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U of Chicago Math Program Adds Up for Hedge Funds

By Susan L. Barreto, Senior Financial Correspondent

CHICAGO (HedgeWorld.com) - Hedge fund managers that earned their keep on the trading floors of Chicago's exchanges are snapping up graduates from one of the newest program disciplines at the University of Chicago.

Some of the recent hires at firms such as Citadel Investment Group LLC have been graduates from the financial mathematics program, which is one of the first graduate programs at the University of Chicago designed to train students for placement into the workforce.

The need for a one-year financial mathematics graduate program came to light when it became evident that number of students were leaving the doctorate mathematics track to study economics instead or were finding jobs with fund managers, said Niels Nygaard, the professor who heads up the financial mathematics program.

The program has been a boon to some hedge fund managers, who may have gained their market know-how on the trading floor but are lacking the mathematical skills that are crucial for portfolio modeling and more sophisticated trading methodologies.

Early on there was some resistance at the university, but now the financial mathematics program has had its fastest placement rates and highest compensation levels since its first graduating class in 1997. Salary offers from major financial institutions are ranging from US\$80,000 to US\$360,000 annually, university representatives said.

Much of the salary growth can be attributed to the widening reach of the hedge fund industry as it has pursued more complicated strategies, leading to an increase in the application of financial math theory. Classroom topics in the U of C program include stochastic calculus, advance option pricing, fixed-income derivatives, neural networks, portfolio theory and risk management.

"It's something that took several years to shape," Mr. Nygaard said of the academic courses, which were designed with financial industry input.

The educators in some cases are hedge fund managers. Neil Chriss is a managing director of quantitative strategies at SAC Capital Management LLC, New York. He oversees a group of traders using quantitative techniques, but he is also executive director of the financial mathematics initiative.

Yurie Balasanov is a hedge fund professional who was a managing director at Chicago-based Ritchie Capital and is an instructor for the program's fixed-income derivatives courses. Jeff Greco also lectures on fixed-income derivatives strategies when he's not overseeing the portfolios at Bluehaven Management Group, an Evanston, Ill.-based hedge fund.

Most of the students in the program are coming straight from college and are signing up for the graduate course work with a goal of gaining a lucrative job in trading, modeling or quantitative analysis at a large firm. In turn, hedge funds like to hire individuals who are straight out of school so they can invest in the individuals early and retain them for years to come.

"The industry as a whole is opening their eyes to these types of programs," said Mr. Nygaard.

In a recent ranking of similar mathematics programs by a global derivatives publication, University of Chicago's Master's courses (averaging 50 students) ranked fourth behind New York University and the University of California, Berkeley, he said. The hope is that the financial mathematics agenda will continue to widen as academe wakes up to the possibilities.

As local hedge funds snare students at local and national job fairs, Mr. Nygaard's goal is to raise the University of Chicago's profile by building up a full-scale academic research center. The research effort will be launched within the year, he said.

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