# THE INVESTMENT ANALYSTS SOCIETY OF CHICAGO

## Winter 2005

## The Efficient Frontier


### Inside this issue:



## President's Message

*by Nicholas Ronalds, CFA, President*

This quarter, I highlight examples of IASC's leadership as a society and report on your feedback regarding our possible future name. As always, if you want your ideas heard now, email me at nronalds@iaschicago.org.

Friday, March 4 features a can't-miss (or you'll be really, *really* sorry) event. IASC has organized a first-time regional symposium chock-full of premier thought leaders in finance. We'll hear **Marty Fridson** and **Frank Reilly** on High Yield, *Financial Analysts Journal* Editor **Rob Arnott** who's our luncheon keynoter on "How to Manage Assets in a Low Return World," **Ralph Wanger**, long-time (and perennially benchmark beating) manager of the Acorn fund (now Chairman emeritus), and many other stars. The event is rapidly filling up, so don't wait to register. You'll get wise at a price with true member appeal —by training we not only like to max utility, we love to find value! Accolades to Gautam Dhingra and the Education Advisory Group for their outstanding work.

Another must, on February 16 our distinguished speaker is fellow Chicagoan Jeff Diermeier, CFA Institute President as of 1/1/05. Formerly a long-time asset manager at Brinson Partners and UBS Asset Management CIO, his comments will be of interest to us all. In his honor, IASC offered 150 of our members free admission to Jeff's event.

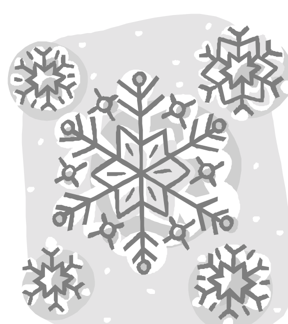
So watch our website's events section (http://www.iaschicago.org/bteveng/eve_events.asp) closely for ongoing opportunities that will surprise, stimulate, educate, and entertain.

Finally, here are the survey results on a possible IASC name change. As of this writing, with about 600 replies, 86% favor changing our name from Investment Analysts Society to one incorporating the CFA brand.

Of various possible new names for IASC, the overwhelming favorite, at 74% approval, was "CFA Society of Chicago." Incidentally, some members suggested we adopt the name "CFA Institute of Chicago." The CFA Institute has the legal claim on the "CFA Institute". Any formulation incorporating the word "Institute" is, like it or not, prohibited.

What's in it for us? As you know, the former Association for Investment Management and Research (AIMR) became CFA Institute last summer to leverage the CFA brand. Incorporating the brand in the CFA Institute's name will focus and enhance the organization's public awareness initiatives. For IASC, doing the same would allow us to piggyback on those initiatives and achieve broader recognition in Chicago and the Midwest. The CFA Institute has already rolled out ads worldwide on the core qualities of the CFA brand - quality, professionalism, and integrity.

The name change issue thus will be on our June Annual Meeting agenda for formal membership vote. A name change then would not be our first, by the way. As Bill Gray's history article notes in this newsletter (his second in a continuing series), we adopted our current name in 1952, replacing the Investment Analysts Club of Chicago.



Have a safe Winter!

## Editor's Note

*by Greg Gocek, CFA, Communication Chair*

This issue of *The Efficient Frontier* reviews IASC's efforts to continue delivering significant benefits to its members. Nick Ronalds offers his presidential overview of upcoming outstanding IASC activities and discusses the recent survey on an IASC name change. Professional proficiency and interactions with leading business achievers are always in style at IASC, evidenced by our reports on recent programs. Our second article in the 2004-05 series on IASC's history details the many challenges our predecessors overcame as the society matured. And in that spirit, members of one of our newest special interest groups, "C-F-A", have introduced the element of service into our identity with the start of a related program assisting the Chicago community.

Another survey update – at the end of 2003, we asked for your 2004 stock market performance forecast, and the results are now official – our members were a bit over-optimistic, with solid accuracy on balance. The vast majority of respondents (77%) predicted an up market last year (+5% rise in the S&P 500), with the largest share (59%) seeing a quite bullish (+10%) move. The actual result was a gain of 8.93%. Hope clients followed our members' good advice in 2004!

This issue's contributors were, alphabetically; Eric Ause, Greg Gocek, Bill Gray, Judi Malter, Jill Poznick and Nick Ronalds.

## IASC History: Origins Through the 1950s

*by William Gray, CFA, Past President & History Project Chair*

Like most organizations, IASC has seen many changes over time. First (in 1925) named the Investment Analysts Club of Chicago, it became the Investment Analysts Society of Chicago (IASC) in 1952. Initial dues were $2 a year, with lunches 65 cents. The Club thrived until the 1930s Great Depression. Meetings were small then with a 25 cent lunch (at the downtown YMCA)!

Shortly after WW II, the Club was re-energized by President Albert Bingham (Chicago Title and Trust) and Program Chair Dutton Morehouse (Brown Brothers, Harriman). Luncheons reviewed the economy or some large phase of business, with corporate speakers speaking about only their industries. Company discussions came later with Hercules Powder Co. the first spotlighted.

By spring 1947, an "umbrella" North American entity seemed desirable for the existing clubs (7 U.S. and 1 Canadian). Kenneth Woodward (Boston) was its leading proponent. Representatives from New York, Philadelphia and Chicago (IASC's delegates were Bingham, Morehouse and J. P. Hall of the U of Chicago's Treasurer's Office), met twice in New York City. At the second, (June 11,1947) the National Federation of Financial Analysts Societies (NFFAS) was founded.

NFFAS's constitution NFFAS established 3 permanent committees: 1) Placement, 2) Education and Training, and 3) Ethics and Standards. In July 1952, NFFAS Chair A. Moyer Kulp (Philadelphia), and nine others convened as the Professional Ethics and Standards Committee (PE&SC). Chicago's William C. Norby (Harris Bank) was among them, leading a subcommittee that eventually proposed a "Certified Security Analyst" (CSA) program. In the contemporary absence of broad membership interest in professional status, this was visionary.

The PE&SC voted on the recommended CSA program. Its members split with 5 favoring, 5 opposed. Norby and the other supporters were asked to devise a modified proposal that all 10 members could support. After extensive work, this was done with NFFAS Board approval on June 14, 1959.

Simultaneously, the daunting task of identifying the relevant Body of Knowledge (BOK) was addressed. With major efforts by Morehouse and Norby, the technique of annual week-long seminars evolved. A Board of Regents was selected and Marshall Ketchum (Chicago), Finance Professor of the U Chicago's Graduate School of Business, accepted the part-time position of Director of the Financial Analysts Seminar (FAS.) The first session was in August, 1956 at Beloit College. These seminars contributed material for the BOK, and were very popular (often over-subscribed!).

IASC's story continues in the Spring 2005 *Efficient Frontier*.

# Social Events

## Suburban Happy Hour Well Received

*by Jill Poznick, IASC CEO*

**November 18, 2004**— IASC suburban members gathered in Oakbrook Terrace to network and socialize. The members appreciated IASC's outreach to them and promised to support future events held out in the suburbs. The Social Events Advisory Group hopes to hold the next suburban Happy Hour in or near Northbrook. Any members with Northern suburbs venue suggestions should contact Jill Poznick at jpoznick@iaschicago.org or 312-673-3310.

# Career Management

## The Importance of Multiple Professional Certifications & Private Wealth Management Clients

*by Treasa Moran, Volunteer*

**November 9, 2004** - After cocktails and networking, the IASC hosted a panel discussion on multiple professional certifications featuring Anne Kern, Michael Falk, CFA and Sean Sebold, CFA, CFP.

Anne Kern, Director of Professional Alliances from the CFP® Board summarized CFP® certification (full background at www.CFP.net/become.). There are pre-exam educational requirements before applying/testing for the CFP®. Preparatory courses are offered at over 285 U.S. colleges and universities. Certain degrees and credentials fulfill the academic requirements (including the CFA®), with holders allowed direct exam registration. About 2% of CFP®s are also CFA® charterholders.

Compared to the CFA® program, the CFP® program is more general. Certification covers a wide range of topics including: Insurance and Risk Management, Investment Planning, Tax Planning, Retirement Planning and Employee Benefits and Estate Planning. In Anne's words, the CFP® covers material "a mile wide and 10 feet deep" while the CFA® covers material "10 feet wide and a mile deep".

Michael Falk, CFA, and VP/Investment Officer of ProManage, determined early in his career that the CFA® designation was best for him given his focus on the retirement plan industry. In his CIO role at ProManage, which he co-founded with a colleague holding a CFP®, the CFA® was critical. Mike also teaches in the CFP® Certificate Program at DePaul University, where he advises students to choose a professional designation suited for their desired career path.

Sean Sebold, CFA, CFP, President of Sebold Capital Management, Inc., thinks investment professionals should "hedge their bets" and pursue both designations. Sean started a company specializing in wealth management for business leaders and owners. For Sean, both designations are crucial. The CFP® designation provides a broad knowledge about critical issues such as taxes and estate planning essential for his work with clients, whereas the CFA® designation provides investment management and portfolio management expertise.

All panelists agreed that fostering trust and building relationships with clients is vital to success. Both Michael and Sean emphasized the value of understanding the psychology of investing. Anne backed their opinions with statistics ranking trust as the top attribute clients seek from their investment advisors with professional credentials ranking lower.

Career Management AG Notes:

- The next newsletter will report on the 1/13/05 IASC Career Management event, "Interviewing Tips". Summaries of related recent events are at www.iaschicago.org/careerres.asp.
- Ideas for future career management event topics/speakers can be emailed to careermgmt@iaschicago.org

# C.F.A. — Cultivating Female Ambition

## C.F.A. – Cultivating Female Ambition Kick-Off Both Lively & Generous

*by Jill Poznick, IASC CEO*

**November 4, 2004** - Nearly 50 women members of IASC attended the C.F.A. kick-off event at the Metropolitan Club. The C.F.A. Advisory Group is an alliance of dedicated women investment professionals. The C.F.A. Advisory Group is focused on recognizing the importance of women's contributions to IASC, to the investment industry, and to the local community. The attendees heard short presentations from past female IASC Presidents: Michelle Moreno, CFA, Nancy Sindelar, CFA, and Laura Stern, CFA. Carmen Heredia-Lopez, CFA, moderated the event, which generated lively discussions about the experiences of women working in the investment industry over the past 40 years.

C.F.A. is committed to adding a community service component to each of their activities. Attendees were asked to bring old cell phones to donate to Family Rescue – a group that is dedicated to alleviating domestic violence in the Chicago Community (www.familyrescueinc.org) – and more than two dozen phones were contributed. Since a cell phone with no service can still be used to make 911 calls, the organization distributes cell phones to victims of domestic abuse.

If you did not attend this event, but you wish to donate a cell phone for this cause, feel free to bring the phone to any IASC event or Advisory Group meeting or simply drop the phone and charger at the IASC office – 307 N. Michigan Ave – Suite 800.

# Luncheon Programs

### *Distinguished Speaker Series: Jamie Dimon*

*by Eric Ause, CFA, Volunteer*

**November 19, 2004**—A large crowd gathered at the Union League Club for the presentation by Jamie Dimon, President and COO of J.P. Morgan Chase. Previously the CEO of Bank One (since 2000), he was named to his position in July 2004 after its acquisition by Morgan Chase. Mr. Dimon detailed accomplishments to date in merging the operations of the two banks and reviewed the combined bank's business platforms and strategic direction.

The combined bank started early to build a consolidated financial architecture intended to help the various parts of the bank follow a coherent strategy. This required decisions about branding (e.g. using the Chase name for retail business) and the conversion of information systems throughout the organization. Other significant milestones thus far have been the mergers of lead-bank charters and of distinct organizational human resource policies. Mr. Dimon stressed all milestones were important in allowing J.P. Morgan Chase to move ahead with normal business activity and not get bogged down in merger issues. He next mentioned the bank's strong balance sheet, including healthy loan loss reserves of 2.76% for the wholesale loan portfolio and 1.62% for the consumer portfolio. Merger costs and savings are on track, with $3 billion of annual savings expected by 2006.

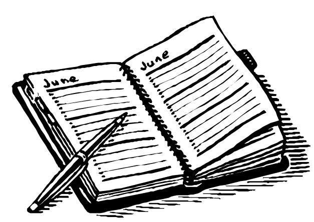
Following his discussion of the merger itself, Mr. Dimon described the bank's investment bank business, making clear his belief that the bank can compete effectively and benchmark itself against the premier bank rivals rather than settling for relative comparisons to average performers. He also noted the bank's retail and credit card businesses and the dynamics of a virtuous cycle between operating efficiency and large scale.

Responding to audience questions, Mr. Dimon commented on a number of topics:

- the recent acquisition of the Highbridge hedge fund is not likely to be repeated since it is uniquely aligned with J. P. Morgan Chase's approach to risk management
- the role of risk management services within the context of enhancing client services
- the role and limitations of outsourcing bank functions
- future acquisition activity in locations such as California and in international markets
- the key personal characteristics, especially openness and integrity, that are important criteria for assessing leadership

# IASC Events

| Date | Speaker/Title | Link |
|---|---|---|
| 2/16/2005 | **Jeffrey J. Diermeier, CFA**<br>*CFA Institute* | Go to |
| 2/24/2005 | **Wine Tasting Social Event**<br>*Stop "wining" about the market - Should fine wine be a part of your investment portfolio?* | Go to |
| 3/4/2005 | **Research Conference**<br>*The Latest in Equity and Fixed Income* Research | Go to |
| 3/9/2005 | **Michael H. Moskow**<br>*Federal Reserve Bank of Chicago* | Go to |
| 3/31/2005 | **Chicago Bulls Fundraiser & Networking** | Go to |




**Mark your calendar…**
**Register soon!**

# Membership

## IASC New Member Party
## A Celebration of Volunteers

*by Greg Gocek, CFA, Communication Chair*

New Year's may mark the common end of the holiday season. But IASC did its new members one better in the "bonhomie" department with its complimentary January 20th reception at Chicago's Hotel Allegro. As the accompanying event photos illustrate, the extra helping of good times was well received with a fine turnout on a snowy evening.

President Nick Ronalds, CEO Jill Poznick, and a number of advisory group chairpersons in attendance described the ongoing efforts conducted by their Advisory groups on behalf of the entire membership. Everyone was encouraged to actively assist in an area (or more) of interest, also detailed on a special page of the IASC website. That suggestion, of course, extends to all newsletter readers! Feel free to contact any of the chairpersons and they'll welcome you to their teams.

Our membership of achievers also ensured that accomplishments were noted. The evening concluded with recognition of the recent efforts of especially dedicated volunteers. Each chairperson nominated a participant from his or her group for this honor. Also receiving a nice gift for their good work, the persons so acknowledged for 2005 were:

| | |
|---|---|
| Annual Dinner: | John Simmons |
| Candidate Services: | Dave DeCoste |
| Career Management: | Treasa Moran |
| C.F.A. – Cultivating Female Ambition: | Laura Stern |
| Communications: | Eric Ause |
| Education: | Steve Riley |
| Job Placements: | Gregory Witt |
| Lunch Programs: | Jim Stirling |
| Recruitment: | Brian Schuster |
| Social Events: | Patrick Thompson |
| Technology: | Sarah Hemmer |

Finally, because all our members can be considered winners, a number of door prizes were distributed by random drawing of the business cards of guests. Venues who have worked with IASC over the past year in staging our activities (such as the Union League Club, the Four Seasons Hotel, and the Hotel Allegro) donated overnight stays for couples with "all the trimmings" as the prizes. So, for the lucky recipients, at least one late evening downtown in the upcoming months can be enjoyed in surroundings more posh than the typical office!


Communication Advisory Group Chair Gregory Gocek, CFA (center), discusses the Group's activities with volunteers Jeffrey Sirken, CFA (left), Eric Ause, CFA (right) and a new member

VP-Member Development Betsy Jacobson Young, CFA (left) greets new member George Uribe and Career Development Chair Judy Malter, CFA

President Nick Ronalds, CFA, presents Steve Riley, CFA with an Honored Volunteer award for his contributions to the Education Advisory Group

# Welcome New Members


Odeh Akkawi, CFA
Mirko Andric
Amy Jones Anichini, CFA
Michael S. Beetz, CFA
James D. Bentley, CEBS
Gary T. Blackburn
Russell Campbell, CFA
Woo Cha
Robert L. Cohen
Sean T. Conner, CFA
Timo Connor
Ramon V. Cross, Jr.
Shannon J. Curley, CFA
Gregory V. Czamara, CFA
Lisbeth A. Davis
Christopher J. DeMonte, CFA
Stacy G. Devine, CFA
Qian Ding
Thomas P. Donnelly
Richard J. Drage, CFA
Hengbing Duan
Robert V. Dyer, CFA
Kimberly A. Flynn
Daniel C. Foy, CFA
Patricia C. Froman
Michael J. Gasparro
Lawrence D. Gillum, CFA
Christopher R. Glaws
Todd E. Goldberg
Christian J. Greiner
Scott R. Hall
Peter J. Hallan
Ming He
Qian Hua, CFA
Demetrios G. Karkazis
Donald L. Kettering, Jr.
John P. Khym
Ki Bin Kim
Ying Ko, CFA
Satyajit S. Kumar, ACA
Michael H. Leske, CFA
Huanyun Li
Jonathan T. Logan
Puneet Mansharamani, CFA
Kip L. Meyer
Lisa Min
Timur S. Misirpashayev, CFA
Richard T. Monopoli
Vadim V. Moroz, CFA
Jeffrey Moster
Philip M. Murphy, CFA
Gregory R. Pasieka
Eric M. Pestrue
Douglas W. Porter
Julie A. Pully, CFA
David M. Richter, CFA
James P. Rosenkoetter
Joanna L. Rupp
Nitiphon Saihom, CFA
Steven K. Schwartz
Ward D. Sexton, CFA
Eriks Smidchens, CFA
Anthony J. Trotta, CFA
Joseph M. Van Lake
Menno Vermeulen, CFA
Anthony C. Wai, CFA
David E. Weiss
Kurt M. Wiese, CFA
Jenny Y. Wong, CFA
Run Yan
Weirong Zhu

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## CFA Review Course

The Investment Analysts Society of Chicago, in conjunction with Stalla Review for the CFA Exams and DePaul University, is pleased to announce the 2005 Stalla Review Program for the June CFA examinations.

Choose which format works best for you: live, online or CD-ROM. Either way, you get study guides, lecture notes, homework software, and practice exams—all based on the assigned CFA Institute readings, which are, of course, the foundation of the CFA curriculum.

To register or for further details, go to
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The Investment Analysts Society of Chicago exclusively endorses the Stalla Review program for regular and affiliate member candidates. As an IASC member, candidates can prepare with the Stalla System at a $300 discount from normal tuition.

And, if you already purchased any other providers' Level I CFA Exam Study Notes or related review materials in the last year, Stalla will credit you **an additional $300 off** the Stalla System tuition with proof of purchase. This $300 credit is in addition to the IASC discount. **This offer expires 2/28/05**.

To find out more, go to
http://www.stalla.com/promotion/
Or, call **877-PASS-CFA**

## Don't forget!

Visit the Candidate Services section of our web site:
http://www.iaschicago.org/candidate_main.asp

This web site gives you the opportunity to sign up for study groups and post questions on discussion boards.