business, and has worked in the industry for eight years.*

