

# CIRCLE OF FINANCE OPPORTUNITIES Prospectus

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## Department Update



**By Ali Fatemi, Ph.D.**

*Alumni Professor and Chairman, Department of Finance*

It is my pleasure to provide you with a report on some of our recent activities and developments.

You may have seen *BusinessWeek's* analysis of the Nation's top Undergraduate Business programs, which ranked our programs at No. 71. Within the State of Illinois, we rank No. 2, behind the program at the University of Illinois and ahead of all other programs. We are very proud of this recognition. In particular, we were happy to see that we were awarded a grade of A for the quality of our teaching, well ahead of the University of Illinois. The 2010 rankings of part-time MBA programs by *USNews & World Report* have, once again, kept us firmly in the top 10 category. Further in *Crain's* ranking of MBA programs in the greater Chicago Area, we retain a solid No. 3 ranking, behind the University of Chicago's and Northwestern University's programs. The support of our alumni, including yours, has been a key component of our success.

Our Finance Advisory Board held its annual meeting in April, at which a number of programmatic and strategic issues were discussed. The board recognized Harrison Steans as the "Financial Executive of the Year," Martin H. Malecki Jr. (BSC '58) as the "Alumnus of the Year" and 19 of our students were awarded scholarships and recognized for their outstanding achievements. The board also approved the addition of a new standing committee to address student career and internship development for finance students.

Tom Allison, Executive Vice President and Senior Managing Director at Mesirow Financial Consulting LLC, established the new Allison Case Competition for undergraduate students in finance. The competition was lead by faculty member Sanjay Deshmukh and completed for the first time this spring. Coverage of the competition, award winners and future plans are covered within this issue.

The Center for Financial Services at DePaul held its annual spring Conference at the Federal Reserve Bank of Chicago. This year's program was entitled "The 'Day After' for Financial Institutions" and included speakers from the bank, local financial institutions and DePaul. You can learn more about the Center for Financial Services at [www.finance.depaul.edu/cfs](http://www.finance.depaul.edu/cfs).

On behalf of the department, I wish you an enjoyable summer.

Sincerely,

**Ali Fatemi, Ph.D.**

*Alumni Professor and Chairman, Department of Finance*

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"WITHIN THE STATE  
OF ILLINOIS, WE  
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# Alumnus Profile: Joseph Silich

By **Cara Scatizzi** • *Kellstadt Student* • *CFO Member*

BS '78 • *Finance Advisory Board Member*

Senior Vice President, Morgan Stanley

Joseph Silich is a lifelong Chicagoan with a Bachelor of Science in finance from DePaul University. He is Senior Vice President of Morgan Stanley's The Silich Group in downtown Chicago. Silich chose DePaul because "you can have more life experience walking down the street and buying a newspaper in Chicago than in most places."

Silich jokes that while at DePaul he was part of the "Kindred Spirits Who Need a Job Club." He and other students used each other as resources for networking and building relationships. Silich is still friends with many of these people today.

While attending school full time at DePaul, Silich held many jobs. He worked full-time at an investment bank, was the assistant produce manager at a grocery store on the weekend and tended bar at night in Lincoln Park. Each of these jobs taught Silich valuable skills including time management and the value of hard work. Being a hard worker, Silich says, gets you places. Silich also learned an important lesson from a communication professor during his sophomore year. The professor said you can "gain share or lose share" which Silich took to mean that you should treat every interaction as a precious moment in time. Essentially, don't waste people's time.

During his senior year at DePaul, Silich worked as an intern for Morgan Stanley. He was hired full-time after graduation and has been with Morgan Stanley in the wealth management division since then. Silich advises high net-worth families and helps them plan their financial futures. His group manages more than 130 families globally. His job includes regular travel to Florida, California and Arizona as well as international destinations.

Silich especially enjoys working alongside people who share his values. He says "the mind doesn't melt" because every day brings a new challenge. One of his biggest challenges is maintaining wealth in all market environments. While Morgan Stanley tends to invest conservatively, people are living much longer than they have in the past and Silich must determine how to make the money last. In the current market, the largest challenge has been the impact on the global marketplace—there are no safe havens for investments.

Silich is involved in DePaul's Alumni Sharing Knowledge Program through which he has run an internship program at Morgan Stanley for 15 years.

Silich is also very active in the Chicago community. He is on the Chicago-based board of UNICEF and the National Development board of UNICEF in New York City. He has even traveled to Angola with UNICEF. He adopts a Chicago Public School each year and is involved in projects that are aimed at preserving Chicago's lakefront and its downtown area. Silich gives back to the community because he feels that he has had pretty good karma in his life. He says he gets back 10 times more than he gives and believes even something little can make a big difference.

Silich's advice for new DePaul graduates is to think about where their careers will take them and where they would like to go. Money is not the be all and end all. Finally, Silich says, "Be who you are everyday." This is especially important if you work in the financial world because character and integrity are ultimately what you leave behind. ♦

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# Harrison I. Steans

## Financial Executive of the Year, 2009-2010

**Chairman of the Executive Committee, Financial Investments Corporation**



Steans is the Chairman of the Executive Committee of Financial Investments Corporation (FIC) and Chairman of the Steans Family Foundation. FIC was formed in 1994 to make private equity investments and to serve as the Steans family office. From 1967 through 1988, Steans was Chairman of NBD Illinois Inc. and its predecessor institutions. During his tenure, the organization grew from a single \$40 million bank to a six-bank holding company with assets exceeding \$1.8 billion. In 1987, the bank holding company was sold to NBD Corporation, now part of JPMorgan Chase. From 1973 through 1978, he was also Chairman of LaSalle National Bank.

market bank in the Tampa Bay, Fla., area. He serves on the advisory board of Siena Capital and Willis, Stein & Partners. Steans' affiliations with nonprofit organizations include serving as Life Trustee of DePaul University, Highland Park Hospital and Ravinia Festival. In addition, he serves as Trustee of the Civic Committee of the Commercial Club, the Carnegie Council on Ethics and International Affairs, the Chicago Humanities Festival, The Ounce of Prevention Fund and the Chicago Botanic Garden.

Steans graduated cum laude from Princeton University in 1957 with a Bachelor of Arts degree in economics. He married Lois Morrison in 1957. They have three daughters—Jennifer, Heather and Robin—as well as seven grandchildren, all of whom live in the Chicago area. ♦

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DURING HIS TENURE, THE ORGANIZATION GREW FROM A SINGLE \$40 MILLION BANK TO A SIX-BANK HOLDING COMPANY WITH ASSETS EXCEEDING \$1.8 BILLION.

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Steans business affiliations include serving as Director of MCS Holdings LLC, Provost Holdings LLC, Elektra Holding Company LLC, Taylor Capital Group and USAmeriBancorp Inc., a privately held middle



*Financial Executive of the Year Award Winner Harrison Steans*

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# Martin H. Malecki Jr.

## Alumnus of the Year, 2009-2010



A lifetime resident of the Chicago area, Martin H. Malecki Jr. earned his BSC in finance from DePaul University in 1958.

He served in the U.S. Army for four years, and finished his service at the rank of First Lieutenant. He then joined Harris Bank, working first as a commercial bank officer then as a bond specialist. Malecki moved to Lehman Brothers in 1970 and then to Smith Barney in 1973 in positions of institutional bond sales. He retired from Smith Barney in 2001. He and his wife, Dorita (whom he met at a DePaul dance), have three children and nine grandchildren.

Malecki has been involved in many volunteer activities as a village trustee, member of various school boards, zoning boards, hospital boards and investment advisory boards. He has been very active at Notre Dame parish in Clarendon Hills and is a founding member of the Finance Advisory Board at DePaul. ♦

# Professor Profile: Werner F.M. De Bondt, Ph.D.

By Jeffrey Houston • MBA '02 • CFO Member



Werner F.M. De Bondt, Ph.D.

WHAT ARE THE PSYCHOLOGICAL FORCES THAT SHAPE FINANCIAL DECISIONS? WHAT EXPLAINS THE VOLATILITY OF WORLD FINANCIAL MARKETS? THESE AND SIMILAR QUESTIONS FASCINATE PROFESSOR WERNER DE BONDT AND HAVE CONSUMED HIS INTELLECTUAL CURIOSITY FOR THE PAST 30 YEARS.

It was quite a pleasure to conduct this early April interview in the friendly confines of DePaul's Loop campus with one of the thought leaders in behavioral finance—an emerging area that combines psychology with financial economics. In this short write-up, I hope to shed some light on this intriguing individual's background as well as his groundbreaking research and practical teaching style, among other topics.

## Brief Bio

Born in Belgium, Werner De Bondt's parents sent him to boarding school at age 11. Until age 17, he was educated by Catholic monks, studying only Latin, Greek, poetry, the history of Athens and Rome and religion. This experience defined his life and instilled a deep appreciation for social science and the humanities. After his high school graduation in 1972, De Bondt embarked on many years of higher education (interrupted by a one-year draft-induced tour in the Belgian Army stationed at the time in West Germany). First, he received an industrial engineering degree in 1976 from the Universitaire Faculteiten Sint-Ignatius te Antwerpen; next an MBA in finance from the Catholic University of Louvain, both located in Belgium. In 1978, De Bondt crossed the Atlantic Ocean to pursue a master's degree in public administration at Cornell University. There, he first met Richard Thaler. Thaler, who is now at the University of Chicago, taught a class on the economic foundations of public policy. Thaler persuaded De Bondt to pursue a doctorate in business administration with an emphasis on behavioral science and economics and eventually became his doctoral advisor. After receiving a doctorate in 1985, De Bondt started his academic career as an assistant professor of business at the University of Wisconsin-Madison. He gradually progressed through the ranks, eventually becoming the Frank Graner Professor of Investment Management.

A new chapter of De Bondt's life began in 2002 when he joined the finance department at DePaul University as the Richard H. Driehaus Professor of Behavioral Finance. In this role, he focuses almost exclusively on researching and teaching behavioral finance. He served

as editor for the recently completed book entitled *Financial Accounting and Investment Management*. Earlier, in 2005, he completed another book entitled *The Psychology of World Equity Markets*. The book contains classic articles on behavioral finance and explores the financial behavior of individuals and institutions. De Bondt has published numerous articles and has served on several journal editorial boards, including the *Financial Analysts Journal* and the *Journal of Empirical Finance*. He teaches three graduate classes: The Psychology of Financial Decision Making, The Psychology of Financial Markets, and Behavioral Aspects of Corporate Finance. Outside of DePaul, De Bondt frequents the speaking circuit for professional organizations and has been involved in money management.

## DePaul and the Finance Department

In addition to being attracted to DePaul for the opportunity to study behavioral finance, De Bondt strongly believes in the university's religious mission. He points out that the Latin motto on DePaul's seal says, "Viam sapientiae monstrabo tibi," which is taken from the book of Proverbs (4:11). It is translated as "I will show you the way of wisdom."

De Bondt joined DePaul at what he believes was the tail-end of a transformational university expansion. Within DePaul University, the goal of the finance department is first and foremost to produce business professionals who bring honor to DePaul. Of course, students should aim to become competent professionals of high integrity. They also should be encouraged to develop intellectual curiosity (lifelong continuing education), independent identity (strong values, without being overbearing) and good citizenship (for example, a sense of social responsibility with concern for justice).

High teaching standards are important, De Bondt says, as well as a faculty that concerns itself with both fundamental and practical research questions. Abstract theory has to be balanced by an understanding of history and human nature. Whether "man" can be perfected is doubtful, but it is everyone's duty to try to lead a full life.

## Teaching

De Bondt requires students to read several academic or professional articles before each class. During class time, he puts the articles into context and engages students in discussions. Active class participation is critical to student learning, not only in credibly and meaningfully articulating what one believes, but also in absorbing the material.

## Research

Since finance has both well-defined theories and readily available data, it is a natural place to formulate and test economic theory. While modern finance theory strives to characterize optimal choice, De Bondt is interested in people's actual choices. There is a pressing need to develop descriptive models of how financial decisions are truly made in households, organizations and markets. Although earlier generations of economists, including Adam Smith, put great emphasis on the fallible nature of human decision-making, the interest of finance academics and practitioners in psychological factors waned during the 1960s and the 1970s. It rebounded during the 1990s. According to De Bondt, human intuition is fragile. For instance, many investors naively extrapolate past trends. They suffer from

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“IN MATTERS OF STYLE, SWIM WITH  
THE CURRENT; IN MATTERS OF  
PRINCIPLE, STAND LIKE A ROCK.”  
– THOMAS JEFFERSON.

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overoptimism and overconfidence. At the market level, these and other intuitive shortcomings of millions of investors become waves of optimistic or pessimistic sentiment. Investor sentiment, in turn, may cause large price bubbles, panics and crashes. More commonly, we just find seasonal patterns in prices. One of De Bondt's recent studies examines the turn-of-the-year effect—where January returns are higher than non-January returns. Not only is the effect much larger than many people think and appears in numerous countries around the globe, it also has shifted backward in time so that higher returns now appear in November and December. The pattern in prices may well be partially explained by the trading behavior of institutional investors since it is not confined to small firms owned by individuals.

## Investment Thoughts

Luckily, people do not live through many economic depressions. Few are alive who experienced the last one in the 1930s. The current stock market environment, De

Bondt believes, can be a great investment opportunity if correctly navigated. One of De Bondt's favorite quotes is from Thomas Jefferson: “In matters of style, swim with the current; in matters of principle, stand like a rock.” It applies to investing, as there is considerable co-movement in stocks. In “good times,” many poor companies' stocks are pulled up. In “bad times,” many quality companies' stocks are dragged down. Excess co-movement of this type causes disparities between price and value. In general, when selecting stocks, De Bondt believes in contrarian investing (as investor sentiment eventually turns). The opposite approach, momentum investing, requires good predictions of crowd sentiment and an understanding of what causes turning points. Momentum investing seems to work over short periods, but it is very risky and involves elaborate trading.

## Consumer Protection

Financial institutions introduce products with knowledge of consumer behavioral decision traps, and in a sense, they can shoot with tanks while consumers only have rifles to defend themselves. As such, De Bondt thinks that the country urgently needs to improve financial education and/or to strengthen regulation. Financial literacy makes a difference, but in practice one can only do so much. As for regulation, De Bondt feels that financial products should not be allowed to reach the market unless the target audience demonstrates an adequate level of understanding. For example, Ameritrade urges individual investors to “believe in yourself,” which is a clear play on overconfidence. Excessive trading, most research shows, leads to poor investment results. Also, the credit card business is very profitable in part because so many customers delude themselves into thinking that they will pay off their balances, yet in practice, seldom or never do.

## Federal Stimulus Spending

As for federal stimulus, De Bondt would prefer that the money is spent on investment projects that create jobs and improve infrastructure rather than on handouts that keep the voters happy now. Instead of sending checks to consumers who go to Wal-Mart (or other places) to buy foreign import products, wouldn't it be better to reduce the time spent waiting at O'Hare or to renovate Chicago public hospitals? De Bondt says that the reality is that politicians are forced to balance the short-term benefits (and the chances of re-election) against projects that are good for the long term. This is a peculiar problem of democracy that may be getting worse now in many countries where the elected leaders run a “permanent” political campaign.

*Continued on page 6*

# Alumni Create Financial Case Competition

By Anne Divita Kopacz

Strong written and oral communication, as well as effective teamwork, can distinguish finance professionals from their colleagues. During the winter quarter, honors finance students had extra motivation to work on these skills, as they took part in the new Thomas J. & Diane K. Allison Case Competition.

Thomas Allison (BSC '73, MBA '79) and Diane Allison (BSC '74, MBA '82) created the competition through a five-year, \$25,000 pledge. The inaugural case competition challenged teams of honors students in the finance program's capstone course, Corporate Financial Management, to analyze a business case, prepare a written report identifying financial problems and solutions and defend their analysis before a panel of professionals and faculty. The panel selected the winners based on the quality of their financial analysis and their ability to communicate their methodology and recommendations.



*The student team that won the inaugural Allison Case Competition. From left: Marcelina Kudla, Henry Basra, Michael Pezzuto and Dustin Kim. Not pictured: Michelle Mei.*

The first place team included Henry Basra, Dustin Kim, Marcelina Kudla, Michelle Mei and Michael Pezzuto. The team will be awarded a cash prize of \$2,500 at the annual meeting of the Finance Advisory Board. Second and third place teams will receive awards of \$1,500 and \$1,000, respectively.

"We are excited to be plowing new ground with this competition," says Thomas Allison, Executive Vice President and Senior Managing Director of Mesirow Financial Consulting LLC. "This competition gives students an idea of what they will face in the business world. So many new professionals know the textbook solution for financial analysis but can't interact with other professionals or defend their analysis."

Allison also hopes that the competition will help students expand their professional networks through interaction with the competition panel members and potentially connect with employers.

The case competition will expand to include additional Corporate Financial Management sections in fall 2009. Some 400 finance students are expected to participate in the case competition during the 2009-2010 academic year.

"The case competition takes the finance department's efforts to teach finance communication skills to the next level," says Ali Fatemi, Alumni Professor and Chairman of the Department of Finance. "This competition gives each graduating class the opportunity and strong motivation to excel at teamwork, communication and analysis. By the end of the competition, the students will become great ambassadors for DePaul and its quality education." ♦

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*Professor Profile* continued from page 5

## Alumni

De Bondt thinks that networking is important for alumni and students for the practical reason that employers tend to hire people who remind them of their younger selves. To this end, De Bondt believes that DePaul's finance alumni group, CFO ([www.depaulcfo.org](http://www.depaulcfo.org)), is a valuable tool for connecting alumni, professors and students.

## Personal

Outside of the classroom, De Bondt enjoys spending time with his wife, Galina, in Chicago as well as in Madison, Wisc. They frequently escape to Wisconsin

or to Europe—especially France. The proverb "God lives in France" is self-evident and requires no proof, De Bondt says. He also thoroughly enjoys reading about nearly any topic in social science. In that sense, he never stops working, but does not regret it. De Bondt points out that one needs to be quite fanatic, even extreme, in one's effort to develop a certain level of expertise. In a way (but not really!), every virtue is a vice and every vice is a virtue. ♦

# 2009-2010 Finance Department Scholarship Winners



DePaul President Rev. Dennis Holschneider joins finance scholarship award winners.

## Undergraduate Awards

Slawomir Baran, Brian Campbell Scholarship  
Vanessa Bratosin, Thomas Kewley Scholarship  
David A. Castro, Circle of Finance Opportunities Scholarship  
Agnieszka M. Dybowska, Brian Campbell Scholarship  
Nathan Feltz, Brian Campbell Scholarship  
Cody Gertz, Eugene Muldoon Memorial Scholarship  
Vanja Grgec, Fred Mueller Memorial Scholarship  
Emily Jung, Brian Campbell Scholarship  
Neil R. Lassandro, John Garbossa Memorial Scholarship  
Omran Malik, Brian Campbell Scholarship  
Rolande Mbatchou, Guy Accentura Scholarship

Daniel S. Milam, William Poppei Scholarship  
Bozhidar Petrov, Finance Advisory Board Endowed Scholarship  
Kelsey B. Schroeder, Circle of Finance Opportunities Scholarship  
Rana Tadros, Eric Larsen Scholarship  
Feiwen Wang, Jimm Chengary Circle of Finance Opportunities Scholarship  
Mary A. Weber, Anne Drennan & Gary Kohler Scholarship

## Graduate Awards

Nicholas Dellorto, William Hocter Memorial Scholarship  
Shobha Vaidyanath, Fred Arditti Memorial Scholarship

## Graduate Student Profile: Ian M. Kos



**Full Name:** Ian M. Kos

**Hometown:** Chicago

**Undergrad degree:** Bachelor of Arts in Biology

**Concentration:** Finance, but I started the program thinking about SEV. And then I thought about finance and operations. I'm sure I'll change my mind again at some point, although I think I'll stick with finance and maybe add entrepreneurship or something else.

### What were you doing before starting the Kellstadt Program?

Before the MBA program I was part of a research team at Northwestern searching for the causative agent of Kawasaki's disease. Mostly bench work consisting of molecular biology and cell culture techniques. Prior to Northwestern I was at Loyola Medical Center in Maywood working on a research team investigating the transmission of antibiotic resistance in the anaerobic bacteria *Bacteroides fragilis*.

### Why did you decide to attend DePaul?

I chose DePaul because it's in Chicago. My wife and I have roots here and she is in the middle of her master's program, so moving wasn't really an option. Also, I

really like the opportunity to be a part of a cohort in a full-time program. That was something that was really important to me.

### What are your thoughts on the program so far?

In some ways the program has exceeded my expectations. I think because the full-time program is small and relatively new, and DePaul has traditionally been a part-time program, there has been a lot of opportunity to participate and create new things. Whereas at another school, such opportunities already exist or were already formed and structured and one would have to compete in order to participate.

### Any surprises?

Second quarter surprised me!

### What would you like to do after graduation?

I haven't yet nailed down what I would like to do after graduation. But I think my personality and temperament favor smaller entrepreneurship ventures rather than working at a large structured and established firm.

### Where do you see yourself in 10 years?

I hope having a positive impact. Maybe part of a successfully established venture. Maybe itching for the next opportunity. ♦

# Center for Financial Services Hosts Spring Conference

The second annual Financial Institution Risk Management Conference, co-sponsored by the Center for Financial Services and Federal Reserve Bank of Chicago, took place on April 14-15. This year's conference, "The 'Day After' for Financial Institutions," brought together a diverse group of academicians, regulators and practitioners to share their perspectives on the causes of our current financial crisis and how individual financial institutions, as well as regulatory and political bodies, are responding in its aftermath.

Ali Fatemi, Chairman of the Finance Department, opened the conference. Over the next two days, five panels grappled with a range of issues, including the Future of Financial Innovation, Too-Big-To-Fail, Regulation, Capital Requirements and Lessons Learned.

Keynote speaker Bill Isaac, former Chairman of the FDIC, gave a spirited and candid lunchtime assessment of mistakes made and the policy responses necessary to repair the financial system. Additional keynote addresses were delivered by Charlie Evans and Gary Stern, Presidents of the Chicago and Minneapolis Federal Reserve Banks, respectively, as well as by Bill Downe, CEO of BMO Financial Group. Response to this conference has been enthusiastic both years that it has been held. The collaboration between the Center for Financial Services and the Federal Reserve Bank of Chicago will continue to be a regular feature of the Center's activities.

For more information on future Center for Financial Services programs, please visit the center Web site at [www.finance.depaul.edu/cfs](http://www.finance.depaul.edu/cfs) or contact Kelly Glenn in the finance department at **312-362-7531**. ♦

Visit

[www.depaulcfo.org](http://www.depaulcfo.org)  
for more information

## Save the Date

- **CFO Networking Event sponsored by Deloitte, July 23, 2009**  
[www.depaulcfo.org](http://www.depaulcfo.org)

## Alumni News

The Circle of Finance Opportunities (CFO) exists to help alumni stay connected with each other through networking events, professional programs and raising money to support current students through the CFO scholarship fund.

Since its inception in 2003, CFO has been led by a Board of Directors, which meets every six weeks over lunch to plan future CFO projects. We always need volunteers to participate as board members and subcommittee members.

For more information on CFO, you can visit our Web site at [www.depaulcfo.org](http://www.depaulcfo.org) or call Kelly Glenn at **312-362-7531**.

*Prospectus is sponsored by the Department of Finance and the Circle of Finance Opportunities (CFO), which is composed of alumni and friends of the department. If you would like more information on CFO or on contributing an article to Prospectus, please contact Kelly Glenn in the finance department at 312-362-7531 or [kglenn2@depaul.edu](mailto:kglenn2@depaul.edu). Prospectus is published three times each year during fall, winter and spring quarters.*

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