



# Rotman FinanceLink

NEWS FROM THE BONHAM CENTRE FOR FINANCE

APRIL 2002

## John Hull wins Northrop Frye Award

Rotman Finance Professor **John Hull** has won the prestigious **Northrop Frye Award** from the University of Toronto. This marks the first time a professor of management has received this award, which annually recognizes one U of T faculty member and one department or division for successfully linking teaching and research.

Named after the renowned literary critic and longtime U of T professor **Northrop Frye**, the award is co-sponsored by the University of Toronto Alumni Association and the University Provost. The award is aimed at supporting links between teaching and research, and winners are described as "demonstrating exemplary and innovative ways of achieving this goal". While Professor Hull won the individual Northrop Frye



Rotman Professor John Hull is the first U of T professor of management ever to win the Northrop Frye Award, which recognizes the successful linking of teaching and research.

...this marks the first time a professor of management has received this annual award...

award, the departmental award went to a program called Networks, Nations and Global Politics (POL108Y) and Summer Internship at the Citizen Lab, Department of Political Science.

Professor Hull is the Director of the Bonham Centre for Finance and the Maple Financial Group Chair in Derivatives and Risk Management. His research covers all aspects of financial engineering, including market risk, credit risk, the valuation of interest rate derivatives, and numerical procedures for valuing derivatives. His renowned book, *Options, Futures, and Other Derivatives*, sells just as well to working business people as it does to academics and students.

*continued on page 2*

### IN THIS ISSUE

Rotman still top ten worldwide for finance	2
New professor's research examines behavioural finance	3
Finance prof wins research award	4
Bonham Trader of the Year Award	4
New Chair in Investment Strategy: Alan White	6
Funds Management stream expands	6
Instructional innovation at the Rotman School	7
Malkiel featured as inaugural Bonham Centre speaker	8
Paper by Rotman profs wins international award	8
Kirzner among most-quoted in financial media	9
Trading competition pits Rotman against MIT and CMU	9
Faculty & Research News	10
Upcoming Events	11



## Rotman still top ten worldwide for finance: *Financial Times*

For the third straight year, the *Financial Times* ranking of business schools has placed the Rotman School in the top ten worldwide for its finance program, based on alumni recommendations. The 2002 survey also named the Rotman MBA program among the top five schools worldwide in 'value for money' — the rate of return for each dollar spent by a student between the start of the MBA to three years after graduation.

Rotman was rated 8th among business schools at public universities, behind such prestigious competitors as the Haas School at the University of California (Berkeley) and the University of Michigan Business School. Overall Rotman placed 31<sup>st</sup> among the 100 business schools ranked — up a significant 15 spots from last year.

"The results are reflective of the incredible growth that we've seen at the Rotman School over the past three years," says Dean **Roger Martin**. "We added a third section to the Rotman MBA program in September 2001 without sacrificing our high standards. We have also hired some stellar young professors (see the story on **Lisa Kramer**, page 3), who have had an immediate impact on Rotman's teaching and research activities, enabling us to expand the PhD program."

Each year in January, the *Financial Times* provides a comprehensive assessment of the value of an MBA and the business schools that provide them. The ranking of the best MBA programs is compiled from two questionnaires, one for the business school and the other for the MBA class of three years previously, and from an independent assessment of research. Complete results of the *Financial Times* survey can be found at <http://specials.ft.com/businesseducation/index.html>. ■

## John Hull wins Northrop Frye Award

*continued from page 1*

"It's a great honour to receive this award," says Professor Hull. "I was certainly aware of Northrop Frye long before I ever thought of moving to Canada from the U.K., and I read one of his books a few years ago. It's a thrill to receive an award in his name."

"I've been lucky to work in this field," says Professor Hull. "The interests of both academics and practitioners are still fairly close, so I've never felt a big conflict between teaching and research. We are a vocational faculty, so we hope that our teaching includes hands-on skills. I like to work in a field where my research is also of interest to people who work in the real world, because if the only market for your research is other academics, that can be limiting."

Professor Hull heard the good news while he was out of town during Reading Week. "I was travelling with my family when I received a phone message from the University Provost. Later, after several long-distance calls back and forth, we connected, and I learned I had won. My wife and I went out to dinner that night to celebrate."

The 2002 Northrop Frye Awards will be presented at Hart House on Wednesday, May 1. While seating is limited, staff, faculty, and students are welcome to attend. To RSVP, call (416) 978-0424. ■



BONHAM & CO. INC.  
Asset Management

The Bonham Centre for Finance was established and endowed through a generous gift by Mark S. Bonham, CEO of Bonham & Co. Inc.

## FinanceLink

**FinanceLink** is published twice per year by the Bonham Centre for Finance at the Joseph L. Rotman School of Management, University of Toronto. To subscribe or for other inquiries, please contact the Centre directly by telephone, fax, mail, e-mail, or via the Web. Copyright 2002. All rights reserved.

**Bonham Centre Director:** John Hull

**Editor:** John Hull

**Managing Editor:** Karen Christensen

**Contributors:** Mary Ann Gratton, Ken McGuffin

**Design:** Douglas Counter Unlimited

**Printing:** Versatel Corporate Services Limited

### APRIL 2002

Enquiries may be directed to:

Prof. John Hull

Director, Bonham Centre for Finance, and

Maple Financial Group Chair in Derivatives and Risk Management

Joseph L. Rotman School of Management, University of Toronto

105 St. George Street, Toronto, Ontario M5S 3E6

Telephone: (416) 978-8615

Facsimile: (416) 971-3048

E-mail: [hull@rotman.utoronto.ca](mailto:hull@rotman.utoronto.ca)

Web: [www.rotman.utoronto.ca/finance](http://www.rotman.utoronto.ca/finance)





KEN MCGUFFIN

Rotman Professor Lisa Kramer specializes in behavioural finance, a specialty that examines markets against influences on investor behaviour.

## New professor's research examines behavioural finance

**Lisa Kramer's** lifelong fascination with the markets began by watching her father pick lottery numbers.

An assistant professor in the Rotman Finance area who teaches at the University of Toronto at Mississauga, Professor Kramer's love of finance all began when she was a child and her father studied the winning numbers in the Lotto 6-49.

"He used to say that if a certain number had not come up in a while, it was more likely to win," says Professor Kramer. "Of course, this goes against what I now know about statistical probabilities, but I attribute my early fascination with finance and the markets to him."

Professor Kramer came to Ontario in fall 2001, after teaching at Simon Fraser University in British Columbia. She earned her PhD in Finance from UBC, and is the recipient of a SSHRC Doctoral Fellowship (1994-1997), the MacPhee Memorial Scholarship from UBC, and fellowships from the University of Toronto including the Outreach Doctoral Fellowship and the Simcoe Special Fellowship.

Her research focuses on behavioural finance, a specialty

that examines markets against influences on investor behaviour. Publications she has authored or co-authored include: "Losing Sleep at the Market: The Daylight Saving Anomaly", in *American Economic Review*, and "Winter Blues: Seasonal Affective Disorder and Stock Market Returns", which is in progress.

"Behavioural finance is a burgeoning area that is gaining acceptance as more and more researchers work on it," she says. "It seeks to reconcile what we see in financial markets with documented results in psychology."

Aside from behavioural finance, Professor Kramer also conducts research on financial econometrics and capital markets. "I like to research topics that captivate my own interest as well as that of others. Keeping it fresh is important to me."

Recent circumstances led Professor Kramer to assess her priorities in all aspects of her life. In the fall of 1996, she was diagnosed with lymphoma, cancer of the lymph nodes. She then underwent eight months of chemotherapy, which she describes as "grueling and difficult." Then, one year to the day after the initial diagnosis, she suffered a relapse. That led to a complete bone marrow transplant, just two weeks after she completed her PhD.

"The bone marrow transplant is the closest I have come to death," she says. "They bombard you with chemicals until your life is hanging by a thread, and then they try to pull you back. They did pull me back, but I had a very long recovery."

Two years of healing and therapy passed before she was well enough to concentrate on her professional life. "Through my recovery I came to reconsider and re-evaluate every aspect of my life," she says. "After a while I came to the realization that I still really loved finance, and I wanted to keep working in the field. I am fortunate to be here and doing that, and pursuing research that is stimulating and exciting."

Her husband of nine years, **Mark Kamstra** — also a financial economist — is the co-author of several papers with Professor Kramer. When they are not crunching numbers, they enjoy spoiling their two cats and snorkeling in tropical locations. Although she misses the mild weather of British Columbia, Professor Kramer is enjoying Toronto.

"It's exciting being at the financial centre of Canada," she says. "And I'm really enjoying the links between business and business education that happen here at the Rotman School."

"The finance area is fortunate to have Lisa join our group," says Professor **Laurence Booth**, Rotman Finance area coordinator. "She is a talented researcher and a gifted teacher who will be a great asset to the School." ■

"I'm really enjoying the links between business and business education that happen here at the Rotman School."





JIM ALLEN

Rotman Professor Raymond Kan's award-winning research focuses on empirical asset pricing and portfolio management.

## Finance prof wins research award

Associate Professor of Finance **Raymond Kan** received the 2001 **Roger Martin and Nancy Lang Award for Excellence in Research** for his esteemed work in empirical asset pricing and portfolio management.

Announced in December, the annual awards were established in 1999 by a generous donation to the Rotman School from Dean **Roger Martin** and his wife, **Nancy Lang**. The awards aim to recognize and encourage the research and teaching activities of faculty members at the Rotman School.

"Since excellence in research and teaching is at the heart of our mission as a school, Nancy and I decided that this was the best way for us to celebrate the achievements of the Rotman School's faculty," says Dean **Roger Martin**. "Rotman's program is distinguished largely by its research-based approach to management education, and we are very proud of the achievements of our distinguished faculty, who continue to achieve international acclaim for their work."

Professor Kan isn't the first member of the Finance faculty recognized for excellence in research and teaching. Assistant Professor of Finance **Alexandra MacKay** received the 2000 Roger Martin and Nancy Lang Award for Excellence in Teaching. Prof. MacKay has taught at both the undergraduate and graduate levels, including courses in financial engineering. She has consistently won praise from both colleagues and students for her leadership in the classroom.

Professor Kan received his PhD from the University of Chicago and joined the Rotman faculty in 1992. His current research focuses on the methodology issues of tests of asset pricing models, and has been published in leading finance journals including the *Journal of Finance* and the *Journal of Financial Economics*.

In 1999, Professor Kan won the Petro Canada Young Innovators award, along with Assistant Professor of Finance **Kevin Wang**. For more on Professor Kan and his award-winning research, visit his Web site at [www.rotman.utoronto.ca/~kan](http://www.rotman.utoronto.ca/~kan) ■

## Bonham Trader of the Year Award

A group of Rotman Finance students had a prime opportunity to integrate theory and practice by participating in the inaugural **Bonham Trader of the Year Competition** this past November.

Sponsored by the Bonham Centre for Finance, the competition provided 22 first and second-year MBA students with an opportunity to test their trading acumen in a virtual environment that simulated real-world trading.

The competition took place at the School's **Financial Research and Trading Lab**, one of the leading facilities of its kind in North America. The Lab contains everything you'd expect to see on an actual commercial trading floor, including 30 dual flat-panel trading stations equipped with Bridge's Telerate Plus software and real-time data feeds, a Bloomberg terminal, two projection screens, two Trans-Lux datawalls and an integrated sound system.

Lab Manager and competition coordinator **Daniel Dupuis** described the event as an excellent way to combine classroom theory with real-life applications. "This competition is a prime example of the integration of theory and practice. While

"While we are taught the various financial theories in the classroom, the fluidity of the market. It teaches you how to integrate information





Bonham Centre Trader of the Year organizers and winners, from left: Prof. Tom McCurdy; Prof. Alexandra MacKay; Jonathan Zamir (tied for 2nd place); winner and Bonham Centre Trader of the Year, Mike Kuan; Brad Shields (4th place); Finance Lab Manager Daniel Dupuis; Steve Green (tied for 2nd place); Yun Xia ("Most Consistent Trader"); James Fung ("Most Technologically-Advanced Trader"); and Prof. John Hull.

participants must be familiar with the theoretical aspects of each case, trading is largely a practical activity. A sense of competition quickly developed between the participants, which made it a lot of fun." Prizes included several pairs of symbolic red suspenders, commonly used in the industry to designate star traders. **Mike Kuan** (MBA '02) finished with the best overall cumulative score and took home the top prize — a cheque for \$1,000.

"The competition was a huge adrenaline rush. Trying to figure out how the market was going to develop was a valuable experience for anyone interested in working in capital markets," says Kuan. "While we are taught the various financial theories in the classroom, this competition exposes you to the fluidity of the market. It teaches you how to integrate information quickly and react decisively."

As for the prize money, it didn't take long for Mike to decide what to do with it: "I added it to my regular trading account."

The Bonham Centre for Finance, the competition's sponsor, was established in March of 1998 through a generous gift from U of T alumnus **Mark Bonham** (BCom '82). The Centre has earned a reputation for superior work in its three key areas of activity: finance research, finance teaching, and creating links between the academic and business communities. ■

this competition exposes you to quickly and react decisively."

### Commerce Students Get Their Own Trading Competition

Following on the success of the Bonham Trader of the Year competition for MBA students in November, Bachelor of Commerce students took part in the first-ever Commerce Trading Competition on March 22.

About 25 undergraduate students took part in the event, organized by Commerce Programs and the Capital Markets Institute and held in the Financial Research and Trading Lab.

"The Commerce students don't have much exposure to the Lab in their existing course work, so this was a terrific way to introduce them to its fabulous resources," says Assistant Professor of Finance **Alexandra MacKay**, who organized the competition. "This event really showed them the dynamics of the market and gave them the beginnings of some of the real-world concepts that they are keen to learn."

Because these students have not usually had full-time work experience yet, the competition gives them practical experience to supplement their business learning, says Professor MacKay. "The event was a real eye-opener for them."



## New Chair in Investment Strategy: Alan White

Finance Professor **Alan White** (at right) has been named the first recipient of the **Peter L. Mitchelson/Sit Investment Associates Chair in Investment Strategy**.

An internationally-recognized authority on financial engineering, Prof. White has taught at U of T since 1987 and is well known for his work with Professor **John Hull**, with whom he developed the **Hull-White Interest Rate Model** and associated numerical procedures. This model is widely used by financial engineers in trading rooms around the world to value non-standard interest rate derivatives.

Professor White's research focuses on derivative securities, their pricing, and their use by financial institutions for risk management. Most recently, he has studied the pricing and management of credit risk. Professor White earned his PhD from the U of T, his MBA from McMaster University, and his BEng from McGill University.

Professor White has made numerous contributions to the academic community, publishing in both academic and practitioner journals and serving as the associate editor of the both the *Journal of Financial and Quantitative Analysis* and the *Journal of Derivatives*. At the Rotman School he has taught at the graduate level and has served as supervisor of the PhD program in Finance.

"The appointment of Prof. White as the first Peter L. Mitchelson/Sit Investment Associates Chair in Investment Strategy will help Rotman produce graduates who are better prepared to manage investment funds. It will also permit Prof. White to continue his research and teaching activities in investment policies and strategies," says Dean **Roger Martin**.

The Chair was made possible by a gift from Sit Investment Associates. **Peter Mitchelson** (BCom '64), is the founding principal and president of Sit Investment Associates, based in Minneapolis, Minnesota.

"We are very grateful to alumni like Peter and his colleagues at Sit Investment Associates," says Martin. "With their support, Rotman can continue to attract and keep great professors like Alan White, which in turn, attracts great students and even more great professors to the School." ■



Rotman Professor Alan White, an internationally-recognized authority on financial engineering and the first recipient of the Peter L. Mitchelson/Sit Investment Associates Chair.

## Funds Management stream expands

Course offerings in the Rotman MBA Program's Funds Management stream are set to expand in fall 2002 in an effort to make Rotman graduates — most of whom enter the field of Finance — even more attractive to potential employers in the mutual fund and pension fund sectors.

Currently, one of three fund management courses on offer is called **Security Analysis and Portfolio Management**. It involves an examination of investment policies of individuals and institutions, covering topics such as security valuation models, utility theory, efficiency of capital markets, portfolio construction and performance measurement.

"The plan is to replace this course with three new offerings," says Finance Professor **Alan White**, who is spearheading the effort. The first new course — **Security Analysis** — will help students understand how to assess and compare the various investment alternatives. The second, **Portfolio Management**,

"This appointment will help Rotman produce graduates who are better prepared to manage investment funds."



will teach the theory and practice of portfolio management. "This will be of great use to those planning to take jobs in the mutual fund or pension industries," says White.

The third and most innovative new offering, which has yet to be named, will focus on practical fund management and will involve managing an actual portfolio. The course will likely be taught by **Felix Chee**, VP Business Development, U of T, who has many years of experience in this field.

In addition to the above, two experimental second-year finance electives have been offered in the past year. A course dealing with fixed income securities (bonds) was offered for the first time in fall 2001. Taught by **Alexandra MacKay**, **Analysis and Management of Fixed Income Securities** (MGT2316) is the newest addition to the Funds Management area within the MBA curriculum and is expected to be offered on a regular basis.

"The students say that this course is a useful addition to the curriculum because it brings together most of the aspects of fixed income securities into a single package," says Professor MacKay. Many university MBA programs offer electives dealing with fixed income securities, and Rotman students expressed enthusiasm at having this course added to their portfolio of choices here, she says.

Unlike the fixed income courses in MBA programs at other schools, MGT2316 makes explicit use of the **Financial Research and Trading Lab**, its data resources and its simulated trading environment. The course covers a wide range of topics, including the term structure of interest rates, interest rate derivative securities, corporate bond ratings, mortgage-backed securities and securitization.

The second existing experimental course, **Interactive Financial Modelling**, is taught by **Tom McCurdy**. This course introduces students to the mathematical models that are used in industry to estimate the fundamental value of securities and to manage them in a portfolio setting. The course also makes extensive use of the Financial Research and Trading Lab.

This string of new courses greatly expands the material covered in the Funds Management stream for second year students. Rotman also currently offers streams in Investment Banking and Financial Engineering. "With these expanded offerings in Funds Management, we will better meet the requirements of our students, most of whom go on to work in the Finance sector — many in investment banking and derivatives and risk management."

"It's important that we refresh and extend our offerings in this area," says White. "Funds Management is a central area of Finance, and our students will benefit greatly from increased exposure to it." ■



EVAN DION

Professor Tom McCurdy, founding academic director of the Financial Research and Trading Lab, says experiential-based teaching can enhance learning.

## Instructional innovation at the Rotman School

If creativity and innovation are crucial in the world of business, then how can business education best prepare future managers and leaders to become innovative? This is the question posed by Rotman Finance Professor **Tom McCurdy** in an article he co-wrote with **Rosamund Woodhouse**, Director of the Office of Health Sciences Education at Queen's University, for the Spring 2002 edition of *Rotman Management*.

"Research on student learning suggests that certain types of instructional innovation will promote solutions to this educational challenge," McCurdy says in the article, which focuses on how experiential-based teaching can enhance learning by promoting 'deep' as opposed to 'surface' learning. In particular, the article describes how innovative instructional facilities, such as the **Financial Research and Trading Lab** at the Rotman School, can be used to enhance the educational experience by promoting deep learning.

The challenge for business education, says McCurdy in the article, is to develop educational approaches that foster deep understanding of issues and approaches, and provide incentives to challenge and explore new possibilities. "Experiential-based teaching can foster deep learning resulting in durable and flexible knowledge and the intrinsic motivation for lifelong learning," he writes. For a copy of the Spring edition of *Rotman Management*, please contact the editor at: [christen@rotman.utoronto.ca](mailto:christen@rotman.utoronto.ca). ■





KEN MCGUFFIN

Renowned author and professor Burton Malkiel was the inaugural speaker in the Bonham Centre for Finance Speaker Series.

## Malkiel featured as inaugural Bonham Centre speaker

Over 450 people — one of the biggest crowds ever assembled at Rotman — packed the Fleck Atrium last April for the inaugural lecture in the *Bonham Centre for Finance Speaker Series* to hear renowned economics professor **Burton Malkiel** discuss “Asset Allocation for the New Millennium”.

Author of *A Random Walk Down Wall Street*, a classic of investment literature now in its seventh edition, Malkiel popularized the idea that investors can't profit by using past stock prices to predict future prices. “Taken to its logical extreme, this means that a blindfolded monkey throwing darts at a newspaper's financial pages could select a portfolio that would do just as well as one carefully selected by the experts,” he writes in the seminal book.

In his presentation, Malkiel told the crowd that double-digit stock market returns are a thing of the past, and that high single-digit returns will be “as good as it gets” for the next few years. He believes that short-term moves are unpredictable, but long-term trends are tied to fundamentals. His other key message: *The investor who is wise diversifies*. Malkiel recommends a mix of real estate and real-estate investment trusts (REITs);

bonds, including high-yield corporate bonds; inflation-indexed bonds; and venture capital investments.

Professor Malkiel has served as chairman of the Economics Department at Princeton and dean of the Yale School of Organization. He holds degrees from Harvard and Princeton and began his career in investment banking at Smith Barney & Co.

The *Bonham Centre for Finance Speaker Series* is sponsored by the Bonham Centre for Finance, established in 1999 by a generous gift from **Mark Bonham** (BCom '82), Chief Executive Officer of Bonham & Co. Inc. The Series provides a venue for sharing world-class financial research with the business community. ■

## Paper by Rotman profs wins international award

A paper by **Paul Halpern**, Rotman Professor of Finance and TSE Chair in Capital Markets, and Associate Professor of Accounting **Wendy Rotenberg** won the Best Paper Award at the 8th annual conference of the **Multinational Finance Society**, held last summer in Italy, beating out 149 papers representing more than 300 authors from 40 countries.

Entitled “Managerial Shareholdings in Acquired Corporations,” the paper was jointly written by the Rotman professors in conjunction with **Robert Kieschnick** of the University of Texas at Dallas. Whereas prior research on the relationship between managerial shareholdings and firm value has focused on going concerns and has provided conflicting evidence, the authors take a different approach and focus on the managerial shareholdings of acquired firms. They argue that if the alignment between managerial and outside shareholders' interests varies across the range of managerial shareholdings, as research suggests, then one should expect to observe three clusters of acquired corporations. They say these clusters will differ according to the mood of the transactions (hostile vs. friendly), the form of the transactions (LBO/Merger with operating company), the sources of wealth gains in the transactions, and the form of the payment to target shareholders. In the end, the paper reconciles different views on the relationship between managerial shareholdings and firm value.

Each summer, the Multinational Finance Society conference brings together academics and practitioners from around the world to discuss timely financial issues and engage papers in corporate finance, investments, derivative securities, mathematical finance, and international finance.

For a copy of the complete paper, please send a request via e-mail to Prof. Paul Halpern at [halper@rotman.utoronto.ca](mailto:halper@rotman.utoronto.ca). ■



## Kirzner remains among most-quoted in financial media

According to Cormex Research, the Rotman School continues to dominate national media coverage of business schools, due in part to sustained attention to faculty experts such as Finance Professor **Eric Kirzner** (at right).

Rotman placed five faculty in the top 15 most-profiled professors in all of Canada for the period of May to August 2001, including Professor Kirzner and Dean **Roger Martin** — the latter on issues around Canadian competitiveness. Professor Kirzner placed 12<sup>th</sup> overall nationwide, while the Dean placed third in Canada.

For the year ending August 31, 2001, Kirzner, who regularly comments on a wide range of personal finance and capital markets issues, was the most-profiled professor amongst all faculty at the University of Toronto.

A typical recent mention in the *Financial Post* (January 15, 2002) saw Kirzner giving advice on what makes a stock a solid, reliable investment. He told the *Post* that, “one thing a blue chip stock is *not* is a company in a highly-cyclical industry”. The business environment should be stable, he says, citing companies in the food and financial industries as candidates for blue chips.

Overall, Rotman spokespeople garnered a **39 per cent share of voice** among business schools in Canada, up from 32 per cent in the previous quarter. The next highest amount of coverage (UBC) was less than 20 per cent. Cormex examines media coverage in 12 major Canadian English-language daily newspapers and *Canadian Business* and *Maclean's* magazines.

Professor Kirzner is no stranger to the spotlight. A book co-authored by him appeared on the best-seller lists in January, 2002: *Gordon Pape's 2002 Buyer's Guide to Mutual Funds* made the lists of the *Toronto Star* and *Quill & Quire*. ■

Rotman placed 5 faculty in the top 15 most-profiled professors in all of Canada for the period of May to August 2001 ...

JIM ALLEN



Once again, Finance Professor Eric Kirzner has been named one of the most widely-quoted experts on personal finance and capital markets issues in Canada.

## Trading competition pits Rotman against MIT and Carnegie Mellon

Rotman MBA students went up against some stiff competition when their counterparts from MIT and Carnegie Mellon University came to town on March 23rd for the first ever Inter-University Trading Competition hosted by the Rotman School.

“It was a great event,” says Professor **John Hull**, Director of the Bonham Centre for Finance, Maple Financial Group Chair in Derivatives and Risk Management and one of the co-organizers of the competition. “The students took part in five hours of trading. This kind of practical experience — trading in a competitive environment — really complements their classroom learning.”

Four to five MBA students comprised each team in the competition, which took place in the Financial Research and Trading Lab at the Rotman School.

The trading exercises spanned a range of different market situations, dealing with foreign exchange, fixed income (bonds), and options, to name a few. “A number of different situations presented themselves, and each one had its own particular

see Rotman vs. MIT and CMU on page 10



# Faculty & Research News

Assistant Professor of Finance **Lisa Kramer** has a forthcoming paper in the *American Economic Review*: "Should We Still Lose Sleep At the Market? Reply: A Tale of Two Tails." She collaborated on the paper with Mark Kamstra and Maurice Levi. Lisa was a presenter in September 2001 at a behavioural finance conference in Edinburgh hosted by the Scottish Institute for Research in Investment and Finance (SIRIF), where she discussed, "Winter Blues: Seasonal Affective Disorder (SAD) and Stock Market Returns." Her current working papers include one with Glen Donaldson and Mark Kamstra called, "An Ex-Ante Examination of the Equity Premium"; and "Stock Market Seasonality and the Conditional CAPM", with Ian Garrett and Mark Kamstra. She recently received a Connaught Matching Grant, valued at \$10,000. For more on Lisa, see the profile on page 3.

Professor **John Hull** has been appointed chairman of the Moodys Academic Advisory Committee. This is a committee of seven prominent academics that meets semi-annually to advise Moodys on the latest credit risk research. **Alan White** is also a member of the committee. The fourth edition of Prof. Hull's book, *Fundamentals of Futures and Options Markets* (Formerly *Introduction to Futures and Options Markets*) was published in summer 2001, while the fifth edition of *Options, Futures, and Other Derivatives* will be published in summer 2002. His "A Methodology for Assessing Model Risk and its Application to the Implied Volatility Function Model", written with former PhD student **Wulin Suo**, has been accepted for publication in the *Journal of Financial and Quantitative Analysis*. It can be downloaded from the Finance area Web site at [www.rotman.utoronto.ca/finance](http://www.rotman.utoronto.ca/finance). Prof. Hull is currently working on new research titled "Modelling Volatility Surfaces," with Wulin Suo and current PhD student **Toby Daglish**. John Hull and Alan White's paper, "One Factor Term Structure Models and Supercalibration" was published in the Nov/Dec 2001 issue of *Financial Analysts Journal*.

Assistant Professor of Finance **Kevin Wang's** working paper, "Asset Pricing with Conditioning Information: A New Test," was recently accepted for publication in the *Journal of Finance*. It will appear in late 2002 or early 2003.

Professor of Finance **Tom McCurdy's** research paper with John Maheu entitled "Nonlinear Features of Realized FX Volatility" will appear in the May 2002 issue of *The Review of*

*Economics and Statistics*. This paper was presented at various universities as well as at the World Meetings of the Econometrics Society (Seattle), the NBER Summer Institute (Boston), CIRANO Finance Day (Montreal), and the Financial Econometrics Workshop (Waterloo). "News Arrival, Jump Dynamics and Volatility Components for Individual Stock Returns" (Maheu and McCurdy) has also been presented in several venues including a conference at the University of Montreal and at the Fields Institute. This paper illustrates the improvements in forecasting volatility that can be gained by explicitly modelling the information arrival process that directs large moves in the market. Tom holds two joint SSHRCC research grants. Other research activities include extensive refereeing for international granting agencies and journals, as well as serving as an associate editor for the *Journal of Financial Econometrics*. Development work as academic director of the **Financial Research and Trading Lab** includes an Excel-based toolbox for portfolio and risk management. ■

## Rotman vs. MIT and CMU

*continued from page 9*

challenges and demands, and required a particular skill set," says Professor Hull. "Every time you enter this type of competition, the market is different, so being a past competitor does not mean you will know how the market is going to behave next time," Hull adds. "These trading games originated at Carnegie Mellon (CMU), so we expected stiff competition from them."

Professor **Tom McCurdy**, Academic Director for the Lab and event co-organizer, says "it is rewarding to see the level of interest amongst students in using the trading cases to learn about the mechanics of trading, and also about how markets work".

Members of the organizing committee included four MBA students and five Rotman faculty/staff members. They are: First year students **Jason Baibokas** and **Yun Xia** and second-year students **Leslie Peterdy** and **Scott Wigle**; Professors **John Hull**, **Tom McCurdy**, **Alexandra MacKay**, and Lab Manager **Daniel Dupuis**.

The competition will continue over the Internet, says Professor Hull. "CMU organizes a lot of online games, but I was keen to have the students here in person because a key benefit of the competition comes from the interaction between the teams." ■



# Upcoming Events

To register for an event or for further information, please call (416) 946-7462 or e-mail [events@rotman.utoronto.ca](mailto:events@rotman.utoronto.ca)

**Wednesday, April 3, 2002**

## 2nd annual Bonham Centre For Finance Speaker Series and Reception

All are welcome.

**Time:** 5:00 to 7:30 pm

**Location:** Fleck Atrium, Rotman School of Management

**Guest Speaker:** Dr. William F. Sharpe, 1990 Nobel Laureate in Economics; STANCO 25 Professor of Finance, Emeritus, Stanford University's Graduate School of Business; Chairman, Financial Engines Inc.

**Topic:** "Investor Risk-Return Preferences"

**Cost:** None

**Monday April 8, 2002**

## A Discussion on Enron / Reception in Honour of Prof. John Hull's Northrop Frye Award

All are welcome. Business casual.

**Time:** Panel Discussion, 6:00 to 6:45 pm; Q & A, 6:45 to 7:15 pm; Tribute to Prof. John Hull, 7:15 to 7:25 pm; Reception (Open Bar) 7:30 to 8:30 pm

**Location:** Fleck Atrium, Rotman School of Management

**Lead Panelist:** Prof. John Hull, Director, Bonham Centre for Finance and Maple Financial Chair in Derivatives and Risk Management, Rotman School

**Panelists:** Prof. Laurence Booth, Professor of Finance and CIT Chair in Structured Finance, Rotman School;

Prof. Ramy Elitzur, Professor of Accounting, Rotman School;

Spencer Lanthier, CFA, Co-Chair and Director, Rotman School Advancement Board (former Chairman and CEO, KPMG Canada)

**Cost:** none

**Wednesday, April 10, 2002**

## Rotman Integrative Thinking Seminar

*The 8th session in our ongoing series*

**Time:** 5:00 to 7:00 pm

**Location:** Fleck Atrium, Rotman School of Management

**Guest Speaker:** Moses Znaimer, Co-Founder, President and Executive Producer, Citytv

**Cost:** \$99/person plus GST = \$105.93

**Rotman Alumni Cost:** \$79/person plus GST = \$84.53

**Thursday, April 11, 2002**

## Rotman Integrative Thinking Seminar

*The 9th session in our ongoing series*

**Time:** 8:00 to 9:45 am

**Location:** Fleck Atrium, Rotman School of Management

**Guest Speaker:** Isadore Sharp, Chairman and CEO, Four Seasons Hotels Inc.

**Cost:** \$99/person plus GST = \$105.93

**Rotman Alumni Cost:** \$79/person plus GST = \$84.53

**Thursday April 18, 2002**

## Book Launch Celebration for Former Dean John Crispo

All are welcome. Business casual.

**Time:** 5:00 to 7:00 pm

**Location:** CIBC and City of Toronto Rooms, Rotman School of Management

**Cost:** None

**Book Details:** *Rebel Without a Pause: Memoirs of a Canadian Maverick* by John Crispo with Marion E. Raycheba (2002, Warwick Publishing Inc., \$30). John is Former Dean and Professor Emeritus of Political Economy and Industrial Relations, Rotman School.

**Friday June 7, 2002**

## Rotman Life-Long Learning 2002

All Rotman School alumni are invited.

**Time:** 8:30 am to 4:00 pm

**Location:** Fleck Atrium, Rotman School of Management

**Theme:** "The Future of Work and Corporate Organization"

**Cost:** None. Attendance is restricted to Rotman alumni.

**For information, e-mail:** Rotman Alumni and Community Relations at [alumni@rotman.utoronto.ca](mailto:alumni@rotman.utoronto.ca)

**Thursday August 22, 2002**

## Rotman Golf Day 2002

All are welcome. This is a major annual fundraiser for the Rotman School.

**Time:** Noon to 8:00 pm

**Location:** Cedar Brae Golf & Country Club, 6431 Steeles Avenue East, Scarborough

**Cost:** Individual Players: \$375; Foursomes: \$1400

**Tuesday October 29, 2002**

## Great Minds for Great Business Lecture

**Time:** 8:00 to 10:00 am

**Location:** Fleck Atrium, Rotman School of Management

**Lecturer:** Dr. A. Michael Spence, 2001 Nobel Laureate for Economics; Professor Emeritus of Management, Stanford University's Graduate School of Business; Partner, Oak Hill Capital Partners and Oak Hill Venture Partners

**Topic:** "The Informational Structure of Markets – The Past and the Future"

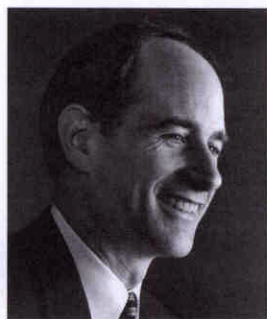
**Cost:** \$175 per person

**Rotman Alumni Cost:** \$150 per person





## Best trajectory in the MBA universe!\*



Roger L. Martin, appointed Dean  
in September 1998

"There's no value in asking whether you're the best business school in Canada. All that matters is how you're doing globally."

Roger Martin, "Who's Fast 2000: Building Business School 2.0", *Fast Company*, December 1999

"By championing an integrative approach to business education, we hope to distinguish the Rotman School's curriculum from the traditional case-study method followed by many of the top business schools."

Roger Martin, "Pioneer of the Big Picture", *Financial Times*, September 2000

## Congratulations!

Donald Morrison, MBA '83  
Chief Operating Officer  
Research in Motion Ltd.  
Chair, Rotman Alumni Association Board

A. Michael Spence, Hon. LL.D '00  
Nobel Laureate 2001,  
Economic Sciences  
Director, Rotman Dean's Advisory Board

John Cassaday, MBA '81  
President and CEO  
Corus Entertainment Inc.  
Chair, Rotman Advancement Board

\* According to the *Financial Times* (London, UK) ranking of MBA programs worldwide, Rotman is 4th in the world in value for money and is ranked 31st overall and rising. The Rotman School's percentile ranking has jumped 41 points since the survey's inception in 1999. Combined with a 15-point improvement in the 2002 survey, Rotman has the best sustained trajectory worldwide among all 100 business schools ranked.