Not everyone would embrace this change of pace, but Pradeep Kalla, Tyler Brough, Denny Tu, and Hsiao Yu Chien considered the new MSF Practicum an opportunity not to be missed. Accompanied by PhD student Brandon Julio, the two teams of students lived and worked in Chicago learning QAI software packages and applying them to a theoretical problem. QAI was one of ten companies (see page 12) hosting students from the MSF and MBA programs during January.

"The practicum gives me an opportunity to see applications of the concepts I’m learning in school,” Kalla said before he left for Chicago. “Specifically, Quantitative Analytics works in the field of quantitative finance, my area of interest. Also, I think the practicum can be a potential networking opportunity because we will be working with people who are in a field that interests us."

Getting It Started

The MSF Practicum was established when Illinois’ David Ikenberry, finance department chair and professor, approached QAI President Bill Aronin about modifying a program the company has participated in with several other universities, including Harvard, Yale, MIT, Vanderbilt, and the Illinois Institute of Technology. The group from Illinois was the first to participate on-site and work with professional consultation from QAI staff.

“We thought it would be very beneficial to work with these bright students and establish a relationship with Illinois,” said Aronin. “We see an opportunity to bring our products into the university for the students to use and, if there is a potential fit, we might hire some of them in the future.”
Roger Cannaday, director of the MSF program and associate professor of finance, believes the practicums help overcome a disadvantage of a one-year program. The twelve-month cycle does not allow time for a two- to three-month summer internship. “The practicums are like a mini-internship,” said Cannaday. “In addition to giving the students some practical experience, it is a great networking opportunity. The hope is that some of these students will make such an impression that they will ultimately get job offers from the practicum host firm. There is some early indication that this might happen for one or two of this year’s students.”

**New Initiatives in the MSF Program**

The seven-year-old company produces four software packages that allow quantitative portfolio managers to produce financial models, produce reports, and aggregate and capture data. More than 150 financial institutions use the packages. Overseeing the work of the student teams was Joe Gits, QAI’s executive vice president, who often works with the company’s professional clients as they are training with the software. Gits said that although the students’ work was not something that QAI expects to benefit from directly, their newly developed knowledge of this software could be an advantage for both the students and their employers.

**Student Experience: Positive**

For the practicum, Louis Chan, an Illinois finance professor, gave each of the two teams a financial problem to solve using QAI software. Brandon Julio, the PhD student, accompanied the teams and guided their efforts during the first week of the project. Among the problems the teams looked at was a study of the relationship between the divergence in security analysts’ forecasts of earnings and future stock performance.

While they had several weeks to consider the problem on their own before they left for Chicago, when the students sat down with the people at QAI, the problem took a different shape.

“They were pretty helpful because they knew we hadn’t used the packages before,” said MSF student Kalla of his supervisors at QAI. “They didn’t have any problems walking us through the steps. The biggest part of the learning curve came when we sat down to apply the software to the actual problem.”

On the Corporate Side: Positive

“Having them learn the language of our software gives QAI a real advantage,” Gits said. “Down the road it could help us to choose some employees, and we have a generated pool of people we can recommend to our clients as quantitative portfolio managers. I would have liked to have had this opportunity coming out of school, but it wasn’t available at the time.”

Aronin said that no matter how good of an education a student has received, many of America’s most talented graduates will struggle with the challenge of turning theories and concepts into tangible skills when entering the workforce.

“What we’ve pinpointed is that once they’ve graduated, it takes (employees) six to eight months to become really productive in their environment, because they don’t have a lot of practical skills with the tools that they will be using,” said Aronin. “This practicum gives Illinois students a huge edge over graduates from other schools. The MSF Practicum will help enhance Illinois’ reputation for master’s-level work in finance because students can graduate with skills and knowledge being used in corporate America today.”

**Residential Component**

Living and learning together. That was the rationale for establishing the new residential option offered to MSF students. Just off campus and a ten-minute walk from the College of Business, a tall, modern apartment building called Presidential Tower is home to 15 students who enjoy turnkey apartment living with a lease schedule that matches the 12-month program calendar (June through May). The arrangements garner rave reviews from students.

**Finance Resource Center**

24/7/365. That is the schedule for the Finance Resource Center located in the Presidential Tower. The Resource Center is equipped with computers, peripherals, and internet connections, a Bloomberg terminal, and study space. PhD candidates in the Department of Finance serve as academic advisors and assist with coursework. What more could a serious, focused graduate student want?

For more information, consult www.business.uiuc.edu/msf.

Continued on page 12
Thirty-one years. That’s how much insurance experience Mark Vonnahme brought to the College of Business when he walked into his Property and Liability Insurance class this spring. The value of that experience? Priceless.

“I’ve been around insurance products my entire career,” said Vonnahme (von-ah-MEE), who retired as CEO of CNA Surety in 2003. “In the class, we’re talking about marketing distribution systems, underwriting, claims, the reinsurance business, and the like. But in every piece I want to make sure I’m bringing in some real-life examples and what that’s meant in my own career.

I think students coming out of school want to know things like, ‘What am I going to be doing the first year? Will I be trained on the job? What kind of background do I need? If I’ve got an accounting background, where would I fit?’ There are many, many different career opportunities within the insurance industry and that’s one of the things I hope I am bringing to my students.”

According to David Lins, professor of finance and coordinator of the MSF Practicum program, student demand for hands-on activities like practicums is very strong. Approximately 60 students from the MSF and MBA programs applied for projects, and 26 were selected to participate. Reactions to the January 2004 experience were overwhelmingly positive. Student comments noted the effort required (“it was really hard work”), the value to the sponsors (“we gave them a fresh outlook”), and the value to the participants (“an excellent experience”).

Feedback from the ten sponsoring companies was equally strong. Paul Hagy, the AON Corporation practicum coordinator, emailed Lins with his view on MSF candidate Tyler Shaffer and MBA student Ellen Chung who, he reported, “did a great job” in putting together a white paper on hedging foreign exchange exposure resulting from the translation of foreign income.

MBA students Noam Hirschberger and Ramunas Lygis worked at the Federal Reserve Bank of Chicago for their practicum project, which produced a research paper exploring factors that facilitate and impede automated clearinghouse cross-border payments. Carol Clark, the practicum coordinator for the Fed, and her colleagues found the paper very useful and thanked Lins for sending them “these two fine students.”

Lins is already thinking about the practicum experience in 2005. He wants to expand the program by signing on additional corporate sponsors so that more students can participate. “This is a rewarding educational experience for the students and for the sponsors,” he said. “We’re expecting even more interest next year.”

— Christopher Boyce & Ginny Hudak-David

Other companies participating in the first MSF Practicum experience were:

- ADM
- Aon Corporation
- CIVC Partners
- Federal Reserve Bank of Chicago
- Flowserve
- Grainger
- Liberty Mutual
- Prudential Mortgage Capital Company
- Ziegler

Making a Break Count: Continued from page 11

When asked his opinion of the experience, Kalla echoed Aronin’s sentiments. “(The practicum) helped me get an understanding of what my options in quantitative finance are. That goes a long way in helping me choose my career options for my future.”

And from Campus: Plans for Next Year

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