UNI Business
University of Northern Iowa

2020 UNI FINANCE

HOW SOCIAL RESPONSIBILITY IMPACTS COMPANY PLANNING

FINANCE STUDENTS MASTER BUSINESS VALUATION

FINANCE COMPETITIONS HELP STUDENTS WITH REAL-WORLD SCENARIOS

IN THIS ISSUE 2020

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Ready for financial and social responsibility

Time is rapidly changing and so is the business world. As businesses face new financial challenges, college educators must be more responsive to the changing landscape to guarantee our students are ready for the future. This is exactly what we are striving to accomplish in the finance department at UNI.

There is widespread agreement that educators should better prepare young adults for the financial and social responsibilities of the future. Our department has responded by addressing these issues head on.

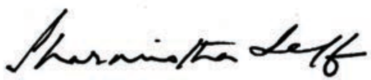
We recently launched Financial Skills for Smart Living, a program designed to educate high school students on financial responsibility. This college-level course has been tailored to meet Iowa's state mandated educational requirements and the comprehensive needs of high school students. Our course gives college credit from UNI to students who pass the program's optional final exam, a unique element that is not available through other high school financial literacy programs.

The topic of social responsibility is growing in businesses throughout the world. It's important for all business educators to discuss the impact these issues have on revenue and profitability. Professors Ronnie Chen, Ryan Flugum and Justin Lallemand share insights on how finance is responding to social demands and what that means for the future.

UNI finance students continue to perform well against larger universities in national competitions due to the real-world education and experience we provide. This dedication to student success is also reflected in our CFA exam pass rate, which is more than double the national average.

We're always looking for feedback. I encourage you to connect with me and the finance department to keep us informed on business trends, employment needs and industry updates.

Go Panthers!



Shar Self, *Head of Finance and Economics*


STRATEGY
CSR
Corporate Social
Responsibility
ENVIRONMENT
SOCIAL

HOW SOCIAL RESPONSIBILITY IMPACTS COMPANY PLANNING

In a business sense, social responsibility means that businesses must maximize shareholder value while also acting in a manner that benefits society. Being socially responsible could take on a number of different forms, like sourcing materials in an environmentally conscious way or giving back significant amounts of time and/or money to the community.

The jury is still out on whether being socially responsible ultimately benefits the bottom line, but it's clear more companies are taking it into consideration. About 85% of companies on the S&P 500 file annual sustainability reports, and that number seems poised to swell as social responsibility continues to come to the forefront.

Assistant Professors of Finance Ronnie Chen and Ryan Flugum explain why corporate responsibility has gained so much traction.

1. It builds trust

Being socially responsible builds a level of trust with shareholders. Nobel Prize-winning economist Joseph Stiglitz actually found that trust is one of the most important things between a company and investors. That can lead to higher stock prices and more revenue for an organization.

"So if your company is wanting to be socially responsible, investors know that, and that is going to help investors build trust in the company," Chen said. "Some researchers found that the stock prices of socially responsible companies did better during the 2008 economic recession, because investors believed they could trust those companies to take care of their money and investments."

2. Marketability of products and services

While many customers will still choose a product based on price, about two-thirds of Americans are willing to pay more for sustainable products, according to an IBM and the National Retail Federation survey.

“These days, customers are more aware of a company’s social responsibility,” Chen said. “So if everything is equal, they will probably want to purchase services and products from socially responsible companies. But it should be noted that for most customers, price is the most important factor in their decision-making process.”

Chen used the example of Asia Pulp & Paper (APP), an international paper supplier that for many years cut down trees in Indonesia’s rainforests, drawing the ire of the public and local governments. Many vendors and customers cut ties with the organization, eventually shifting how the company did business. APP now follows its Sustainability Roadmap Vision, which focuses on reducing deforestation.

“Customers boycotted [APP] products,” Chen said. “This shows social responsibility can be good for long-term revenue growth.”

3. Responsible investing

At the beginning of a company’s life cycle, much of their revenue comes from investors. Chen said investors are usually more apt to lend money to companies who have an aspect of social responsibility.

That mindset helped popularize what is called ESG investing, which stands for environmental, social and governance. Investors who employ this strategy examine each case through these categories while weighing profitably and potential. Ryan Flugum, assistant professor of finance, receives a running list of research papers from peers in the finance space. He’s noticed that more and more are touching on this topic of socially responsible investing.

“More frequently, they’ve been related to ESG investing,” he said. “It’s a hot topic right now.”

Flugum said younger students are more passionate about social responsibility, and that could push companies further into the socially responsible space as these students enter the work-force and become powerful consumers.

“From what I’ve seen from my students, and I’ve been teaching for 16 years, they seem to be more passionate about a cause,” Flugum said. “That wasn’t necessarily that way when I first started.” ■

THE RISE OF SOCIALLY RESPONSIBLE INVESTMENTS AND WHAT IT MEANS

By Justin Lallemand

The concept of socially responsible investments can be traced back as far as the 1800s. Quakers rejected investments related to the slave trade, following their initial focus on eliminating other designated sin investments, including tobacco and alcohol.

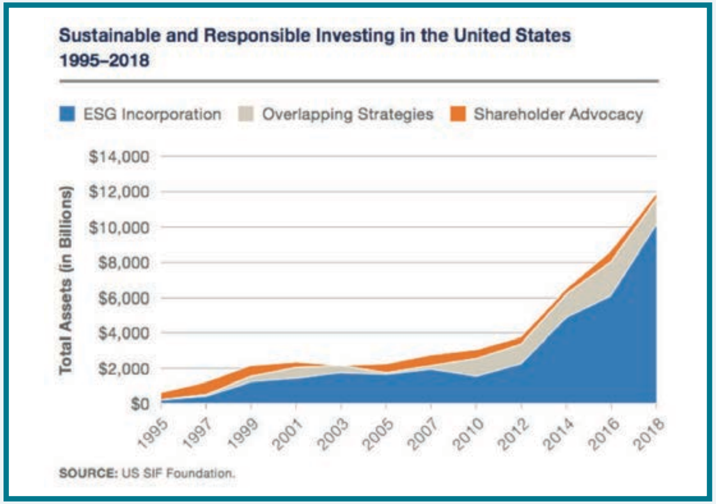
Many years later, this concept of investing added more proactive causes, like excluding investments in gambling while at the same time promoting greater transparency and better corporate governance. Eventually, new societal issues like climate change were added as concerns about the impact of human actions on the global climate continued to grow.

Today, the prevalence of socially responsible and sustainable investing reflects incredible growth that has occurred over a relatively short period of time. Eivind Lorgen, CEO of the North American division of Nordea Bank Asset Management, spoke at UNI in April 2019 about the rise in popularity of this category of investments. To illustrate the shift in the goals of many investors, Lorgen described a meeting with an investor who said returns were not his only concern, or even his primary concern.

The client was willing to avoid investing in any company that contributed to global climate change with his reasoning paraphrased as: It's not about dollars and cents, but also about my grandchildren's future.

Nordea Bank Asset Management is far from the first to create mutual fund statements with things other than pure returns in mind. ESG covers a broad range of ideals, with corporate governance being a concept a traditionally minded investor would also consider.

To put into perspective just how fast Environmental, Social, Corporate Governance (ESG) funds continue to grow, the following graph charts a 400% increase in these investments since 2012. **The growth depicted in blue indicates that the rise within this group of funds is driven by ESG considerations.** ▶



SOURCE: US SIF Foundation.

Companies with strong corporate governance have many checks and balances, making sure one individual is not able to heavily influence a company's overall strategic goals while helping to avoid conflicts of interest.

Consistent with actions taken by fund managers, recently it has also become commonplace for annual reports from publicly traded companies to express their revised focus on satisfying all stakeholders (e.g. customers, suppliers or society as a whole) as opposed to the traditional primary goal of maximizing shareholder wealth. Such an attitude

EXAMPLES OF ESG CRITERIA USED BY SUSTAINABLE INVESTORS

SOURCE: US SIF Foundation

shift can be found for investment managers, corporate executives and the investors themselves. Investors in ESG funds communicate that they are accepting of potentially lower returns in exchange for what they perceive as valuable societal benefits. For this reason, returns on ESG investment funds are infrequently compared to returns from more traditional funds with a singular goal of risk-appropriate wealth maximization.

The importance of socially responsible companies simply cannot be overstated. One argument often made by investors in ESG funds is that socially responsible firms may reflect lower returns in the short run, but these lower returns may be greater in the long-run as reputational capital is built. At the same time, such companies may be ahead of the curve if regulations become more strict in the future. Overall, while these companies may not report substantially greater earnings, it has long been the case that many investors are long-term investors and expect that socially responsible firms and ESG funds will eventually have the monetary benefits to accompany the benefits to society.

From an investment manager's perspective, the appeasement of investor preferences and being a leader in ESG investing may result in greater funds under management, resulting in monetary benefits to the investment management firm.

If social responsibility does indeed maximize value over the long term, it makes equity investments in these companies ideal buy-and-hold investments. And as ESG investing continues to rise in popularity, as they are expected to do, these companies can potentially see their value grow enough over time to make up for lower initial returns. ■

NEW FACULTY AND STAFF

RYAN FLUGUM
Assistant Professor of Finance

Ryan received his PhD in finance from the University of Missouri. Prior to that, he received his master's degree in mathematics from University of Northern Iowa. His research interests are in financial intermediaries, hedge fund activism, securities analysis and empirical asset pricing.

DANIEL A. LYNCH
Instructor of Finance

Daniel received a BA in finance and MBA from University of Northern Iowa. Dan has 33 years of experience in the financial services industry and is the current market leader and senior vice president of commercial lending at First National Bank in Cedar Falls.

RETIRED FACULTY AND STAFF

DICK FOLLOWILL
Professor of Finance

MIR ZAMAN
Professor of Finance

getting teens ready for the good life

Students between the ages of 15-21 report feeling unprepared to face the complex world of the 21st century.

Many of our everyday decisions have a financial impact, which makes financial literacy a crucial skill. It applies to almost every aspect of life. It's especially important in high school, before students venture on their own to manage their own wealth.

UNI's new **Financial Skills for Smart Living** course will fill the void in high school financial literacy education. This college-level personal finance course has been tailored for high school students and designed to get them prepped to live their best life.

What makes the program different from other financial literacy programs? Qualified high school juniors and seniors who take this course in high school can also earn college credit from UNI by passing the final exam. In addition, high school educators don't need a master's degree to teach the course after receiving training from UNI!

Is financial literacy education being delivered in your high school? Help spread the word about how this unique program could benefit your community.

Financial Skills for Smart Living course includes:

- How to set and meet financial goals
- How to track income and expenses
- How to set and stick to a budget
- Credit score definitions and monitoring
- How to buy insurance
- How to plan for retirement

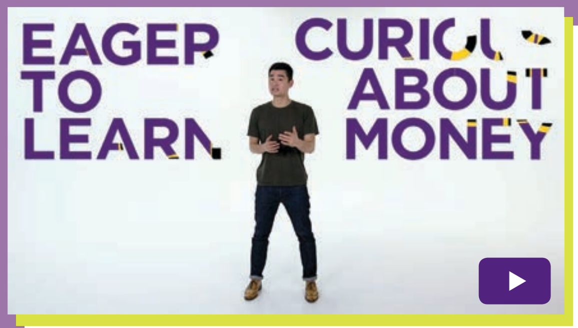
...and more!

Is financial literacy taught in your high school?

Help spread the word about this unique program to get young adults ready for the good life.

To learn more about program specifics, visit:

business.uni.edu/financial-literacy



SCAN ME

Use your mobile phone camera to scan the code.

ROSS SCHUCHART
PAYS IT FORWARD

Each spring, notable UNI*Business* alumni from each academic department return to campus as 'Alumni in Residence' to network with students and share insight on business expectations after graduation.

Ross Schuchart (Finance `96) was chosen as the 2019 Alumni in Residence.

Schuchart is the vice president of Athene Holding Ltd. He has 22 years of extensive experience with derivatives management, analysis and trading for the insurance and investment management industries. In addition, he has experience managing portfolios across fixed income and alternative investment asset classes.

Schuchart congratulated 2019 finance department graduates and Purple and Old Gold recipients, Timothy Morris and Jonathan Hittner.

Schuchart represented the finance department as the Alumni in Residence at the 2019 UNI*Business* Leadership Celebration.

Schuchart with Purple and Old Gold Award recipient in finance, Timothy Morris (Finance '19)

Jonathan Hittner (Real Estate '18), Purple and Old Gold Award recipient in real estate.

EVERY DOLLAR COUNTS

2019-2020

FINANCE SCHOLARSHIP RECIPIENTS

UNIBusinessTHANKS all finance alumni, faculty and friends for making scholarships like this possible.

LUKE MULLER
US Bank Scholars Endowed Program

VANESSA WESSELS
Nicki DeGroot Finance Scholarship

CONNER CONRAD
John Deere Finance Scholarship

LEVI WERKMAN
Financial Services Quasi-Endowed Program

CFA SCHOLARSHIP RECIPIENTS

The following students were awarded the O'Rourke CFA Scholarship for the 2019-20 academic year:

BRYCE MILLER

ADAM SCHMIDT

LEVI WERKMAN

ABDALLAH YASIN

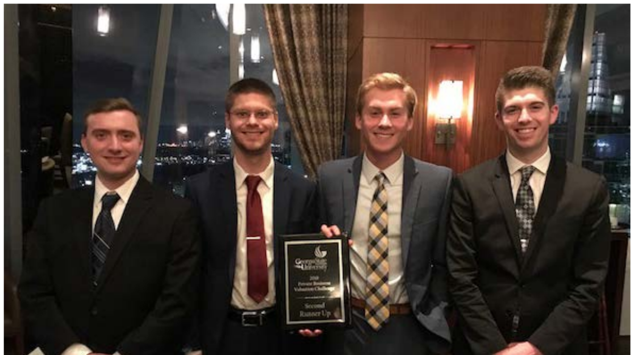
LUMA YASIN

JOLIE YU

UNIBusinessTHANKS the CFA Institute and various UNI*Business* donors who help students earn their CFA credential.

Visit business.uni.edu/give2finance to donate directly to the finance department.

FINANCE STUDENTS MASTER BUSINESS VALUATION



UNI*Business* team members Adam Schmidt, Alex Smith, Blake Smith and Levi Werkman

Every Monday night for five weeks in the fall, a team of UNI*Business* students gathered with Brett Olsen, associate professor of finance, for up to two hours. The time was spent preparing and crafting a presentation for the upcoming Private Business Valuation Challenge, an international competition that offers a unique opportunity for students to assess the value of public and private companies.

It was a tough task, considering the students were putting in work on top of their daily academic requirements, but it soon paid off. At the Private Business Valuation Challenge, held by Georgia State University and Business Valuation Resources in Atlanta on Nov. 22-23, the UNI*Business* team of Adam Schmidt, Alex Smith, Blake Smith and Levi Werkman finished in third place against some of the nation's most esteemed schools.

"Finance students from UNI can stand toe to toe with any university out there, large and small," Olsen said. "It is a rigorous competition, testing students' ability in the areas of finance but also communication."

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The case used in the competition was from 2012, so students were tasked with finding data before that date. They evaluated a variety of factors when assessing the company, including management exit strategies, mergers and acquisitions, and valuation industry best practices. Schmidt (Finance and Business Management, '20) said much of the preparation time was spent finding data from 2012 or before. From there, the team put together a 30-minute presentation to support its valuation decision in front of a panel of expert judges. For Schmidt, the competition was similar to the advanced financial management class he took as a finance major. But this case took things a little bit further.

"[In the class], we are given a case and have to use specific methods, then present our findings to the class," Schmidt said. "During the competition, we had a mentor that helped us answer any questions we had and guided us toward how people in the industry do things. We had a lot more in-depth conversations about things we learned previously in class, and applying it to a real-world case was extremely beneficial."

The team also learned how big of a need there is in the business valuation space. Schmidt said firms, particularly smaller companies, need graduates in the business valuation space. Turnover is high, especially in places like Atlanta, because after a few years, people are recruited by bigger firms.

"Participating in competitions like this one is a great way to get your foot in the door, if this is an area you want to pursue after graduation," Schmidt said. ■

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PREPARING TO PITCH

Finance competitions help students look at real-world scenarios

In the two weeks leading up to the stock pitch competition, Rhea Wieditz (Financial Management '19) knew she had to pack both her lunch and dinner when she left for class in the morning. Between courses and meetings, Wieditz and her competition team — Edin Tutic and Patrick Gold — spent all day deep into preparations.

Stock pitch competitions ask teams to analyze stock opportunities for a publicly traded firm of their choosing and present their findings to a panel of judges. The panel base scores on criteria that include financial analysis, valuation and presentation skills.

The trio poured through financial reports, seeking the right numbers to crunch in the right equations. It was hard work, but it paid off, both in results — the team finished third, winning a $250 prize — and experience.

"It was very time intensive, but we got to learn more about the financial field outside of the classroom," Wieditz said. "It definitely pushes you to learn more on top of the daily homework and tests."

Ronnie Chen, assistant professor of finance and advisor for the team, said stock pitch competitions are important for students to receive real-world experience as a finance professional. About 80% of the time, teams are on their own, but Chen and other faculty members are always on hand to answer any questions.

The scenarios presented by the competitions mirror a real example — participants have to find their own numbers and choose from a number of different equations.

"It's completely different when you're evaluating a company because you don't have the information given to you," Wieditz said. "You have to find the right information. That posed a struggle, and we didn't really know where to go all the time for that information."

A crucial component of the competitions.

Students are asked to explain their work in a 10-minute speech, followed by a question and answer segment. Some of the questions lobbed by finance professionals are tough, but they help foster teamwork and encourage everyone to work together to find a solution.

"There are some questions that are difficult to answer, but it forces us all to contribute together," Wieditz said. "We each have a different piece of information that we can contribute."

Stock pitch competitions encourage students to apply what they are learning in the classroom to real scenarios. The finance department at UNI*Business* provides these crucial experiences via a variety of contests.

"We're trying to help the students be successful not only in the classroom, but in the real world," Chen said. "We want to give them more real experience that will be helpful personally and professionally." ■

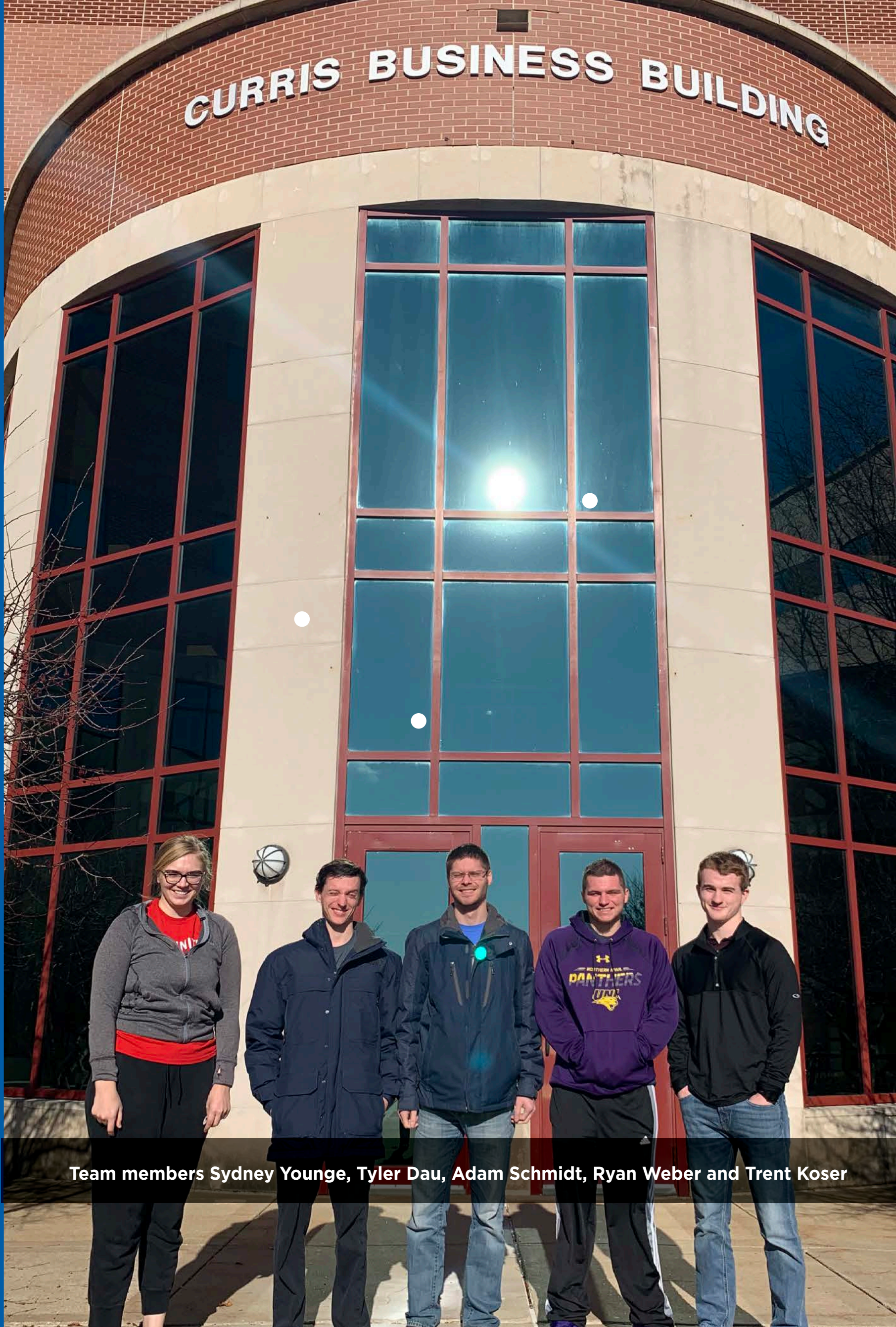
"It was very time intensive, but we got to learn more about the financial field outside of the classroom. It definitely pushes you to learn more on top of the daily homework and tests."

STUDENTS DABBLE IN **FUTURES TRADING AT CME**

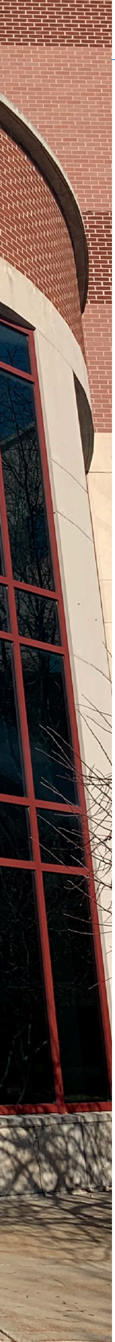
Real-time trading can bring feelings of excitement and energy that is hard to replicate without real-world experience. Three UNI*Business* teams — 15 students — received that valuable experience in the CME Group University Trading Challenge, which was held from Oct. 6 to Nov. 1.

Teams were tasked with taking a starting balance of $500,000 and trading on a CME Group application. The application, CME Globex, is an open-access marketplace that allows students to directly enter their own trades and participate in the trading process.

The team of Tyler Dau, Trent Koser (team leader), Adam Schmidt, Ryan Weber and Sydney Younge finished eighth out of 409 teams from around the world, making a 90% return in just four weeks. The two other teams placed among some of the most prestigious schools globally.



Team members Sydney Younge, Tyler Dau, Adam Schmidt, Ryan Weber and Trent Koser



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"Our main takeaways are that this competition heavily favored high-volume trading with a very aggressive trading strategy," said Eric Hordusky (Accounting and Finance, '20), who competed with one of the three teams. "This complemented what we were learning [in the classroom] by letting us put our collective knowledge of trading and the knowledge we gained from our Options/Futures class into action."

The four-week competition included the trading of futures in a variety of industries and asset classes: agriculture, energy, metals, equity index, interest rates and foreign exchanges. Teams were required to execute at least 10 transactions per day.

Hainan Sheng, assistant professor of finance and advisor for the teams, said the competition was valuable on multiple levels. Students worked in a team environment and used sophisticated software used by real-world finance professionals. Futures trading is also a useful tool among finance professionals, and an exercise like this helps students understand something they maybe haven't been exposed to in the past.

"Students said that they had been exposed to stocks trading but had never been exposed to futures trading," Sheng said. "They might not have received the opportunity to trade futures if it were not for this event." ■

FINANCE ADVISORY BOARD

Front row, left to right: Rebecca Albers, Julie Abramowski, Shar Self, Sara Klaessy, Mary Pech
Back row, left to right: Matt Hanson, Derek Thoms, Ben Miller, Jerry Ripperger, Jay Doeden, Corey Ruehle, Matt Verbeck

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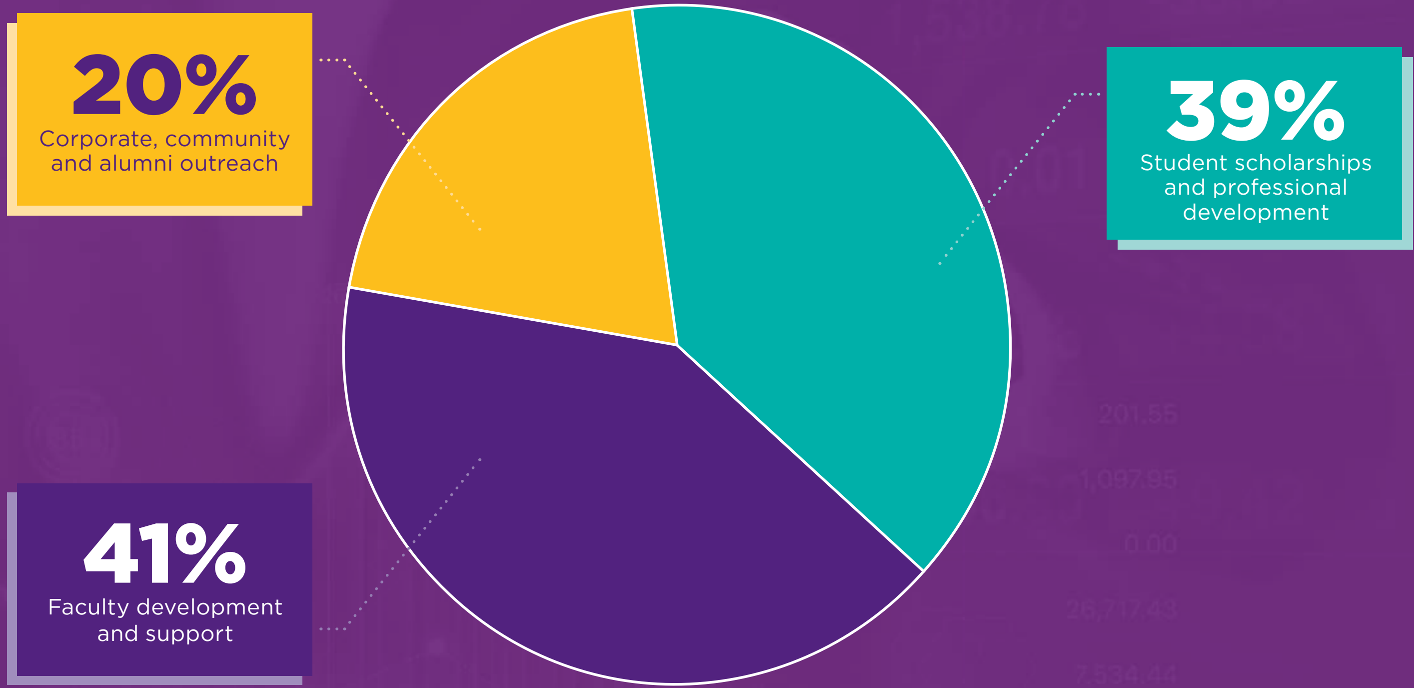
UNI*Business* finance alumni make an impact on student success by donating directly to the department.

These funds are used to support finance student development, faculty support and community outreach.



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