



What is the finance industry?

Finance is the study of how money is managed and the actual process of acquiring needed funds. The finance industry can be broken down into several categories listed below and provides a wide variety of opportunities for many different backgrounds.

Finance Areas

Asset Management: manage the money of clients to achieve specific financial objectives within guidelines under which the investment pool is organized

Commercial Banks: provide advice to companies, provide financing to companies, individuals, and government entities, and buy/sell stocks, bonds, and securities. Also take deposits and provide loans

Corporate Finance: manage a business's money-forecasting, where it will come from, knowing where it is, and helping its managers decide how to spend it in ways that will ensure the greatest return

Hedge Funds: large entities investing in stocks, bonds, derivatives known to take higher risks and provide high returns

Insurance: help individuals and business manage risk to protect themselves from catastrophic losses and to anticipate potential problems

Money Management Firms: manage investments for individuals or corporations; buy/sell public securities

Private Equity (PE) Firms: buy corporations, privatize them, and analyze potential purchases, negotiate deals, raise financing, or attempt to improve portfolio companies' operations and profitability; eventually sell company or take it public again

Real Estate: buy existing projects to better manage or develop new projects

Real Money: generate returns over time with sovereign wealth, pension funds or insurance companies

Venture Capital: investment fund that manages money from investors seeking private equity stakes in startup and small- and medium-size enterprises (rapidly changing industries such as technology, biotech, or green technology) with strong growth potential; generally characterized as high-risk/high-return opportunities



SKILLS USED

Soft Skills:

- Communication, leadership, teamwork, passion for industry, involvement outside of academics, attention to detail, goal oriented, competitive, ability to take criticism

Analytical:

- **Economist:** analyze data and trends in the economy in order to explain why current circumstances are what they are or to forecast what the future may hold
- **Strategist:** Similar to economist but strategists generally focus not only on the economy but also on the broader financial markets
- **Quantitative:** develop mathematical models to predict the markets

Analyst:

- **Entry-level:** build financial spreadsheet models for more senior investment bankers or securities analysts
- **Investment Analyst:** analyze investments; on sell-side: put out buy and sell recommendations for clients; on buy-side: recommend securities for sale or purchase by their portfolio managers
- **Financial Analyst:** analyze cash flows and expenditures and develop a reasonable budget; determine the optimal capital structure for the corporation and participate in capital raising in the equity or debt markets
- **Quantitative Analyst:** develop computer models to value securities and structure portfolios that are used in portfolio management and program trading

TYPES OF POSITIONS

Investment Banking:

- **Mergers and Acquisitions:** solid financial modeling skills, client-facing skills
- **Underwriting:** liaison between clients and other traders/security salespeople to determine how much capital is needed and analyze market demand
- **Private Equity:** prior investment banking experience/higher degree
- **Venture Capital:** dealing with numbers, making deals, and familiarity for new technologies



Financial Advisor:

- **Stockbroker/Financial Consultant:** generally enter on the ground floor and complete a training course to learn the basics of the financial industry, gain an understanding of how the business and the firm works, and usually involves cold-calling to build client base
- **Certified Financial Planner:** guide their clients' finances in order to meet the clients' financial goals, usually in smaller firms and can encompass tax and estate planning
- **Private Banker:** work with their clients to plan investments and work towards financial goals and sometimes focus more upon preservation of wealth than on creating wealth

Financial Media:

- **Investment Writing:** produce marketing pieces or market reports that focus on the financial markets or the economy

Legal and Compliance:

- **Compliance Officer:** police securities and investment firms to prevent company employees from violating SEC regulations

Portfolio Management:

- **Portfolio Manager:** oversee client portfolios and usually have ultimate responsibility for all aspects of portfolio construction and the client relationship

Sales & Trading:

- **Sell Side:** follow a list of companies, all typically in the same industry, and provide regular research reports to the firm's clients; products will depend on how large the company is and may specialize in certain areas
- **Buy Side:** read the news, tracking down information, building models, and deepen their knowledge of their area of responsibility of making the best stock recommendations
- **Hedge Fund:** take orders from a portfolio manager or using discretion on what to buy and sell on a proprietary basis; high risk-taking

Treasury: responsible for all of a company's financing and investing activities; manage the pension fund and the corporation's investments in other companies; also handle risk management, making sure that the right steps are taken to safeguard corporate assets by using insurance policies or currency hedges



Employers Who Have Hired CMU Students

- | | |
|-------------------------|------------------------|
| AP Capital | Geico |
| Bank of America | Goldman Sachs |
| Barclays | J.P. Morgan Chase |
| Belvedere Trading | Jefferies |
| Blackrock | Kennametal |
| BNY Mellon | Old Mission Capital |
| Boeing | PNC |
| Chicago Trading Company | S&P Capital IQ |
| Citi | Sesco Enterprises |
| Credit Suisse | Susquehanna Int. Group |
| Deutsche Bank | UBS |
| DRW Trading | Vanguard |
| Ernst & Young | |

Student Organizations at CMU

- | | |
|------------------------|-----------------------------------|
| Actuarial Club | Tartan Fund |
| Moneythink CMU | Undergraduate Finance Association |
| Smart Woman Securities | Women in Business |

Websites

- | | |
|---------------------------------------|--|
| American Finance Association | www.afajof.org |
| Bloomberg | www.bloomberg.com |
| Chartered Financial Analyst Institute | www.cfainstitute.org |
| CNBC | www.cnbc.com |
| CNN Money | www.money.cnn.com |
| Economist | www.economist.com |
| Investopedia | www.investopedia.com |