

FORTÉ
RISING
STARS

FORTÉ INDUSTRY SNAPSHOT:

FIND YOUR FUTURE IN FINANCE

 **Forté**
More Women Leading



Finance is an expansive industry with a host of opportunities for a variety of women with many different skill sets. It's a meritocracy that values hard work, intellectual curiosity, strong communication skills, innovative thinking, and the ability to execute on ideas. These are all characteristics possessed not only by business majors, but by women studying liberal arts, STEM, and other “non-finance” majors.

Our goal is to demystify the finance industry, provide a roadmap to different financial career paths, and explain some financial industry jargon. This piece won't cover all the career opportunities available, but it will provide a strong foundation from which to continue exploring areas that interest you most. With so many opportunities available, especially for women, there is no better time to explore the finance industry and your place within it.

This industry snapshot was
developed with the support of:



FINANCE



When considering a career in finance, you have many options. You could work in a bank, either in a revenue or non-revenue generating position. You could work at an asset management firm that invests the capital of its clients in public markets, private companies, or real assets. You could work for those who have the capital to invest (institutional investors). You could work for corporations Chevron, Dow Chemical, or Whirlpool that need capital to expand or grow their businesses and finance experts to work in the budgeting, reporting and auditing functions that ensure the financial “health” of the organization. All of these entities are part of the finance ecosystem supporting global economic growth.

One of the wonderful things about working in the finance industry is that it enables you to build a broad skill set that you can draw on throughout your career. For example, you might spend two years honing your skills at an investment bank, move on to a private equity firm for two years, take a break to obtain your MBA, and from there move into a corporate finance position and progress to the C-suite. Or you can start as an analyst in investment banking and become an expert in an industry group, like healthcare, then advance to the level of Managing Director as you increase your level of

responsibility in the same firm. The opportunities and career path options are endless.

Due to continuous focus on global economic growth, the changing political landscape, and the dynamic tax and regulatory impacts, the finance industry continues to innovate and expand. Everyone is looking for talent, and finance firms are beginning to seek students earlier in the recruiting cycle. So the earlier you can begin exploring the finance industry and understanding the career paths available, the better. You want to be able to make an informed decision about what is best for your personality and your skill set.

You are in luck. Many firms have targeted efforts to recruit and retain women. With that in mind, let's get started demystifying the finance industry!

WHAT IS FINANCE?

Selling and Buying Make the World Go Round

Finance is defined as the management, creation, and study of money, banking, credit, investment, assets and liabilities. It is the study of how money is acquired and managed in order to create growth. Finance and economics are interdependent. For example, if the government decreases the corporate tax rate, it is an economic policy that encourages companies to expand. Those companies may go to the finance industry and raise capital to grow, thereby creating jobs and more disposable income for families that then helps the overall economy grow. Choosing a career in finance is exciting because it allows you to have a direct impact on the economy and the lives of many.

In its simplest form, finance is the movement of capital from those who have it (e.g., pensions, endowments, foundations) to those who need it (e.g., corporations). The finance industry engages investors and facilitates the movement of money through capital markets transactions, private investments, and products/services to the companies and individuals seeking resources. As you can see, the finance industry has many players, but at its core, it is simply the movement of capital. Let's focus on Financial Services first.

It is easiest to view the financial services industry in two main areas: the sell-side and the buy-side. The sell-side of the finance industry sells advice, services, and products to the buy-side of the industry, which uses the services, advice, and products to invest in companies on behalf of clients. Sell-side firms act as advisors, agents, or intermediaries. The buy-side firms commit capital (their own money or money they manage on behalf of others) to organizations through public or private investments.

The sell-side of the industry is represented by investment banks. Investment banks are financial institutions that assist individuals, corporations, and governments in raising financial capital. In many cases they act as trusted advisors to their clients when making big decisions that impact the future of organizations. They facilitate the buying and selling of stocks, bonds, and other investments. They help companies "go public" with an Initial Public Offering or raise additional capital through issuing debt or additional equity. They serve as advisors to help companies acquire or merge with other companies or to divest of divisions or the company as a whole. Investment banks may be part of large, universal banks such as Bank of America and J.P. Morgan Chase; they may be large independent investment banks such as Morgan Stanley and Lazard; or they may be boutique investment advisory firms such as Evercore and Guggenheim. The sell-side of the industry has many career paths that we'll explore later in this guide.

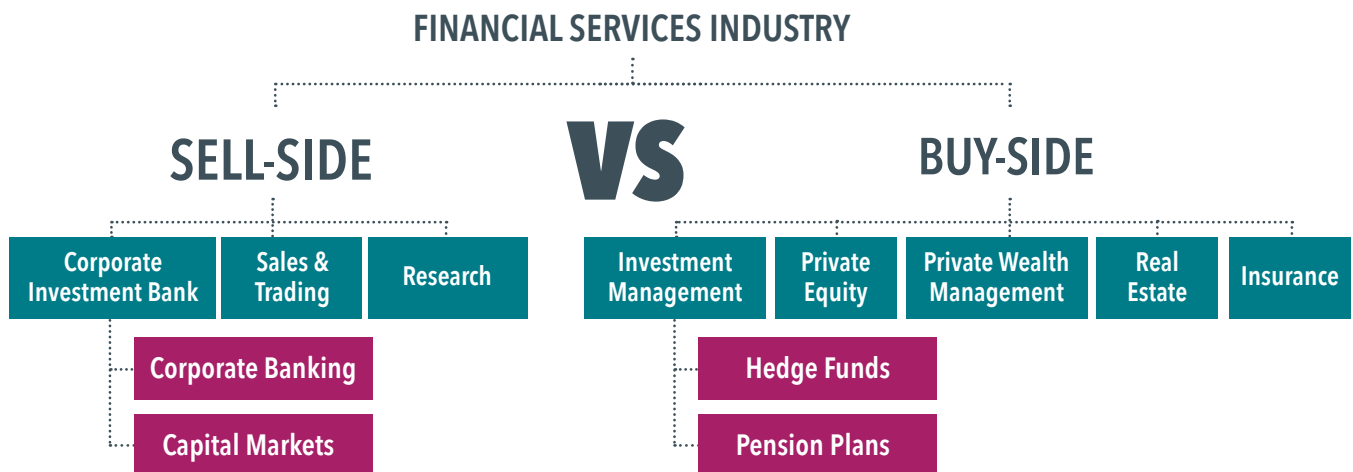


The buy-side of the industry puts the capital from investors to work through direct investing in public markets or through private investments. The buy-side includes:

- Asset Management firms such as PIMCO, Invesco, and Capital Group
- Hedge funds (a sub-component of investment management) like Two Sigma, Bridgewater, and Citadel
- Private equity firms such as Carlyle, KKR, TA Associates, and General Atlantic

- Real estate development or investing firms like Hines, Greystar, and Prologis
- Insurance firms such as Liberty Mutual, Prudential, and Aetna
- Private wealth management firms or financial advisor firms such as Ameriprise, J.P. Morgan, and Edward Jones

Now that you have a general understanding of the financial services industry and some of its components, let's get into some of the details.



The image above represents the buy vs. sell side of the industry and many of the career opportunities available. This is not an all-inclusive list, but provides an overview of the most common parts of the financial ecosystem that women might consider for a first job post-graduation and as future career stops on a long, rewarding, and profitable career in finance.

INTRODUCTION TO THE SELL-SIDE

What's For Sale?

First, let's look at the sell side, and specifically at banking, as it is one of the largest employers of undergraduate women in the finance industry. Banking provides myriad career paths, typically has formal training programs with built-in networking, and leads to a wide range of opportunities.

When looking at the banking landscape through the lens of finance, it is important to distinguish between the types of banks: commercial banks, investment banks, and universal banks.

COMMERCIAL/RETAIL BANKS aggregate deposits, lend to businesses and consumers, and primarily deal in products such as depository services (checking/savings accounts, certificates of deposits), loans (mortgages, business loans), and treasury services. Examples of commercial banks include PNC Financial Group and M & T Bank.

INVESTMENT BANKS are financial institutions that, acting as an intermediary, facilitate capital flows between investors and companies, as well as provide strategic and financial advice. They help individuals, corporations, and governments raise capital through public offerings in equity and debt; advise on mergers and acquisitions; and facilitate the buying and selling of stocks, bonds, and other investments. Examples of investment banks include Morgan Stanley, Evercore, and Lazard.

UNIVERSAL BANKS have both commercial banks and investment banks. They provide all the above-mentioned products and services under an umbrella organization and are typically global institutions. Examples of universal banks include Bank of America, Citigroup, and Wells Fargo.

THE BROADER BANKING LANDSCAPE

COMMERCIAL BANKS



Business Model

- Aggregating deposits
- Portfolio lending to businesses and consumers

Primary Products

- Senior Debt
- Treasury Services
- Depository Services

UNIVERSAL BANKS



INVESTMENT BANKS



Business Model

- Intermediating capital flows between issuers and investors
- Provide strategic and financial advice

Primary Products

- Public Debt & Equity
- Leveraged Finance
- Structured Products
- Mergers & Acquisitions

Bulge Bracket is a slang term to describe the largest and most profitable multi-national investment banks in the world, such as J.P. Morgan, Goldman Sachs, Morgan Stanley, Citigroup, Barclays, Bank of America Merrill Lynch, Credit Suisse, and Deutsche Bank. These firms usually have offices around the world and offer every product and service available to help companies acquire capital.

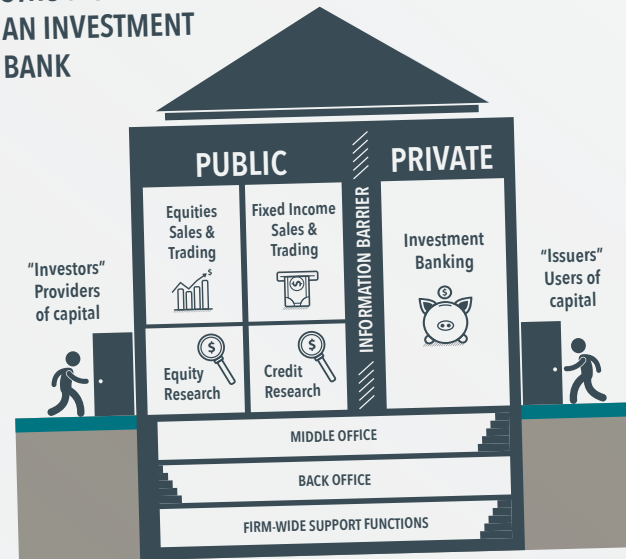
Middle Market banks are firms with sizable annual revenues ranging from \$50mm to \$1bn; they are typically in the US and some other countries but not truly global. They often focus on slightly smaller deals such as those involving the 51st to 200th largest companies in a given industry, versus the top 50 companies in that industry, where bulge bracket firms tend to focus. They provide only some of the products and services of a bulge bracket, but offer more than boutique firms. Examples of middle market firms include Macquarie Group, Guggenheim, BMO Capital Markets, and Jefferies & Co.

Boutique investment banks are smaller and do not provide a full array of products and services. Instead, they specialize in some services such as mergers & acquisitions (M&A) or restructuring. Examples of these boutique investment banks include Evercore Partners, Lazard, Centerview, and Houlihan Lokey. Other boutique investment banks focus on a particular industry such as Technology. An example of a technology industry-specific boutique bank would be Catalyst Partners LLP.

COMPETITIVE LANDSCAPE (ONE PERSPECTIVE)



STRUCTURE OF AN INVESTMENT BANK



Investment Banking

THE BIG PICTURE

Investment banks deal directly with corporations, governments, municipalities, and individuals to provide an advisory service. Remember, investment banks are INTERMEDIARIES between the providers of capital and the users of capital. An Investment Bank provides information and services (sales & trading and research) that are available to the public while also providing specific services and guidances that are "private" and available only to the parties involved (investment and corporate advisory services). Some of their services are mergers and acquisitions (M&A), restructuring including divestitures, and capital raising through debt or equity issuances. Investment bankers will provide advisory services on the private side, and then will help execute a transaction in the markets and keep the flow of capital moving on the public side (a.k.a., global markets). Below is a short list of some services that an investment bank will provide on the private and public sides.

SERVICES OF A CORPORATE INVESTMENT BANK

INVESTMENT BANKING

Advisory

- Mergers
- Acquisitions
- Hostile Defense (Spin-offs)
- Restructuring

Origination / Capital Markets

- Common Stocks
- Preferreds
- High Yield Bonds
- Investment Grade Bonds
- Syndicate Loans
- Asset Backed Securities
- Derivatives

GLOBAL MARKETS

Sales & Trading

- Equities
- Convertibles
- High Yield Bonds
- Investment Grade Bonds
- Syndicate Loans
- Asset Backed Securities
- Foreign Exchange
- Commodities
- Derivatives
- Public Finance

Services

- Research
- Prime Brokerage
- Investor Services / Custody

The key revenue-generating career paths in an investment bank are Corporate Investment Banking, Sales & Trading, and Research. We will explore these, as well as the non-revenue generating career paths: middle office, back office, and firm wide support functions. Many women choose to start as investment bankers because of the skills they will develop in this role, as well as the strong training and networking opportunities. If you choose to be an investment banker, you'll need to determine if you want to be a corporate banker (a.k.a., coverage or industry banker) or a product banker. Although you can change between areas, this basically means that you need to decide if you want to be an industry expert or a subject matter expert.

CORPORATE/COVERAGE/INDUSTRY BANKERS

know a particular industry very well. They are industry experts. If you pursue this route, you will develop strong relationships with companies in the industry, understand the industry landscape, and be aware of industry and sector trends. Typical industries are Healthcare, Industrials, Financials, Consumer Retail, and TMT (Technology, Media, & Telecom). As an analyst corporate banker, you will work with other members of the industry team to provide advisory services that demonstrate you are an expert in that industry.

PRODUCT BANKERS are experts in a particular financial product such as debt, equity, or M&A. They are subject matter experts. Product bankers might provide expertise in the capital raising function and help clients issue debt, they may complete an Initial Public Offering or an equity follow-on, they may have in-depth knowledge on how to complete an M&A transaction. If you choose this route, you will collaborate with the corporate/industry bankers to bring the right product to the client to meet the client's needs. Product groups offer guidance on particular types of transactions including:

- **Mergers and Acquisitions ("M&A")** are transactions in which the ownership of companies or their operating units are transferred or combined. M&A allows enterprises to grow, shrink, and/or change the nature of their business, usually to bolster a competitive position. Some banks have M&A practice areas while others allow an industry group to do their own M&A.
- **Equity Capital Markets ("ECM")** are equity and equity-derived products including IPOs, secondary offerings/follow-ons, and capital raises.
- **Debt Capital Markets ("DCM")** are transactions that raise and structure debt to finance acquisitions and other

corporate activities. One subset of DCM is:

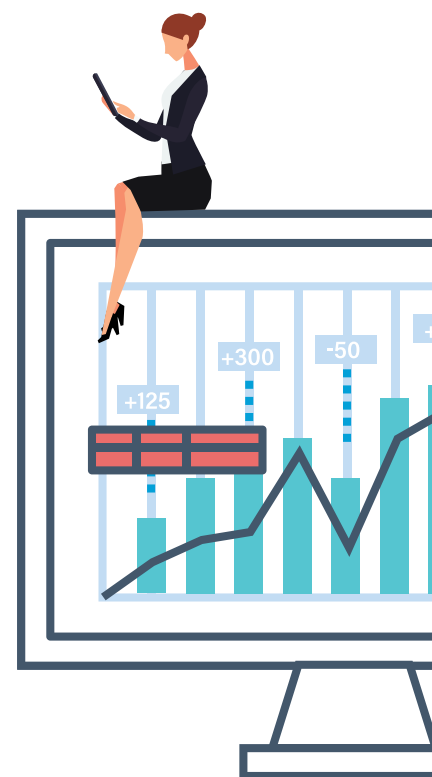
Leveraged Finance ("Lev Fin") is the issuance of high-yield debt to firms to finance acquisitions and other corporate activities. The Lev Fin group tends to work with companies that are considered higher in risk for the capital.

- **Restructuring** is the improvement of the capital structure of a company to make it more profitable or efficient by changing the terms on existing debt or issuing new debt and retiring current debt instruments.

WHAT DOES AN INVESTMENT BANKER DO?


College graduates enter investment banking as analysts and may be promoted to associate after two years. MBAs enter investment banks as associates. When you join, you will be part of deal teams that range in size from 3 to 10 people. The deal team is a matrix of people: it will be comprised of corporate/coverage bankers and product bankers and it will include and it will include bankers at different levels. Investment banking transactions are a team effort and require collaboration, innovative thinking, intelligence, and lots of hard work, culminating in many hours to make a transaction happen.

Analysts (a.k.a., "junior bankers") perform a variety of functions. They conduct industry/product research, assess the financial health of companies, perform financial analysis and modeling (e.g., Discounted Cash Flow Model), develop and prepare client presentation materials (PowerPoint presentations,



THE INSIDE SCOOP

pitch books, roadshow materials, board materials, etc.) to market the firm's services and ideas to potential clients, and help execute live deals. Many analysts will work on two to five pitches at any given time and may only have one in five pitches lead to a live deal. Analysts need to be comfortable preparing 100-page pitch books that never get used or never result in winning a mandate or executing a deal.



An example of an investment banking "deal" was taking Facebook from a private company to a public company in 2012. A group of Investment Banks provided advisory and execution services for this deal.

When recruiting investment bankers, firms look for students with a very high GPA (3.5 or above), high SAT/ACT scores, and demonstrated leadership and teamwork abilities. They want to see evidence of attention to detail, strong analytical/quantitative/technical skills, proven written and oral communication skills, creativity, unwavering work ethic, personality (positive attitude, sense of humor, enthusiasm), and an ability to work under pressure and adapt to different situations.

Investment banking is one of the most prestigious areas in finance, but also one of the most demanding in terms of hours and work/life balance. As a junior banker, you will work between 80 and 120 hours per week and work six or seven days each week. Unlike other finance professionals, the investment banker is focused on client needs rather than market hours. In recent years, investment banks have decreased the number of hours required for junior bankers and associates and limited weekend hours, but the unpredictability can still weigh heavily on the investment banker's personal life.

Summer interns function like junior bankers and will often work on pitches and, hopefully, live deals. Their work hours are similar to those of a full-time analyst.

While the prospect of long hours and hard work might be a deterrent, investment banking provides a rigorous training ground and a huge network that can serve as a gateway to other areas of finance. IB programs are "feeders" for other areas within finance such as private equity and asset management. Investment banking firms hire lots of people and provide an excellent foundation of knowledge and skills that can be transported to other areas. In addition, investment bankers are some of the highest paid professionals, and compensation includes a base salary and bonus.

As one advances in investment banking, the hours may decrease, but roles at the senior levels are still very demanding. Today, the percentage of women in senior IB roles is lower than in other areas of banking. For this reason, investment banks are placing greater emphasis on recruiting and retaining women.

Initial Public Offering (IPO)

or stock market launch is a process by which a private company transforms into a public company. Shares of a company are initially sold to institutional investors, who then sell them to the general public, on a securities exchange, for the first time.

Mergers & Acquisitions (M&A)

are transactions in which the ownership of companies or their operating units is transferred or combined. M&A allows enterprises to grow, shrink and/or change the nature of their business, usually to bolster a competitive position. Some banks have M&A practice areas, while others allow an IB division to do their own M&A work. If you are looking for an IB internship or full-time job, make sure you understand where within a particular bank the M&A work is done.

Pitch Books

Investment banking junior professionals spend a good deal of time working on pitch books: documents that are used to “pitch” potential clients. The book contains the main attributes of the company, potential returns, and the qualifications of the bank making the pitch.

Discounted Cash Flow (DCF)

is a valuation method used to estimate the attractiveness of an investment opportunity. DCF analyses use future free cash flow projections and discount them, using a required annual rate, to arrive at present value estimates. A present value estimate is then used to evaluate

the potential for investment. If the value arrived at through DCF analysis is higher than the current cost of the investment, the opportunity may be a good one.

Due Diligence

is an investigation or audit of a potential investment or product, and its purpose is to verify facts, such as financial records and anything else deemed material. Due diligence may include analysis of the total value or capitalization of the company; an examination of revenue, profit, and margin trends; a review of competitors and the industry; and analysis of the company’s management, share ownership, stock price history, and balance sheet.

Valuation Analysis

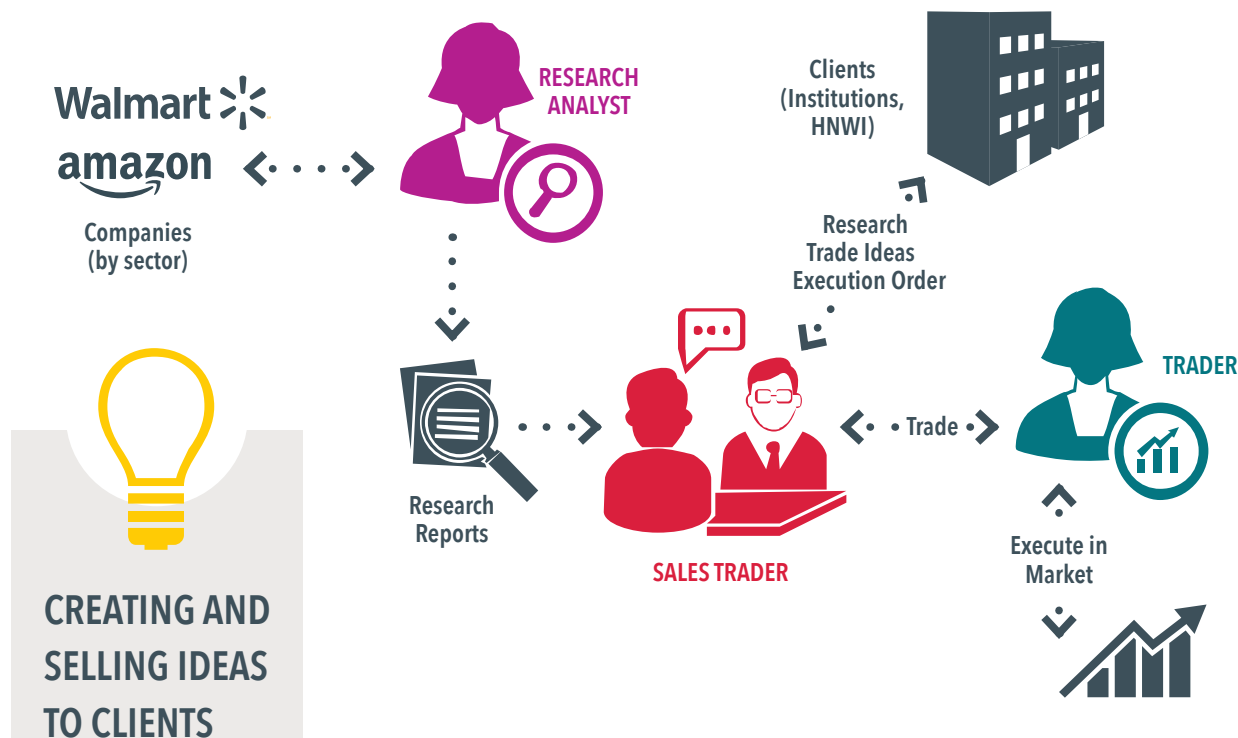
is a process to estimate the approximate value or worth of an asset, whether it’s a business, equity or fixed income security, commodity, real estate, or other type of asset. The analyst may use different approaches to valuation analysis for different types of assets, but always looks at the underlying fundamentals of the asset.

Global/Capital Markets

THE BIG PICTURE

As discussed above, investment banks have a private side and a public side. Many undergraduates consider the public side of finance to be a very rewarding and stimulating career and more in line with their personality. In this part of the business, they develop relationships, intimately deal with the financial markets, and provide industry-leading services to the buy side. These career paths typically fall within the public side of the bank called Global Markets. Within Global Markets, the goal is to bring capital to the marketplace. This includes research and making recommendations, distribution “Sales”, and trading. This is where you can be creative and sell your ideas to the buy-side clients.

FOR EXAMPLE, a research analyst might cover Amazon and Wal-Mart and will have a deep knowledge of the companies and the competitive landscape, create valuations, and provide a recommendation to buy stock in the company. Sales traders will use the research reports generated by analysts to talk to their buy-side institutional clients such as State Street. The institutional client reviews the information (more on this later) and sends a trade order to the sales person who, in turn, gives the trade order to the trader. The trader monitors the market and executes the trade on the stock exchange. This trade will then flow through the middle and back offices of an investment bank to be settled and placed in State Street’s custodial account and recorded in its portfolio.



Sales & Trading

An investment bank relies on its sales department to sell bonds or shares of stocks in companies it underwrites or sell trade ideas that their clients then execute with the investment bank. These transactions help create revenue (a.k.a., “Commissions” or “Fees”) for the bank. Investors who want to buy or sell a certain stock or bond will place an order with a broker or sales representative who “writes” the ticket for the order. The trader makes the trade in the public market.

WHAT DOES A SALES TRADER DO?

Sales traders sit between clients and traders. They maintain relationships with institutional investors and are known as the distribution pipeline. When a client calls in an order, the sales person either gives a quote or asks the traders for a quote and provides intelligent market data to the clients (e.g., research reports). They bring orders to trading desks and manage client relationships by connecting clients to all the resources that a firm provides. Sales traders develop and cultivate client relationships through sharing tactical trade ideas or research and giving market intelligence based on what they and the traders are seeing in the markets. They often have to negotiate between their clients and traders when clients want to get the lowest price for what they are buying and the highest price for what they are selling. Sales traders also work with investment bankers who have IPOs, equity follow-ons, or debt issuances sell in the market.

Sales people have strong communication skills and have the ability to cultivate relationships and understand their clients so that they can bring the right trade ideas and right transactions at the right time to add value for

their clients. Through developed relationships, they will receive and execute the orders and help clients build their portfolios of investments, generating a strong reputation for themselves and the bank.

WHAT DOES A TRADER DO?

Traders develop in-depth knowledge about certain markets, companies, and industries. At an investment bank they typically have one of two roles: (1) “Making a market” by buying or selling securities for a client’s account and at the client’s request, or (2) proprietary trading by buying and selling securities for the investment bank’s own account. This is necessary so that the firm can hedge out its risk when it is trying to make the best markets for its clients. They may trade higher volumes than what the client needs in order to get a lower price and then hedge out the additional share purchases to make sure the firm is not exposed and/or is making a bit of profit themselves.

Most traders specialize in one type of security or market such as equities, fixed income (bonds or cash equivalents), foreign currencies (Forex, FX), or derivatives. Equity traders spend time persuading other traders why their offer is a good trade for their firm. Fixed income traders use their analytical skills to price and

A common question in determining whether a student is best suited for Investment Banking, Sales, Trading, or Research is



Do you like working on group projects, taking tests, or writing papers?



Investment banking work is a team sport. You’ll work with a team for long hours to complete a paper or presentation. It takes autonomous work to do your part of the group project and collaboration to bring the group together to make the presentation a success. Sales & trading is like taking a test – intense pressure over a shorter period of time, and each day is a fresh start. Research analysts love writing papers; they dig deep into all the details and understand the nuances, and then they write substantiated, 30- to 50-page papers to fully explain their position.

sell inventories of bonds and other financial instruments. Derivatives traders must have strong analytical abilities and be very technically savvy. Finally, foreign exchange traders rely on their knowledge of macroeconomics and market events to gauge the direction of markets.

Some trades are meant to be long term and some are short term. If you purchased \$1,000 worth of Facebook stock at its opening price of \$38/share in 2012, you would have lost money at the end of that day. But the current value* of that trade is \$5,304, a 400% return over the six year period.

*Facebook stock valuation as of 7/15/18.

A successful sales & trading career requires strong customer services skills and comfort with risk and volatility. Other key traits are the ability to make decisions quickly, resilience, a competitive nature, and a positive attitude. In assessing candidates, interviewers may try to determine if a student has “fire in the belly” and a passion for the markets.

Summer interns in sales & trading generally rotate among different areas such as equity, fixed income, commodities, and derivatives and “shadow” traders and salespeople, since they don’t have the licensing or experience required to execute trades.

Students looking to enter sales & trading careers should be prepared for a fast-paced, high-pressure environment. Sales & trading analysts and professionals work an average of 60 to 70 hours a week. Their day starts around 6:30 a.m., looking at market data before the markets open, and it ends one or two hours after the markets close. They are “tied to their desks” meaning they eat lunch at the desk and have very few opportunities to step off the trade desk - not even for rest room breaks. However, unlike investment bankers, they rarely work weekends or evenings other than the occasional social event to build and cultivate their client relationships.

THE INSIDE SCOOP

VOCAB CHEAT SHEET

Stock

Common stock traded on one of the exchanges (NYSE or NASDAQ, for example).

Bonds

Debt instruments, including government bonds, usually issued by the US Treasury.

Munis

Municipal bonds are from cities/states/ government agencies. They are often linked to derivatives.

Derivatives

A security that derives its value from another security.

Futures

A futures agreement is a contract that locks in a price for some financial asset in the future.

Options

A contract that gives the buyer the right, but not the obligation, to buy or sell a financial asset at a given price. This is

in contrast to futures where the price is locked in and the sale is final.

Long

If you’re long something, then you own something. If you bought a security, you are long that security.

Short

If you’re short something, it means you sold something without really owning it (thus you’re going to need to buy it at some point). It’s like being in debt.

Bid

The price at which someone wants to buy something.

Ask

The price at which someone wants to sell something

Hedge

A way to minimize risk on a trade by going into another trade that tends to move in the opposite direction.

Research

THE BIG PICTURE

In order for sales traders to bring tactical and global macro views to their clients, they rely heavily on their research groups. The research department at investment banks, similar to research analysts on the buy side, are the foundation for understanding companies and their value, and how that compares to the current trading value in the markets.

WHAT DOES A RESEARCH ANALYST DO?

Research analysts are financial professionals who have expertise in evaluating investments. They are detectives on the companies and industries they cover; they dig deep to understand the products, services, competitive landscape, and the financial stability of the company, and then provide a buy, sell, or hold recommendation in the form of a research report. They look at financial statements and public filings (e.g., 10-Ks and 10-Qs), listen in on company shareholder meetings, and talk to the C-suite of the company as well as its competitors. They take all this information and run financial valuation analysis to compare what they think the company is worth to the market trading value. They write 30- to 50-page research reports and then synthesize that information to two to four pages for sales traders to use when talking to clients. Sometimes, research analysts talk to clients at the request of the sales trader, as they are the firm's expert on that company and/or industry.

If you decide to be a research analyst, you'll need to further decide if you want to do equity research or credit research. Both equity and credit research analysts impart their expertise to clients and provide an analysis of US and world economies and the potential effects on their universe of companies. The difference is nuanced. Equity researchers also compare and contrast companies in their sector to form views of future performance for institutional accounts.

In many research departments (and sometimes in the investment management division of a bank), there are additional positions for economists and quantitative analysts. Economists provide an opinion on the future of the market and general economy based on models that they develop and maintain, third-party models and analyses, and analyses

of global and domestic news and economic indicators. Quantitative analysts typically develop computer models to value securities and structure portfolios that are used by sales traders, portfolio managers in the investment management division, or program trading. The position usually requires programming skills such as C++, Python, or Java, in addition to superior analytical skills. All the research positions require strong communications skills because you have to meet with clients as well.

Research analysts can work 60 to 80 hours per week, and the work is heavily quantitative. They have the ability to focus on one subject in depth and be a "master of one idea." They have an analytical mindset combined with a high level of intellectual curiosity as well as strong written and verbal communication skills. They work on longer projects and work longer hours during earnings seasons in order to incorporate new information provided by companies into their models. If you like writing research reports and digging deep to understand every nuance, then being a research analyst could be the right career path for you.

In comparison to the investment banking and sales & trading internships at banks, there are far fewer research internships. Interns in research departments will be assigned two to four companies to follow and will likely have one or two stock pitches during the summer to present ideas and analysis to senior analysts.

Stock Pitch

This is a verbal or written summary or full presentation of an investment opportunity and a buy or sell recommendation to a client. There are six major components of a stock pitch:

- Summary of the stock
- Company background including its business model, management, and attractiveness
- Investment thesis regarding whether the company is worth investing in
- Upcoming events that could impact the value of a stock
- A valuation analysis
- Discussion of risk that could negate your investment thesis

Research report

A document prepared by an analyst or strategist who is part of the investment research team in a stock brokerage or investment bank. A research report may focus on a specific stock or industry sector, a currency, commodity or fixed-income instrument, or even on a geographic region or country.

Financial Statements

for businesses usually include statement of operations (income statement), balance sheet statements, statement of stockholders equity including retained earnings,

and statement of cash flows. It is a standard practice for businesses to present financial statements that adhere to generally accepted accounting principles (GAAP) to maintain continuity of information and presentation across international borders. Financial statements are often audited by government agencies, accountants, and firms to ensure accuracy and for tax, financing, or investing purposes.

Capital Structure

is how a firm finances its overall operations and growth by using different sources of funds. Debt comes in the form of bond issues or long-term notes payable, while equity is classified as common stock, preferred stock, or retained earnings.



Additional Roles

Middle Office, Back Office, and Firm-wide Support

THE BIG PICTURE

The revenue-generating roles of an investment bank, some of which are described above, are often referred to as the “front office” of an investment bank. However, an investment bank would not exist without the strong support of its middle office, back office, and firm-wide support areas. These roles may not be client-facing or direct revenue-generating functions, but they are vital to the sustainability of the firm and its products and services. They are the foundation that must be solid for the investment bank to function effectively and grow.

The front-line investment side of finance is not for everyone. Some may not want the long, strenuous hours of an investment banker, have a passion for the markets, want to be in a client-facing role, or the desire to be detectives and write a “thesis” every few weeks. The great thing about finance is everyone can find a job in the industry that fits her personality, skills, and work-life balance desires.

Here are some great career opportunities in the vital, but non-revenue-generating, areas of an investment bank. Although these are not 9:00 to 5:00 jobs, the hours tend to be more reasonable (approximately 50 hours a week) and don't have the same intensity or stress often associated with the front office positions.

Middle Office

The middle office sits (aptly) between the client-facing, revenue-generating front office roles and the operational support of the back office. The middle office is semi client-facing and functions to assist in revenue generation. Some firms include only risk management, credit, and compliance in their middle office, while others add client-interaction groups such as trade processing. The goal of the middle office is to ensure that the investment bank doesn't engage in activities that could be detrimental to the bank's overall health as a firm. Some roles that undergraduates actively pursue are:

- **Compliance:** These roles work with sales, trading, research, investment bankers, and all other functions to ensure full compliance with the rules and regulations of the governing bodies. They monitor trading activity to prevent insider trading and conflicts of interest and establish policies and procedures to be followed.
- **Risk Management:** Risk Managers are known as the “watch dogs” of the firm. They plan, design, and implement risk management process. They analyze, identify, and quantify risks to the firm by position, market, credit, and counterparty. They must monitor the firm's and clients' portfolios to make sure that they are in the best interest of all.
- **Trade Reconciliation & Client Reporting:** This team interacts directly with the clients' operations teams. They capture the trades executed by traders in the front office, enrich the trade data, and validate information including settlement instructions, wire transfers, and trade details. They create daily reconciliations of cash and positions and

report all activity to the clients. They also create fair market valuations for complex trades such as swaps and derivatives. For some firms, this function is called operations and sits in the back office.

Back Office

The back office provides support so that the front office can do the jobs needed to make money for the investment bank. Back office positions complete tasks associated with trades such as settlements, regulatory compliance, and clearing. These are very process-oriented roles and are the foundation for an efficient firm.

- **Operations:** Some firms put the trade reconciliation and client reporting function in the back office and call it operations. This means that they handle trade clearing/settlement and report to clients all the fund accounting and administration. They also function as wire or transfer agents to make sure all cash and securities are moved efficiently between accounts. They also handle all corporate actions (e.g., dividends, stock splits).
- **Technology/IT:** IT is becoming the largest part of investment banks. This function is responsible for creating and maintaining software, implementing new trading software (off the shelf or proprietary), and technical support.

Firm-Wide Functions

Many undergraduates are interested in the finance industry, but eventually want to become lawyers or strategy consultants or work as marketing or recruiting professionals. As we've said before, there's a career path for everyone in finance. Those who aspire to the legal profession but want some work experience prior to law school can work in the legal department of an investment bank on various contract negotiations. Recent undergraduates can work on implementing new procedures, products, or growth initiatives serving in a business analyst role for the CFO/COO. Recent graduates can also work in the marketing department of an investment bank, producing advertisements, pitches, and events that showcase the products and services that the investment bankers, sales and trading groups, or research analysts create. There are also large human resource departments at investment banks that focus on recruiting, compensation issues, or training and development.

There is definitely a place for anyone interested in finance to be a part of this integral industry that impacts our global economy. It is especially suited for those who are passionate about markets and helping companies grow.



One More Thought on Buy-Side:

Other Parts of a Universal Bank

THE BIG PICTURE

When you begin exploring the finance industry, it might be confusing to see the sheer number of divisions in large investment banks and universal banks. For example, a universal bank will include the investment bank, the retail bank, and an investment management division. The investment management division is an umbrella term for two distinct hiring areas: Asset Management and Wealth Management. Wealth management, depending on the institution, may also be referred to as Private Wealth Management or Private Banking. This refers to the managing of investments for wealthy families, individuals, and sometimes endowments and foundations. Asset Management involves the investments of pension funds, insurance companies, and sovereign wealth funds in public and private vehicles.

In all these cases, the roles found in investment management divisions of organizations like J.P. Morgan, Bank of America, and Citigroup are similar to the roles found at BlackRock, PIMCO and other buy-side firms. As an explorer of the finance industry, you may consider these roles appealing. You should evaluate whether you like the brand and benefits of being part of a large institution and, therefore, choose a role in the investment management division of a bank. Or, you may like the idea of working directly for a buy-side investment management firm that is smaller, more nimble, and has a different cultural environment.

INTRODUCTION TO THE BUY-SIDE

Buy Buy, Baby, Buy Buy

Now that we've explored the sell-side of the industry and its products and services, it is time to turn to the buy-side. As a reminder, the buy-side of the industry engages with those who have capital to deploy (e.g., pension plans, foundations, etc.) and allow others (e.g., corporations) to use it in return for interest or dividends. The buy-side of the industry has many career paths. Some are a great place to start upon completing your undergraduate studies, and others are best to pursue after several years of experience on the sell-side or in other areas of finance. In the next few pages, we'll

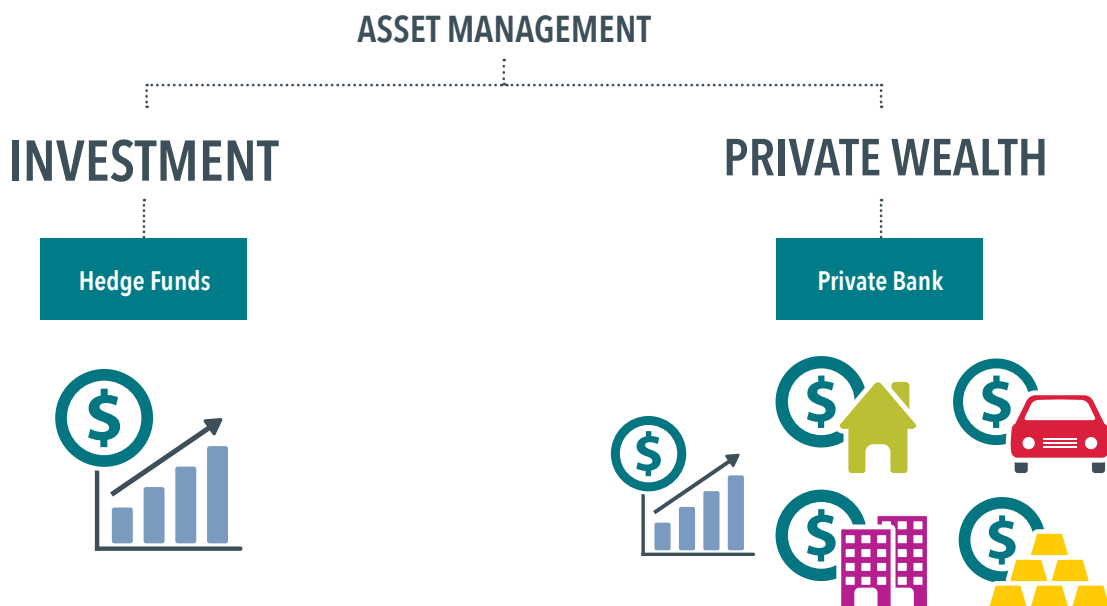
discuss some key opportunities on the buy-side including investment management, private equity, private wealth management, insurance, and real estate. Many women want to start on the buy-side or aspire to go to the buy-side due to the perceived work-life balances, but also because it's rewarding to see your investment ideas put to work.



Investment Management

Investment management can be puzzling because of the lingo. Many people confuse investment management, asset management, and hedge funds. In simple terms, **Asset Management** is a broad term to describe the management of a wide variety of assets for institutions or individuals. It can include managing stocks, bonds, mutual funds, and other products in the public or private markets, as well as managing real assets and financial planning. A subset of Asset Management is **Investment Management**. This is the professional management of securities (shares, bonds, and other securities) and other assets (e.g., real estate) in order to meet specified investment goals for investors. Simply stated, it is the buying and selling of investments within a portfolio to generate a return. **Hedge funds** are just a type of investment management firm with specific characteristics, which we'll discuss below.

INVESTMENT MANAGEMENT VS ASSET MANAGEMENT



The goal of investment management firms is to make money from money. They research, invest in, and hold stocks and bonds for institutional and retail clients. Investment management firms have an overall investment thesis and philosophy and may have several portfolios representing different investment strategies to offer the most customized options for their investors. Investment managers have a FIDUCIARY duty to their clients and must ensure that their investment strategy is suitable for their clients.

This is not a transaction-oriented business like the sell-side.

Each investment management firm will have an investment philosophy that can include fundamental and technical analyses. The firm sets an investment policy to outline its investment objectives, perform security analyses, construct a portfolio, and revise and re-evaluate the portfolio. They follow the investment philosophy and create risk-adjusted returns for their investors.

THE INSIDE SCOOP

There are many roles at an investment management firm. The portfolio manager's job is to pick a portfolio of stocks, bonds, or combination of the two that is based on the firm's investment strategy and provides the highest possible returns for its investors. The portfolio manager role is often the long-term goal of many undergraduates. However, as you start at the firm, you will begin as an analyst. The analyst role at an investment management firm is similar to the research analyst role at a sell-side bank. The analyst performs fundamental analyses of companies, becoming an expert on a company to determine if it should go into the investment portfolio. This might include reviewing its financial statements; speaking with the company's C-suite; and meeting with its competitors, suppliers, and customers. If she likes the company, she presents the idea to the portfolio manager(s) to sell them on adding the company to the investment manager's portfolio.

Investment management firms have other roles to consider such as trading, operations, risk management, and IT. Similar to the sell-side investment bank, there are non-investment-related roles that are integral to the efficient functioning of the firm. The individuals in these roles often talk to their counter-parts at the sell-side investment bank.

The buy-side analyst role at an investment management firm can be an alternative to sell-side roles. The hours are typically similar to those of other market-based roles: 60 to 70 hours per week and rarely on weekends, unless it's earnings season. There can be some travel in this job, as research analysts and portfolio managers often meet with companies that they will potentially invest in as well as those companies' competitors or suppliers to best understand the competitive landscape to make the most informed investment decision. They become experts in the companies they cover.

Most large, buy-side firms have both a training program and a formal mentorship program. Firms recruit women for their analyst roles who are intelligent, innately inquisitive, self-motivated, resourceful, focused, and strong communicators. As we've said, analysts in investment management are like detectives looking at all the information to "solve" the decision of whether the company should be included in the portfolio. Analysts need to have confidence in their analyses, and strong verbal

and written communication abilities to convince others.

For many individuals, the trajectory is to learn as an analyst and then become a portfolio manager. Many stay at the same firm for many years after either starting at the firm post-graduation or moving to the firm from a sell-side investment banking or research analyst position. Often, those who exit from an investment management job stay on the buy-side, going to another investment management firm, a hedge fund, or in some cases, a private equity firm.

Investment management firms are concentrated in major business centers like New York, Boston, Chicago, and Los Angeles. However, if you want to return to your home town or explore a city that isn't in the mainstream of financial investing, there are investment management firms elsewhere, including Dallas, Houston, St. Louis, Minneapolis, and Baltimore, just to name a few. Some investment management firms that hire undergraduates are BlackRock, Fidelity, T. Rowe Price, State Street, PIMCO, Capital Group, and Invesco.

Asset Allocation

The implementation of an investment strategy that attempts to balance risk versus reward by adjusting the percentage of each asset in an investment portfolio according to the investor's risk tolerance, goals, and investment time frame is called asset allocation.

Investment Strategies

There are numerous strategies that investment managers employ to provide optimal returns for their investors, including:

- **Fundamental investing** - performing company-specific, bottom-up analysis of companies and selecting those with the highest value potential
- **Sector investing** - investing in a particular industry (e.g., technology)
- **Index investing** - purchasing the same weights and types of securities in an index (a.k.a., passive investing)
- **Growth investing** - focusing on stocks with future earning potential
- **Value investing** - selecting stocks that trade for less than their intrinsic value (undervalued)
- **Global investing** - building a diversified portfolio of securities from countries all over the globe
- **Emerging markets investing** - focusing on investing in emerging and under-developed countries
- **Short selling** - selling a security not owned by the seller
- **Arbitrage** - simultaneous purchasing and selling of an asset to profit from the price difference

ALTERNATE INVESTMENTS

As we continue to explore the buy-side of the finance industry, it is important to explain Alternatives as an asset class. Many investors will invest in the stocks and bonds of public companies, relying on excellent, fundamental analysis and strong risk management for returns, and they will hold positions believing that they will increase in value (long positions only). However, many seek diversification and higher returns than may be achieved through long-only positions. For that reason, they will allocate a portion of their assets to the alternatives asset class. They are looking for reduced correlation to fixed income and public equity markets, reduced volatility, and additional returns. The cost to investors in looking at alternative investment vehicles is liquidity, as many of the alternative funds require capital to be locked up for a period of time. Alternative investments include hedge funds, private equity, and real estate.

Hedge Funds

Hedge funds are a sub-set of the Investment Management Industry. A hedge fund is a lightly regulated, pooled investment vehicle that may use a variety of investment techniques and invest in a vast array of assets to generate higher returns for a certain level of risk when compared to typical investment management firms. These funds have a different legal structure and operate under regulations that allow them to invest in a wider variety of assets and use a different investment philosophy.

There are many myths about hedge funds. Many people outside the finance industry believe that hedge funds and their managers are all looking to make money through the riskiest strategies and that they are a "secret society" in which only the elite can participate. High profile scandals

haven't helped their image, and Hollywood has perpetuated the perception that hedge fund managers subscribe to a "Greed is Good" philosophy. The more infamous hedge fund blow-ups include Long Term Capital Management, which in 1998 lost \$4bn triggered by the Russia market crisis; Madoff Investment Securities, where in 1999 Madoff stole millions through his Ponzi scheme; and Bill Ackman's Pershing Square, who devastated investors because of his strong convictions on one stock, Valeant. As in all industries, there are some bad apples. However, the hedge fund industry has grown over many decades and is a strong, viable career path.

Hedge funds differ from investment management firms in four main ways:

I INVESTORS: To invest in a hedge fund, you must be an accredited investor (those with \$1mm of assets and annual income of \$200,000 over the last two years) or a qualified purchaser (\$5mm in assets and \$1mm in annual income). Most investors in hedge funds are institutional investors like pensions, endowments, and foundations who are seeking a portion of alternative investing to boost their returns.

2 INVESTMENT STRATEGIES: Unlike investment management firms, which typically only invest in long positions (securities they plan to hold in hopes that they appreciate), hedge funds invest in many ways including selling short, utilizing leverage, and using derivatives. As their name implies, they use different securities and investing philosophies to hedge out market risks and global macro risk in order to increase returns. These strategies have more risk and, therefore, investors will demand more return.

3 REGULATION: Unlike investment management firms that are governed by the Securities Acts of 1934 and 1940 and whose regulations are designed to protect investors, hedge funds may not be required to register with the SEC or file public reports unless they are large. Under the Dodd Frank Act that was initiated in 2010, only hedge funds with \$150mm in AUM or more are required to register with the SEC.

4 COMPENSATION: One of the major differences between hedge fund managers and typical investment managers is the compensation. Hedge fund managers are compensated through a management fee, typically 1% to 2% of the investor's assets (a.k.a., asset-based fee) as well as a "carry," which is a performance-based fee that is typically 20%. Therefore, if a hedge fund has \$1mm of an investor's assets, the fund will receive an asset fee of \$10,000 to \$20,000 each year to keep it running, and if it produces 18% returns in a year on your \$1mm, the investor will pay \$56,000 (\$1mm x 18% x 20% carry) for its efforts.

There are now close to 10,000 hedge funds, managing approximately \$3trillion on assets. Hedge funds employ many different investment philosophies and strategies. The four major hedge funds strategies are:

- **Equity Hedged:** These funds will invest in securities both long and short as well as use derivatives. They typically consist of a core holding of particular equity securities, hedged with

shorts sales of stock to minimize overall market exposure.

- **Event Driven:** Investment managers maintain positions in companies currently or prospectively involved in corporate transactions including mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuances, or other capital structure adjustments. They bet on a change in the value of their investment due to an event.

- **Arbitrage:** These funds use market-neutral strategies that take advantage of perceived mispricing. They may include relative arbitrage (exploiting pricing inefficiencies across asset classes such as pairs trading or dividend arbitrage), convertible arbitrage (purchasing convertible bonds and hedging equity risk by selling short the underlying common stock), fixed income arbitrage (exploiting short-term anomalies in bond attributes such as the yield curve or the spread between Treasury and corporate bonds), and statistical arbitrage (exploiting price differences between stocks, bonds, and derivatives – options or futures -- diversifying away all or most market-wide risk).

- **Macro:** These funds invest based upon appraisals of international conditions, such as interest rates, currency exchange rates, inflation, unemployment, industrial production, foreign trade, and political stability. They may use leverage, shorts sales, or derivatives to maximize return, and some will specialize in illiquid assets in emerging markets.

Hedge funds have many of the same career path opportunities found in investment firms, including analyst, trader, operations, IT, and a portfolio manager (PM) who is most often the founder. The PM likely held a similar position at a sell-side bank or large investment management firm and decided to start his/her own firm. Although hedge funds used to be able to start with as little as \$1mm and become successful, in today's world of sophisticated institutional investors, hedge funds need to

launch with a minimum of \$250mm to \$500mm to reach enough critical mass to be successful.

The analyst role at a hedge fund is similar to the investment manager analyst role, conducting fundamental analysis on the company, industry, and economy to help the PM and others make investment decisions about what to include in the portfolio. One of the key differences in the analyst position at a hedge fund is the need to understand how selling short, use of leverage, and placing derivative trades in a portfolio impact the risk and returns being generated.

THE INSIDE SCOOP

Although some hedge funds hire directly from undergraduate programs, it is very rare. Most people who aspire to work at a hedge fund will first need to work at a sell-side bank as an investment banker or research analyst, or in their investment management division. They may also go first to a large investment management firm (e.g., Fidelity) and then move over to a hedge fund.

Many aspire to work at a hedge fund because of the work-life balance, laid-back culture, and high compensation potential. Because hedge funds take more risks, they can make a lot of money and share their wealth in a true meritocracy. Occasionally, they can be impacted by a risky investment strategy and be less stable than larger, more established firms. The key to finding the right hedge fund for you is cultural fit. Although there are some very large hedge funds with 200 to 300 people, many funds manage billions of dollars with fewer than 30 employees. There may be fewer positions available for transfer and promotion in the smaller hedge funds as compared to the larger ones, however. The key is to find a firm with a culture that best aligns with your personality, philosophy, and career aspirations.

VOCAB CHEAT SHEET

AUM

Assets under Management is the amount of pooled capital being managed.

CFA®

The CFA Charter is a certification, achieved through several levels of examinations, often sought by Investment Management Professionals.

CFP Certification

Individuals can seek certifications such as the Certified Financial Planner designation to continue their education and increase their skills in financial planning.

Leverage

Leverage is using borrowed capital or equity for an investment with the expectation that the profits made will be greater than the interest payable.

Prime Brokers

These brokers are part of the global markets division of sell-side investment banks. They provide centralized custody, clearing, and settlement of trades for hedge funds. They also provide the financing (leverage and short positions), record keeping, accounting, and reporting for the fund's investors. Prime brokers will cultivate relationships to encourage hedge funds to execute trades through the sell-side sales and trading functions.

Fund Administrators

Hedge funds hire fund administrators to exercise financial controls over the firm. They will calculate Net Asset Values (NAVs), maintain the capital accounts for investors in the fund, facilitate the payment of fees from the investors to the general partner, and provide audit and tax preparation work.

Private Equity

Like hedge funds, private equity firms provide an alternative asset class investing strategy. Private equity firms are pooled amounts of capital that purchase all or a part of a company's equity that is not on a public exchange. The investors in private equity firms are typically institutional investors such as pensions or endowments and accredited investors who place their capital in a fund. These funds make investments directly into private companies or conduct buyouts of public companies resulting in a delisting of the public equity (taking it private). The capital is used to fund new technologies, expand working capital within a company, assist in growth aspirations of a company or help strengthen a company's balance sheet.

Private equity firms will typically raise capital for a new fund every four to seven years, and their investors will commit capital to the fund. The fund will have a finite life that includes an investing period (about six years) and a harvesting period (about four years). During the investing period, private equity firms will search for companies that fit their investment thesis and complete due diligence on those companies. When they find the right investment, the fund will have a capital call to draw down a portion of the committed capital and invest in that company. The fund may invest in the company through any part of the company's capital structure (debt or equity). Once bought, the company becomes part of the private equity fund's portfolio. The private equity firm will then work to increase the value of the portfolio company in order to exit from the company during the harvesting period. Funds will typically exit from the investment either through an IPO, a sale to another private equity firm, or a sale to a strategic buyer.

Similar to hedge funds, private equity firms charge a

management fee (asset-based fee) and an incentive fee or carry. They receive their management fee to help the company operate, but the majority of their profits come from the exit of a portfolio company for a large profit. That profit is shared 80% to investors and 20% to the private equity firm.

Private Equity is a broad term that includes investing throughout the life cycle of a company. You can differentiate the investing into the following categories:

- **Angel/Seed Investing:** This is funding by a pool of investors in the very early stage of a company. Angel investors step in when a company has received money from friends/family and has an idea that needs more capital to create a prototype or find customers.
- **Venture Capital:** This is the next phase of investing and is sought by early stage companies with substantial growth potential. They are likely pre-revenue and pre-earnings. There is a long incubation period before an investor will see any returns on investment, and there is a high loss rate, but "winners" can see 10x, 20x or even 100x their initial investment.
- **Growth Capital:** Investments made directly in growing companies is called growth capital. The companies are typically making money but may require funds to add capital equipment or to expand. The growth capital firms typically do not take a controlling position in the company.
- **Mezzanine Capital:** This is typically the middle spectrum of a private equity investment and usually provides debt instruments to companies to add capital. These types of investments are priced to yield returns below equity but above senior debt in a company's capital structure and may provide some equity participation for the investing firm.
- **Distressed Investments:** A private equity firm may make an investment in a struggling company (those about to go bankrupt) and may invest in debt or assets of the company. These investments might be made in a good company that just has too much debt, in a bad company with or without debt

problems, or in a company with no real reason to exist but in which the private equity firm sees synergies that others do not.

- **Leveraged Buy Out (LBO):** This is an equity investment in larger, more mature businesses capable of supporting debt service from free cash flows. This is typically a “control” deal where the target company is public and is taken private or is a private company such as a large family-owned business that has risk or succession planning issues. The private equity firm will grow the value of the company through debt financing and then will rely on its free cash flows to repay the debt. Then the firm will optimize the underlying operations, find synergies to increase efficiency (or decrease costs to improve profits) and may make acquisitions for strategic growth.

Working at a private equity firm is a goal for many undergraduate women. The way to reach a private equity firm’s most junior position, analyst, is to first spend two or more years in investment banking or consulting. Although some private equity firms will hire directly from undergraduate programs, this is not common. When they do hire directly, they typically require you to have had an investment banking internship and have strong valuation and modeling skills; these firms do not typically have formal training programs, and so there is a steep learning curve.

The hours at private equity firms are similar to investment banking: 80 to 100 hours per week. You will also do some traveling to meet with potential companies. You’ll spend time with investment bankers who are bringing deals to the firm or you’ll make cold calls to companies that aren’t for sale but you believe show potential opportunity. For many, looking for a company and then investing to help that company grow is one of the most rewarding parts of a career in private equity.

VOCAB CHEAT SHEET

Committed Capital

The amount of capital an investor commits to a private equity firm. It is a percentage of the overall funds raised. The investor will receive the same percentage in profits as that of committed capital to overall funds raised.

Capital Call/Drawdown

A contractual agreement between an investor and the private equity firm that obligates the investor to contribute money to the fund when requested. Although a capital call can occur at one time, it is more typical that the fund will request a portion of the committed capital when it has a company to purchase or invest in.

Dry Powder

This is the difference between committed capital and the capital that has been drawn down. This is also the amount of capital not yet used by a private equity firm for investing.

Portfolio Company

This is a term for a company in which a firm has invested and is part of the fund.

Real Estate

Real estate, also referred to as real asset investing, is another alternative asset class. Many investors choose to invest in real estate as part of their overall asset allocation strategy to add diversification to their portfolio. One of the beneficial features of real estate is that it produces relatively consistent returns that are a mixture of income and capital growth. Real estate investing has a coupon-paying bond-like component that provides a regular, steady income stream (rental payments received from tenants less the costs to operate the property) and it also has a stock-like component in that the value has a propensity to fluctuate (value of the property increasing/decreasing with the market). Like all securities, the goal of investing in real estate is for the asset to go up in value.

There are risks inherent in real estate investing, as with any investing. If you are unable to keep a property fully leased (or close to full), you lose the periodic payments that make real estate investing very attractive. Your ability to keep the building full depends on the strength of the leasing market – that is, the supply and demand for space similar to the space you are trying to lease. In addition, the capital appreciation (or depreciation) of the property generates the most volatility in real estate returns. Due to the way appraisers and the markets impact the valuation placed on the property (the true supply and demand scenario), investors are focused on finding investments in markets that fluctuate less.



THE INSIDE SCOOP

For many undergraduates, the real estate market is tangible and desirable. You can participate in real estate investing by joining the real estate investing arm of large asset management firms (e.g., Blackstone), by joining an independent real estate developer (e.g., Hines), or joining a real estate-focused private equity firm (e.g., RealTerm). The initial position in these firms is as an analyst. You will spend time looking at the markets and finding either buildings with full tenants and less market volatility (changes in valuation) or areas where there is a large opportunity for expansion and growth. This area typically offers the best work-life balance in the industry, with a 50 to 60 hour work week. Firms seek people with a strong understanding of the real estate markets, a passion for communicating, and strong negotiation skills as well as an entrepreneurial spirit.

Insurance

Insurance is one of the largest investors on the buy side of the finance industry. The insurance industry is a form of risk management in which people pay premiums to an insurance company to transfer the risk of loss from themselves to the company. It is an industry that exists to provide security in times of loss.

Insurance companies invest customer premiums in the markets so that the returns generated by the investments can be used to pay out claims. This takes a lot of statistical analysis done by actuaries to determine the probability of loss occurring (e.g., probability of fires or hurricanes), prudent investing in the public markets to generate returns, and risk management of the portfolio to ensure that funds are available.

As an undergraduate, you can work in the insurance industry as a risk management analyst, actuary, or investment analyst. The risk management analyst spends her time looking at market risks, portfolio risks, credit risks, and country risk; monitors and then reports on portfolio performance and risks; and ensures management is aware of scenarios that can impact the firm's ability to have funds available for payouts.

You could also join the investment management division of an insurance company and perform analyses on investing ideas in the public markets (equity or fixed income). This position is similar to the research analyst position in an investment management firm or hedge fund discussed above.

However, this analyst position tends to have a more consistent work-life balance and less stress.

Other undergraduates may love dealing with statistics and probability and choose to become an actuary at an insurance firm. Actuaries take 10-12 exams in order to become certified.

The work-life balance at insurance companies is one of the best in finance. Most investment analysts, risk management analysts, and even actuaries work approximately 50 hours per week.

Private Wealth Management

Private Wealth Management (a.k.a., Financial Planning, Financial Advising, and Private Banking) is a high-level professional service that combines financial/investment advice, accounting/tax services, retirement planning, and legal/real estate planning for a management fee. These wealth managers are trusted advisors to high net worth individuals and families. They help plan and maintain a client's wealth based on their financial situation, goals, and risk tolerance. It is a strong, relationship-building position. Financial advisors meet regularly with clients to update goals, review and rebalance financial portfolios, and investigate other business opportunities; they proactively know what funds a client will need to ensure that they can meet their cash flow needs while still maintaining or building their wealth.

Private Wealth Management positions can be found at sell-side banks in their investment management division (see above) as well as in franchises such as Edward Jones, insurance companies (e.g., Northwestern Mutual), or independent firms.

A career in Wealth Management has an entrepreneurial nature, in that a good portion of long-term compensation is based on business acquired. Unlike Investment Banking, where clients are generally secured by partners, securing clients is a major part of the job for even very junior professionals in wealth management, and this ability is important to professional survival.

While young professionals can join teams to source clients, it is not a job for people who are uncomfortable with cold-calling or sales. This discomfort leads to a good deal of turnover in the field. On the positive side, this is an excellent field for those looking for a finance job with better hours than banking and a less intense, less market-driven environment than sales and trading. Since there is an emphasis on long-term relationship building versus frequent transactions, it can be a desirable role for those looking to be a trusted advisor and to become very involved in the lives of their clients. Women are often better represented in senior roles in wealth management than in other revenue areas

at banks because of the comparative flexibility of the role.

Many women desire to be private wealth managers. The majority who start in this career out of college start in the investment management divisions of large banks. These programs tend to have a team mentality, strong mentorship, and the ability to grow within the team. Others may join a franchise firm (e.g., Raymond James, Edward Jones) and build a rolodex while learning the business. Others may start as a research analyst or investment banker and move over to financial advising as they get older. Given that it is a trusted relationship with the individuals and families, it is important to gain experience to earn the clients' trust.

Most people who are successful financial advisors have great interpersonal skills; strong attention to detail; the ability to prioritize, reflect and re-prioritize and communicate complicated material in an effective manner.

CORPORATE FINANCE AND INSTITUTIONAL INVESTORS

Wait! There's more...

As we discussed in the beginning, finance is the movement of capital from those who have it to those who need it. We want to spend a little time talking about the two bookends of the finance industry and the career opportunities there. At one end, you have companies and their corporate finance departments (those who need capital) and on the other end are institutional investors (those who have the capital).

Corporate Finance

Many women may consider starting a career in the finance division of a large company. Many find the corporate finance department at firms to be stimulating while providing a great work/life balance. Others may gravitate to corporate finance after many years in investment banking, graduate school, or other positions on the buy side. The members of a corporate finance department report into the CFO of a company and often deal directly with investment bankers when they are looking for capital or acquisitions.

Corporate finance is the division of a company that oversees the financial activities of a company -- using company cash flows to run the business, grow the business, make acquisitions, plan for its financial future, and manage cash on hand. They help the company deploy its assets through

analysis, modeling, forecasting, and strategic planning. They also determine financing needs, analyze capital budgeting projects, do long-range financial planning, and consider possible acquisitions and asset values. The corporate finance team becomes a valuable partner in running and growing the business.

Institutional Investors

Institutional investors are those who have the capital that funds the entire industry. They are typically non-bank persons or organizations that trade and invest. Below is a short discussion of some of the different types of institutional investors that funnel capital into the buy side of the industry. Each type of investor has positions available to undergraduates. Most of these positions involve analysis, helping find investments (similar to a research analyst), and completing due diligence on buy-side managers to pick those who can help the investor grow.

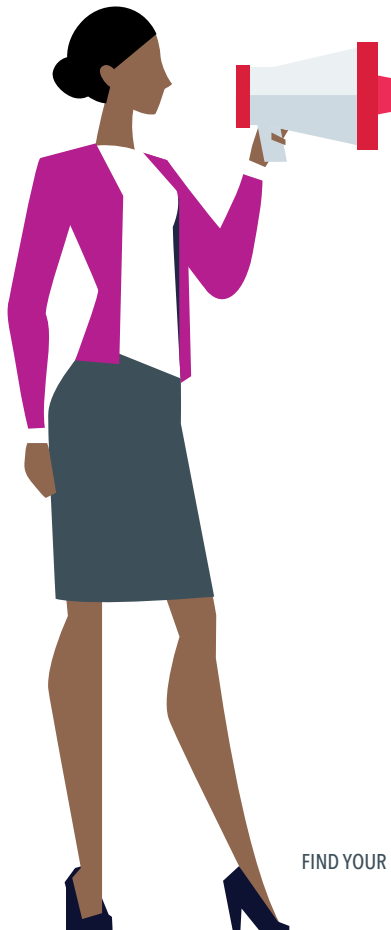
- **Endowment:** A financial asset made to a non-profit group, institution or individual, consisting of investment funds or other property that may or may not have a stated purpose at the bequest of the donor. Most endowments are designed to keep the principal amount intact while using the investment income from dividends for charitable efforts.
- **Foundation:** A non-profit organization that is usually created via a single primary donation from an individual

or a business and whose funds and programs are managed by its own trustees or directors. As such, rather than funding its ongoing operations through periodic donations, a private foundation generates income by investing its initial donation, often disbursing the bulk of its investment income each year to desired charitable activities.

- **Pension Fund:** A retirement plan that requires an employer to make contributions into a pool of funds set aside for a worker's future benefit. The pool of funds is invested on the employee's behalf, and the earnings on the investments generate income to the worker upon retirement.
- **Family Offices:** Private wealth management advisory firms that serve ultra-high net worth individual (HNWI) investors. These differ from traditional wealth management shops in that they offer a total, outsourced solution to managing the financial and investment side of an affluent individual or family. For example, many family offices offer budgeting, insurance, charitable giving, family-owned business, wealth transfer, and tax services.
- **Fund of Hedge Funds:** Pooled investment vehicle (like a traditional hedge fund) that mixes and matches hedge funds and other pooled investment vehicles. It blends different strategies and asset classes to provide stable, long-term returns over individual funds. The returns, risk, and volatility can be controlled, and capital preservation is generally important.

A FEW FINAL THOUGHTS...

As you may have already surmised from the discussion above, the finance industry is broad and has myriad positions that you can explore now, post-graduation, and through a long, successful career. In addition to the career opportunities mentioned previously, there are a few more parts of the industry that are less well-known, but worth considering.



- **Commercial Banking:** As discussed in the Introduction to the sell-side of the industry, there are three types of banks (retail/commercial banks, investment banks, and universal banks). A commercial bank, as a stand-alone company or part of a universal bank, offers an array of career opportunities. Consumer/Commercial banks are in the business of providing banking services to individuals, small businesses, and large organizations. They provide aggregate depository services (checking and savings accounts), and lending services (general loans, small business loans, and mortgages or other asset-backed loans such as car loans). Today's commercial banks are more diverse than ever. You could choose to start at a large bank, regional bank, credit union, or thrift. Some of the initial roles at commercial banks are credit analyst, loan officer, bank teller, trust officer, mortgage broker, or personal banker. Commercial banks are looking for women who want a broad business understanding and have high emotional intelligence and strong communication skills.
- **Mortgage companies:** There are mortgage companies that are independent of the mortgage divisions of a commercial bank. You can choose to start your career as a loan officer at a mortgage company. These individuals help people obtain mortgages to purchase real estate. A mortgage loan officer can work in the residential or commercial mortgage industry, guiding applicants through the process. For many states, there is a certification required to be a loan officer at a mortgage company.
- **Credit Card Companies:** Credit card companies are the banks and credit unions that issue credit cards to consumers or small businesses. They also service cardholders' accounts, bill for purchases, accept payments, distribute rewards, and more. They dictate where credit cards can be used, facilitate

payment processing at the point of sale, and administer secondary credit card benefits like travel insurance. There are four major credit card networks: Visa, Mastercard, American Express, and Discover. You can start your career in one of the credit card divisions of a major bank (e.g., Citibank, Chase, Capital One), another financial institution such as a credit union, or directly for one of the major credit card networks. Entry-level jobs include call center representative, sales representative, marketing, operations, and processing.

- **Credit Rating Agencies:** Credit rating agencies rate a debtor's (company's) ability to pay back debt through timely interest payments and the likelihood of default. A ratings agency may assess the creditworthiness of issuers of debt obligations, of debt instruments, and in some cases the servicers of the underlying debt, but not individual customers. The credit rating assigned facilitates the trading of these debt instruments in the secondary market and affects the interest rate that a security pays out. The higher the ratings, the lower the interest rates. Some women choose to work at one of the credit rating agencies (the largest are Moody's, Fitch, and Standard & Poor's) as an analyst. This provides great understanding of bonds and the interest rate impact on yields, which can lead to a career as an asset manager and other buy-side investor in fixed income/credit products.
- **Regulators:** For those who want to be part of the finance industry, but like the idea of the government's involvement in the industry, working for a government agency or regulator may be optimal. Women who like the idea of the impact that economic policy has on the financial industry may consider a career as an analyst at The Federal Reserve, World Bank, or the International Monetary Fund. Others may like the idea of ensuring that financial regulations and

policies are followed by large banking institutions and, thus, seek opportunities at FINRA, the SEC, or CFTC.

The finance industry is integral to the global economy and impacts every industry. It is constantly evolving and innovating to meet the needs of a changing world. In recent years, there has been a merger between the finance industry and technology: FinTech. The goal of FinTech is to compete with traditional financial methods in the delivery of financial services -- It is trying to disrupt the industry to make financial services more accessible to the general public. The use of mobile devices for mobile banking (e.g., making deposits) or investing (e.g., Robinhood), new payment applications (e.g., Venmo, Square), and cryptocurrencies (e.g., Bitcoin) are just a few examples. FinTech companies consist of both startups and established financial and technology companies. For many women, this exciting new era in the finance industry is the perfect place to start a career as an analyst, programmer, or business developer so that new technologies can continue to push the boundaries of the finance industry and the means by which companies and people transact and invest.

No part of this publication may be reproduced, distributed, or transmitted in any form by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of Forté. For permission contact us at info@fortefoundation.org.