



Student Investment Fund program celebrates a decade of achievement

When the idea of setting aside real money for business students at the University of New Brunswick (UNB) to invest in capital markets was first proposed to the New Brunswick Investment Management Corporation (NBIMC), the firm naturally wanted to ensure the program was well thought out and properly controlled.

If the firm decided to move forward on this idea, NBIMC would allocate \$1 million of the approximately \$5 billion of pension assets under their management, to develop an investment management program in the faculty of business administration. Carefully selected students would have the experience of learning asset management by investing real money in the capital markets. Graduates of the program might even fill positions at the Crown corporation.

As you are probably aware the concept became a reality in September 1998. The Student Investment Fund (SIF) program has exceeded all expectations by many measures of success. The student-managed fund has grown to roughly \$2.2 million from its initial \$1 million strictly from investment returns. There was no additional injection of funds that would account for any of the fund's growth. The risk of student investments is mitigated by their requirement to operate within the parameters of NBIMC's investment policy statement and with careful oversight at many levels.

The SIF was the first student-managed fund in Atlantic Canada, one of a few in the country, and unique in North America. Its market neutral equity portfolio construction approach combined with an embedded study program for the Chartered Financial Analyst (CFA) Level I exam made it leading edge.

The first cohort of SIF students entered the program in September 1998 during turbulent times in financial markets stemming from the collapse of Long Term Capital Management. With Nobel Prize winners Myron Scholes and Robert Merton heading up the failed firm, its demise illustrated that the market can be humbling. Over the subsequent ten-year period, the students made their investment decisions during the technology bubble and bust, and are now navigating through the subprime crisis, US\$120 oil prices and US\$900 gold prices. It's safe to say that the market is their real teacher.

The SIF program founder and current professor, Glenn Cleland, came to UNB as director of the Centre for Financial Studies in 2002. He consistently stretches the limits of the possible to "raise the program to a higher level". And the next year to yet a higher level. In the spirit of lighthearted competition, each successive class of high-performing student investors stretches their capabilities to outperform their predecessors.

The CFA Level I exam is challenging. It is the most consistent measure of success of our students. With a 59 percent pass rate on the CFA Level I exam SIF students have surpassed the 44 percent industry average pass rate over the program's ten-year life. In the past three years, SIF students achieved a 68 percent pass rate compared to an industry average of 38 percent. A number of SIF students have successfully completed all three levels of exams and professional experience required to become CFA charterholders.

We attribute some of our success to the integrated design of the program's pedagogy, the Stairway to Employability. In the SIF program students apply

investment theory using real money in real time to achieve real financial performance. The program's mantra affirms our commitment to experiential learning.

Tell me, I will hear

Show me, I will see

Let me experience, I will learn

– Lao Tzu

A decision to enter an international investment competition in 2003 and our students' accompanying success was instrumental in spawning greater interest in business competitions. UNB was the first Canadian university to win an investment category at the prestigious Redefining Investment Strategy Education (R.I.S.E.) competition in the U.S. The 2003 SIF team placed second overall in a field of 160 student-managed funds from around the world. The students were smitten by the exhilaration of competitive success. Once again, in 2004 and 2007, the SIF team won a category at R.I.S.E. Students honed their skills in 2005 to become the inaugural winner of RBC/Dalhousie University's Credit Risk competition.

A keen desire by Dr. Sean Cleary, then at Saint Mary's Sobey School of Business, and his colleague Dr. Greg MacKinnon, to have a valuation competition in the Atlantic region made it happen. The team representing UNB's Student Investment Fund program impressed the industry judges at the November 2007 inaugural Atlantic Canada CFA Society valuation competition. The SIF team went on to place first in the North American CFA Valuation competition in New York City in April 2008; and placed second behind Hong Kong Baptist University in the CFA Institute's Global Investment Research competition in May. If there was ever any doubt that SIF students could compete on a global level it was erased by this success.

Our many achievements would not have been possible without the financial support of donors to the SIF program. The significant cost of writing the CFA Level I exam, the annual 3-day student investment bootcamp trek to Toronto, and travel and accommodations to participate in business competitions are expenses to students beyond their tuition fees. NBIMC, a stalwart partner to the program, provides support to the SIF to assist with some of its financial commitments. The asset manager also provides access to students to use their financial technology and to knowledgeable staff who generously mentor the students.

Jason VanderToorn, the financial sector portfolio manager at NBIMC, devoted valuable time and knowledge to prepare the SIF valuation team for the regional competition which enabled them to qualify to compete in the New York City contest. A donation from Phillips, Hager & North Investment Management

helps students defray the costs associated with their participation in competitive experiences. Students tell us that business competitions enhance their academic experience, business acumen and leave them with fond memories of their time spent at UNB.

The Boardroom is the focus of the SIF program and bears the name of its sponsor, the TSX Group. The financial industry standard software housed in the Boardroom offers students the data they need to make informed investment decisions. Industry practitioners often come by the Boardroom to mentor student investors or to shed light on a particular segment of the finance industry.

Upwards of 110 students have completed the Student Investment Fund program. Nine graduates are currently employed with our program partner, NBIMC. A further eight graduates have worked at NBIMC and have since moved on to other career opportunities. Graduates of the program have chosen career opportunities with financial services firms in the Atlantic region, in major financial centres across the country, New York City, Dubai, Cairo and London, England. Those who began their careers a number of years ago have moved up the corporate ladder to positions of increasing responsibility.

Feiber Omana, a 2005 SIF graduate, successfully completed all three levels of CFA exams and enters Harvard Business School (HBS) this month. After graduating UNB, Feiber relocated to Calgary to take up a position as an analyst in corporate finance/investment banking. In an extraordinary vote of confidence his employer promoted him to Associate much earlier in the normal career progression than the title is typically offered. Needless to say Feiber is an outstanding SIF alumnus who is a stellar performer even by Harvard standards.

The SIF program's success belongs to many people: UNB's finance faculty who taught the course in the early years of its development and continue to offer insights to advance the program; high achieving students; a standard of excellence instilled by the program director; industry professionals who mentor and coach the students in the Boardroom and invite them into their firms; other faculty who offer refreshing perspectives; and university administrators, particularly the dean of the Faculty of Business Administration, Dr. Dan Coleman. He has offered much needed fresh thinking into a rumination that has lasted too long and has provided guidance in navigating the sometimes choppy institutional waters. We extend our gratitude to those people with whom conversations have been had and who have no idea that their reflections have led to something more. A special thank you to Kelly Anderson and Peter Coates of UNB's development and donor relations who keep the SIF and the Centre for Financial Studies' story in front of donors.