

nekst

Volume 19, fourth edition, June 2011

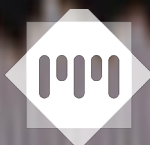
Black-Scholes Model in Context

Interview Robert C. Merton

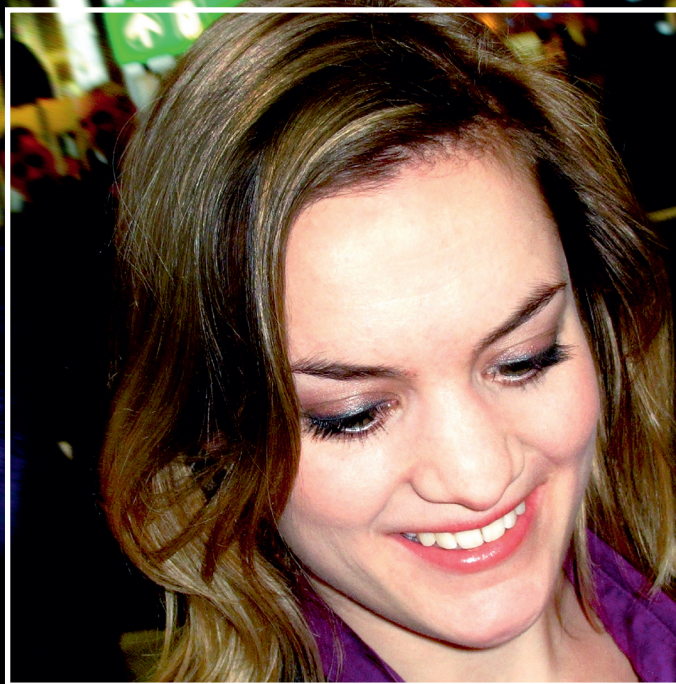
Origins of the Black-Scholes Model

Special

ASSET



Econometrics



Marleen van Dijsseldonk, 25 jaar
Junior adviseur KPMG Advisory



*"Onderweg naar een opdracht bij een klant
in #Barcelona. Weekendje shoppen eraan
vastgeplakt met vriendin daar."*

Preface

COLOPHON

Nekst is the quarterly magazine of Asset | Econometrics ©2011

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Printing

Orangebook
www.orangebook.nl

Circulation

700

Nekst 4 - June 2011

Goodbye First Page



With the exams out of the way for most and the sun peeking through the clouds at full strength every now and then, summer is in the air. To accompany you on holiday to a faraway country, or perhaps a closer destination, we have a shiny Nekst 4 for you to take along.

Of course, that will not be the only thing you can take with you. We are pleased to present you the fourth edition of the Summer Photo Contest, on which you can find more information on one of the last pages of this edition. Also check the midpage to see what else you can use the cute little Asset | Econometrics magnets for. And for those of you who remain here and want to attend some of the TIK-week activities, it may be interesting to see what the programme of the new TIK-week looks like. You can read about that in our special concerning the changes in the TIK-week programme.

The highlight of this edition, however, is definitely the interview with Professor Robert C. Merton. Some of you may know him as the winner of the Nobel Prize in Economics, and we managed to have a talk with him about his prize-winning formula, the Black-Scholes formula, which third year students may recognize from the course Quantitative Finance. To find out more about the formula and how it came to be, have a look at the special on this formula, also located in this Nekst, right next to the interview. To take this interview, we had a video conference with the famed professor, and another 'hot' topic of this Nekst is the discussion about video lectures: should lectures be filmed and put on Blackboard? Find out the opinions of several students in our opinion poll.

Furthermore, I would like to take this opportunity to thank my fellow committee for the efforts they have put into these four editions of Nekst. Although times were hard every now and then, we delivered four good magazines and I, for one, am most satisfied. Yes, fellow reader, Nekst 4 also means that this is my final preface and goodbye as the editor-in-chief. Although I have enjoyed it very much, it is time for me to make way for my successor.

Corné Ruwaard, I wish you and your future committee the best of luck next year and congratulate you on achieving this wonderful position as editor-in-chief.

Finally, I would like to thank you, the reader, for sticking with me to the end and faithfully reading Nekst this year. Should you ever miss reading my prefaces, do not hesitate to nudge me and I will gladly comply to your request and once again pick up my pen, or laptop.



Fang Qi Wu

Editor-in-chief

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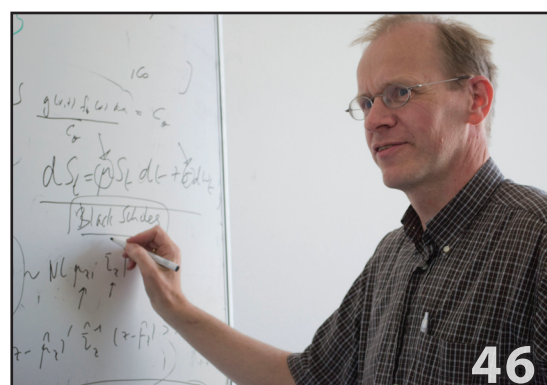
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Dear Members,

FROM THE BOARD

As the summer approaches, the temperature rises in the Esplanade-building. The lack of air conditioning now and then drains the productivity in E109 and E110, so the board members are glad that at the end of the year being a board member does not require as much efforts as it did when one of our association's many great activities was about to take place.

With the end of our year in the board in sight it is time to look back and recall a few remarkable events of this year full of experiences.

To start my walk down memory lane I recall a rather uncomfortable, though sociable weekend in April. The discomfort was caused by showering with cold water, sleeping in a thing which is an in-between of a bunk bed and a hammock and going out to some kind of discount disco. Even worse, this weekend is full of traditions from which most concern the chairmen of the different committees and the association's chairman (yours truly) in particular. Chairmen are flipped around on their mattress and I even had to clean the toilets on the last day.

The observant reader will have noticed that I am referring to the yearly Active Members Weekend, which clarifies the sociable part of the weekend. Despite the shortage of comfort, this weekend was the moment for our active members to gather and have a nice weekend together. After almost an entire academic year of hard working in one - or sometimes even more - of our committees, the active members of Asset | Econometrics deserved to have some time off. The committee did a great job in organising the weekend and everybody enjoyed it a lot. Even I, in spite of the above mentioned traditions.

And now, with a new board getting ready to take over, the end is really getting close at high speed. Considering the pace at which the months of our board year until now went by, September will probably be there before we will notice. And then, after the traditional replacement ceremony at the General Members Meeting, five illustrious board members of Asset | Econometrics will be missed in the Esplanade-building. A new board will be on our seats, and I hope that they will have a year as great as we had. I hope their plans, ambitions and dreams come true in a year they will probably never forget.

At least I will never forget this wonderful year which I experienced together with my fellow board members. Every day has been special, inspiring and surprising and none of them have been the same. Now it is time for us to move on, try to pick up studying again and find ourselves new challenges.

I wish you all the most splendid summer holidays you have ever had, after which you will hopefully be able to make a flying start the next academic year.

On behalf of the board,

Bart van Schuppen
Chairman Asset | Econometrics 2010-2011



Name:
Bart van
Schuppen

Position:
Chairman
Asset |
Econometrics
2010-2011

A Real Econometric Family

THE FATHER OF
MAARTEN MEEUWIS



Name:
Pieter Meeuwis

Residence:
Best



Name:
Maarten
Meeuwis

Age:
20

Begin Studies:
2009

For this edition of the father of, your interviewers went to Best, where the Meeuwis family lives. It has become a very special interview, because the father and mother of Maarten, who are called Pieter and Ine, were studying econometrics when TEV, nowadays known as Asset | Econometrics, was founded.

We were so nervous for the interview that we accidentally got off the train in Boxtel already. Luckily there was another train going to Best fifteen minutes later, where Maarten was already waiting for us. Maarten lives close to the train station, so after only five minutes we arrived at the place to be. When we came in, we were welcomed by Maarten's parents. They had prepared the interview very well: they had even searched the loft to find all the old TEV-stuff from their student days.

Studying at university

Pieter Meeuwis was born in Oirschot on 3 May 1959. He lived there until he was 18 years old and started living in lodges to study in Tilburg. He grew up with two brothers and one sister. The family business was a furniture company, but Pieter would not take over the business, because he had other plans. He wanted to study econometrics in Tilburg. He was the only one in the family who studied at university. Despite the distance being minimal, Pieter started living in lodges from the beginning of his studies. Back then almost everyone started living in lodges right away. Another dream of Pieter was to make a business of repairing bicycles, but for some reason it did not work out. He still likes working on his bicycle.

Girlfriend

In Tilburg, Pieter met the love of his life, Ine. In fact, she started the same study programme in the same year as Pieter, namely econometrics. They had even been in the same mentor group during the introduction. Ine was born in Rosmalen on 2 May 1960. She was one of the two girls that started econometrics in 1978. Pieter was very lucky, because there were 60 to 70 boys that started in the same year, so he had a lot of competition. After six months of studying, the relationship between

Pieter and Ine was a fact. This was around the same time when TEV was founded. So we can say that Pieter and Ine have been together for as long as Asset | Econometrics exists. Pieter finished his study in eight years. It may sound like he was lazy and took twice as long to finish his studies than normal students, but back then the study programme for econometrics had a six year-duration. With all of the work he did besides his studies, for TEV and just the normal partying, eight years is a very good performance. Ine did not finish econometrics, but was still very involved with it. On the wedding, Prof. Dr. A.J.J. Talman was also present. You may know him from some of the courses he teaches in the econometrics programme. A lot of the family friends nowadays are also econometricians.

Maarten came into sight

On 20 April 1991, the lives of Pieter and Ine changed radically. Their first baby was born, Maarten. After his birth and some of the accompanying complications, doctors were afraid that Maarten would be a child that could not learn very fast and that his development would be slower than that of other 'normal' kids. Maarten disagreed with this and he showed his parents very quickly that this was not the case. His development was even faster than that of other kids. At the age of three, he pointed at the clock on the wall and asked the teacher from kindergarten: "Miss, it is ten o'clock, do you not have to drink a cup of coffee right now?" The teacher had never heard a kid ask this in kindergarten. The other kids could not even tell what time it was. Maarten was a lovely kid, the dream of every parent. The only thing Pieter thought of that could be annoying, was that Maarten always wanted to know everything. Even that is not a bad thing, however.

Busy family

Maarten grew up in a very busy family. The family consists of five members: Maarten, his parents and his two younger brothers, Luuk and Onno. The family is very much into sports: during the holidays the boys and their father biked together, while their mother was their backup. She drove the car and made sure everything went well. On vacations they also played a lot of football. Vacation was not the only time for sports, Maarten also practiced competitive swimming and tennis. Not only are they into sports, there are some musical talents within the family as well. Maarten, Onno and Luuk all play some instrument. Maarten plays the keyboard and the piano.

Not only the kids are busy, Pieter also cannot keep quiet. He does a lot of things: he is active in politics, he helps out in a lot of committees and runs his own business. Maarten did not even know all of the committees his father was in: during the interview he discovered that his father was a member of committees he had never even heard of.

Following the footsteps of his parents

When we started talking about Maarten's career, Pieter would not hold back. He is clearly very proud that his son has chosen the same study programme as he did. Maarten did not start living in lodges immediately, but when he did, Pieter was fine with it. Of course he misses his son, but he wants Maarten to have the time of his life in Tilburg. Most parents would have concerns about their kids passing all the courses. The only thing Pieter is worried about is that Maarten does not go out enough to have some fun during his studies. That Maarten is going to pass his courses, he knows for sure! Pieter is even prouder that Maarten became an active member of Asset |



Econometrics, the study association he was a board member of.

When thinking about the future, Pieter could imagine Maarten doing anything: he could be a professor at a university, abroad or in the Netherlands, maybe a financial director. But one thing he knows for sure: Maarten will have a cute little family and will live happily.

Perfect son-in-law

When we talked about Pieter as a father-in-law, his modesty came up. He thought he was not the best father-in-law, but it was not up to him to decide. Maarten told us he would do pretty well.

As a son-in-law Maarten is doing very well, according to Pieter. Maarten is very reliable, attractive and smart, and when he says he is going to do something, he does it: he never gives up. What more could a person wish for?

The only thing he thinks Maarten is missing, is that he is too modest. He would like him to be a little bit more spontaneous.

Pieter has one advice for Maarten right now: "Have a lot of fun during your studies. That you will succeed, I know, but it is also very important to have a really great time in Tilburg!" This seems a good advice for everybody, and we will listen to it for sure!

Text by: Marlies Veenes

Differences: Busted or Confirmed?

FAMILY DAY



Name:
Petra Alkema

Age:
19

Studies:
Biomedical
Engineering

The first discussions about the differences between the universities of Eindhoven and Tilburg started way before my brother Geert decided to study Econometrics in Tilburg. Our introduction weeks were totally different, which was the start of a never ending conflict.

The board of my study association Protagoras (Biomedical Engineering) should not even work twice as hard as the board of Asset | Econometrics and, on the other hand, I was convinced that a study association should have his own bar on campus with a drink every Thursday. For this reason, Geert announced the Family Day about a year ago, when a new discussion about the Parents Evening and our Parents Day started. The event was planned on April Fools' Day. After a check of the date with the board, all three of us confirmed our participation. The expectations were, naturally, very high.

As always, the NS let me down on my way to Tilburg. About half an hour late we arrived at *Café Jacks*. A family photo was made – we do not seem to look like each other, when I compare our photo to the photos of some other families – and we were just in time for the opening by the chairman of the board: a small introduction to Asset | Econometrics and an overview of the rest of the evening.

The diner was surprisingly good, even our little (or actually quite large) brother Henk was satisfied with the large bowl of French fries. Obviously, Geert and the other active members were in their natural habitat. A date with a fellow student was arranged for me beforehand and we should really meet Elske again and again. As a result the brothers and sisters were talking to each other and the active members were quite busy discussing the other brothers and sisters.

The pub quiz rearranged this situation completely. All members of the group were suddenly important, since we had to combine our knowledge. The subjects of the questions were really diverse. We had to determine

the flavours of three different mixed chips - I started with cheese-onion, so it was impossible for me to taste one of the other flavours -, we were supposed to know the Japanese word for a divine breeze and our mathematical skills were tested by an question about a farmer who had to buy three types of animals. The Asset | Econometrics round was not that easy, but quite informative. We played two good rounds with our group, but our knowledge of animal sounds was lacking, so we finally became third.



It was a good evening, with another association in another town. One could say that the differences between our associations are just other interpretations and expressions of the same. In the end, all students simply love activities by their association and late evenings with good friends. Nevertheless the discussions of the Alkema family will continue until the end of time...

Once again, I would like to thank the board of Asset | Econometrics for the organisation of this evening. To pursue the subject, the board of my student music association in Eindhoven also decided to arrange a Family Day. Hopefully both of my brothers will join me again!

Anti-immigration rhetoric its impacts

COLUMN

Populist right-wing parties are gaining power all over Europe: the Danish People's Party, the True Finns in Finland, the Hungarian Jobbik party, the Dutch Party for Freedom, the Italian Northern League, the Austrian Freedom party, the Sweden Democrats and the National Front in France.

It is hard to hear, but also hard to avoid hearing their anti-immigrant slogans and policies.

We cannot blame the media for broadcasting their anti-immigrant rhetoric. The media does not have much choice. The question is, why do we listen, and why, even among young, educated people, are these parties gaining popularity? Are immigrants really threatening our economic well-being?

In general, migratory flows are determined by political, economic or social factors, such as flight from persecution or war, finding a better job and family reunification. Most subjects of the populist right-wing party leaders speeches are immigrants from non-EU member states who choose EU because of economic prosperity and political stability (see Eurostat, Europe in Figures 2010, pp. 188-198).

In general, immigrants are viewed as resolving shortages in the labor market. There are many benefits that can occur as a result of inflow of immigrant workers for their country of destination. Immigrants, as well as domestic workers, can contribute to overall economic development, through paying taxes, financing pensions, establishing companies, taking jobs that domestic workers do not want or are unable to do. The usual immigrants from non-EU countries are younger than the average population and may help attenuate the problem of an aging population.

In general, (legal) work can be very beneficial, and countries need to invest resources in the social and economic assimilation of their (legally) immigrant workers and their families, by helping them learn the language,

etc. After all, if the immigrants stay in the destination country, it is beneficial for everyone if they are not isolated communities, but integrated citizens, if their children speak the local language well, have the same job opportunities as other citizens and do not remain unemployed, marginalized, etc.

But this is not something that leaders of the populist right-wing parties would tell you. They claim that immigrants are bad for your economic well-being for at least three reasons.

One, they believe that the culture and religion of these immigrants is inferior. In a globalized world, we cannot and should not be ready to believe this, but even if some people did, it is hard to see how your economic well-being will be affected directly. Second, the likelihood that they will commit crimes is larger than for the average population. This is not an immigrant feature, it is an overall result of being jobless and marginalised, and it is something that we should avoid for everyone. Third, there are more and more immigrants coming. While it is true that immigration increased in EU, it is also true for any well-developed country where the language spoken is not too hard to learn. There is no evidence of invasions in the EU specifically here.

As you see, this anti-immigrant rhetoric, targeted at non-EU immigrants that do not have political and/or social power to speak up, is either made to cover up for the consequences of the recent economic crisis or to gain popularity and more votes. However, such opinions can create tension between locals and immigrants, which, in the end, will not make anyone better off, either economically or socially.



Name:
Otilia Boldea

Position:
Assistant
Professor

How Company Characteristics Affect European Asset Managers' Results

SCIENTIFIC ARTICLE

KEMPEN & CO



Name:
Loes Wingens

Function:
Project
Manager

Research into the investment fund industry has traditionally concentrated on performance and its measurement or definition. Moreover, the focus has been almost exclusively on the US due to the size of the market. At the end of 2008, that market's net assets accounted for 56% of the fund industry worldwide.

However, Europe has significantly increased its market share over the past few years, and as of the end of 2008 it held 33% of the global market for investment funds. A relatively new research topic has also surfaced, namely the influence of the characteristics of asset managers on fund performance. This topic has already provided some interesting insights in the US market, but so far little research has focused on the European market. Kempen Capital Management therefore decided to conduct a study concerning the influence of the four main characteristics of asset managers on the performance of European investment funds: the shareholder structure (whether the asset manager is listed or not), the number of investment funds under management, the amount of assets under management and, finally, the asset manager's focus. The latter is determined using the number of funds and the number of asset classes on offer. This study shows that focus has a positive effect on investment results and that independent (not listed) asset managers achieve better results. Rather surprisingly and in contrast to the US market, the size of the asset manager too has a positive influence on investment results. This, however, is largely due to the highly fragmented European market for investment funds.

Growth of European market

Over the past decade, the European market for investment funds has experienced enormous growth. In just 10 years, the net assets of European funds have doubled.

Studies comparing the US and European markets point to some significant differences. Firstly, the number of funds on offer in Europe is many times higher than in the US (36,780 vs. 8,022 respectively as of the end of 2008). On average, however, funds are much smaller in Europe. To compare: whereas a European fund has an average of US\$171 million under management, in the US this

figure is as high as US\$1,197 million. In general, it can be concluded that the European market is much more fragmented than the US, where the market is largely consolidated. Following, we will first look at the main findings of academic studies on the US asset management industry. Next, we will explain the results of our study of the European asset management industry. In the conclusion, we compare the two markets and identify potential trends in the European asset management industry.

Academic study focused on the US

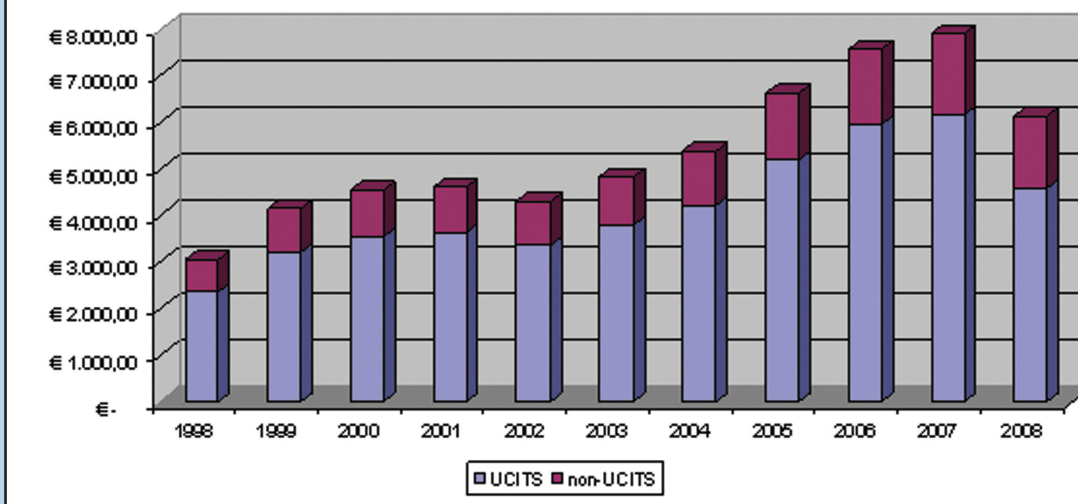
Advantages for non-listed managers

In the case of the US, research has shown that funds managed by non-listed, often employee-owned asset managers have often outperformed funds managed by listed asset managers. One explanation for this could be that listed asset managers and their shareholders have a relatively short-term focus rather than aiming at a solid long-term performance. The independent position of non-listed asset managers gives them the freedom to focus more on long-term performance, which leads to greater alignment of investor interests in the fund.

Boutique versus supermarket

In addition to asset managers' shareholder structures, US studies have shown that the greater the number of funds on offer, the poorer the performance. The argument goes that so-called supermarket asset managers in the US, of which there are plenty, are more focused on increasing their assets under management than on achieving the best performance for their clients. These asset managers offer any type of fund in any kind of asset class they can sell, in contrast to what are known as boutique asset managers which concentrate on a limited number of niche strategies. Moreover, these so-called supermarket asset managers are said to offer a large number of

Net Assets of European Mutual Funds (in € billion)



funds in order to 'hide' poorly-performing funds.

Assets' effect unclear in US

As to the influence of the size of the assets under management held by an asset manager on fund performance the literature is undecided. Various studies have identified a positive effect on performance stemming from the size of the company. The source of this effect was mainly attributed to lower transaction costs as a result of economies of scale, higher lending fees and/or more resources for research and development. Other studies have demonstrated the complete opposite: a negative effect on fund performance arising from the size of the company due to the bureaucracy inherent to large companies and the liquidity and price impact of a large amount of assets under management.

Focus equals result

The degree of an asset manager's focus depends on the number of funds it offers in a specific asset class, and the number of investment asset classes it covers. Research, again in the US, has shown that funds of companies with a clear focus have performed better than funds of more diversified asset managers. Focused companies can specialise in specific asset classes, resulting in higher quality products and lower costs.

Slightly different picture in Europe

Our research used data on about 5,100 registered open-end equity funds in Europe, with data over a period of at least five years between 1998 and 2008. And what does our study show? With respect to shareholder structure, the

same results were found in Europe as in the US. In Europe, too, funds of non-listed, independent asset managers have outperformed the funds of their listed colleagues. With respect to number of funds, in contrast to the US, however, in Europe a greater number of funds managed by a company results in better individual fund performance. Our study showed that over the past ten years the funds of asset managers with a relatively high number of funds under management performed better than those of companies with few funds under management. One explanation for this contrast with the US could be that the average fund size in the US is much larger than in Europe. It may be that in Europe some companies are simply too small in terms of number of funds, and therefore assets under management, to work efficiently and deliver a good performance. The argument that some fund managers are simply too small to work efficiently appears to be confirmed by the results obtained for the effect on fund performance of the size of the asset manager, measured in assets under management. This relationship was found to be a positive one. The funds of asset managers with a relatively large amount of assets under management have performed better than the funds of relatively smaller companies. Whereas this effect was still unclear for the US, here we find a significant positive effect. Finally, the study demonstrated that the extent of a manager's focus has a positive effect on fund performance. This corresponds to US research results on this topic. In addition to the four company characteristics, the study also looked at the country of origin of the fund managers' parent company. It is noticeable that over the past five

years European funds offered by non-European managers (chiefly from the US) generally outperformed the funds offered by European managers. The table below summarises the findings for Europe compared to the US.

Room for growth while retaining focus

In summary, over the past ten years the best characteristics for an asset manager in Europe to have were: not to be listed, to offer many funds with a large amount of assets under management and to apply a focused strategy. It is surprising that the results of the effect of the number of funds under management are the complete opposite of the results for the US. We also identify a clear positive effect for the size of the assets under management, while there is no unambiguous result for the US in this respect. This difference could be explained by the fact that the European asset management industry is more fragmented than its US counterpart. Where the US fund market has evolved over a longer period of time and has become largely consolidated, Europe still has many asset managers and funds with very few assets under management. The positive effect on fund performance of size (both in terms of number of funds and assets under management) of asset managers in our study appears to indicate that there is room for large-scale consolidation among European asset managers and their funds. The result will be larger asset management companies. In growth among European asset managers, it should be taken into account that focus has a positive effect on the performance of individual funds. Growth via entering new categories or strategies is not necessarily the correct method. Moreover, the study also demonstrates that it is beneficial to retain independence and not opt for a listing.

	Public vs private	Number of funds	Assets under management	Focus
US	-	-	+/-	+
Europe	-	+	+	+



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Alejandra Lopez Rodriguez, risk controller bij APG Asset Management in Amsterdam

‘APG beheert het pensioenvermogen van miljoenen mensen. Ik ben hier risk controller en bewaak dat beleggingsspecialisten verantwoordelijk omgaan met hun beleggingsportefeuille. Ik toets of de risico's die zij nemen, passen binnen de afgesproken grenzen. Wat mijn werk boeiend maakt, is de dynamiek van de financiële markten. Ik sta altijd klaar om snel te reageren en met afdelingen te overleggen over maatregelen. Als het nodig is, kom ik direct in actie.’

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Video Lectures: Needless or Useful?

OPINION POLL

Currently more and more lectures are being recorded and made available via Blackboard as so called video lectures. At least, this is the case for other study programmes at the moment. Should the university also make video lectures for econometrics courses? And could they replace some of the lectures or should they only be complementary? We have asked some econometricians about their opinion.

Koen Peters (First year student)

I do not think the University should offer video lectures. Last year I was enrolled in Technical Mathematics at the TU/e and there they offered video lectures for most subjects. It can be useful to review parts of a lecture that was very hard to understand some weeks earlier, because especially in the first year you progress really fast. However, the problem with watching a video lecture is that you are probably watching it at home. I think I speak for everyone when I say that at home there is way too much distraction to actually concentrate on a lecture that you dozed off at in the first place. Because, let us be honest: if you are not following the lecture in person it is usually because you lack interest anyway. Therefore they should definitely not replace the current lectures. As for complementary lectures... is that not what the tutorials are for?

Maartje de Ronde (Third year student)

I can imagine that there are many students who would love having video lectures, especially when they are the same lectures as those that have already been given. This means that you are more flexible to listen and look at a lecture whenever and where you want it. But I do not think you will learn as much of it as from a normal lecture. There is no possibility to ask questions and a teacher cannot see if everybody understands what he is saying. Therefore I think it should never replace any of the normal lectures. Extra lectures will not harm the students, but I do not think it has more value than well written sheets. This would be a much cheaper possibility.

Joost van Sambeeck (Second year student)

I have followed two courses where video lectures were used; the Econometrics course Philosophy of the Economy and the course Accounting 1 from Business Economics.

In my opinion it is not a good idea to replace lectures by video lecture, because you will not have the opportunity to ask questions immediately when the course material is not completely clear.

It is a good idea to work out some exercises or old exams in a video lecture, because in this way you can follow everything step by step and this will give new insights.

Another thing I have seen, is that an exam is worked out an hour after it has taken place, while students were listening at home behind their computers. You will learn a lot from this, because the exam is still fresh in your memory.

Dennis Jaheruddin (Fourth year student)

When thinking about video lectures, my mind instantly wanders to the time when I studied in Eindhoven. Some lectures were recorded but the quality was insufficient as it was impossible to read the blackboard. This could be overcome by technological development; however, other problems remain. Students that take the presence of video lectures into account tend to skip more lectures, and especially in the lower years they will forget to watch the video lecture afterwards. This may be considered a minor problem as it is one's own responsibility to attend lectures, but the next argument cannot be ignored so easily. When video lectures are available, good students are more reluctant to ask questions as they can go over the explanation again. As a result, difficult topics are now less clearly explained and the quality of the lecture decreases for everyone. Therefore I advise against the introduction of video lectures.

Living With Friends

LIVING IN LODGES



Name:
Matthijs Meijer

Age:
20

Begin Studies:
2009

Address:
Fabrieksstraat 14

Room Surface:
10 m²

Monthly Rent:
235 euros

On a stormy Thursday afternoon I headed to Fabrieksstraat 14 in the centre of Tilburg.

There, Pieter and I would have an interview with two second year students, Rutger and Matthijs, about living in lodges. After trying several of the doorbells present of which some appeared to be malfunctioning, the door was finally opened by Rutger.

In the kitchen I found my fellow Nekst editor Pieter who was helping Matthijs prepare the dinner. The kitchen in the house is not very big, but big enough for a table and some chairs. In the morning, the kitchen is the place where Rutger and his housemates drink coffee before they leave for university or elsewhere. Matthijs is usually not out of bed yet, but he can hear the conversations since his room is directly above the kitchen and the house is quite thin-walled.

Matthijs tells us with a big smile about what he sees as the highlight of living here: "When I had only lived here for a few days, I brought a pretty girl home and in the morning, when we woke up, we heard someone in the kitchen say quite loudly: 'Matthijs has arranged a girl. You know, the one he wanted to arrange.' Some minutes later my housemates knocked on my door saying: 'Matthijs, hurry up! Now it is our turn!' I like these kind of pranks and the nice atmosphere in the house."

From the kitchen you can go, via the scullery, to the backyard as well as to a bathroom. Rutger explains to us: "In the morning everyone queues in front of this bathroom, since the other one upstairs is rather cold when someone uses the shower downstairs."

There is another special thing about this bathroom: there are two big speakers to listen to the radio while having a shower. "And, of course, to sing at the top of your voice while under the shower", Rutger tells us. The living room which can be entered from the backyard has a few couches and a big projector screen on the wall to watch films together.

Matthijs' room is on the first floor. The most special thing in his room is the toilet roll hanging next to his bed. It was installed by Matthijs' housemates while he was partying in the city centre. The function of this toilet roll everyone can guess for himself. From Matthijs' room you can enter the roof terrace. By far the most special thing on the flat roof is the rowing-boat that leaps out into the air. The front is a bit damaged by the last storm, but it has an important history. Matthijs explains: "The founders of Fabras, our fraternity, had carried this boat for 5 kilometres on their backs, all the way from Vidar to the Fabrieksstraat."

Rutger's room is at the street side of the house and is a bit larger than that of Matthijs. The only disadvantage is the thin wall with the room next door. He can hear everything and sometimes wakes up at night by the noise of his neighbour.

Fabras

Enough on what the house looks like: let us now turn to the people that live in it. Only members of the fraternity (Dutch: dispuut) Fabras live in their house. Fabras is one of the men's fraternities of the Student Rowing Association Vidar. Fabras has 25 members at the moment of which 8 live in this house. Matthijs tells us: "At the moment





there are no first year students living here, but only second year students and older. There is, however, not a strict hierarchy in the house. Everybody is equal. In some houses of fraternities you see that the first year students have to do all the unpleasant jobs. We just divide the unpleasant jobs over everyone equally. We have a weekly cleaning schedule which allocates a cleaning job to everyone. If you do not clean what you were supposed to, you have to pay ten Euros as a penalty." Rutger adds: "Sometimes Matthijs deliberately chooses not to clean and just to pay the ten Euros, but most of the time everyone does what is asked of him and the schedule works fine."

Every day someone prepares dinner and there is a list on which you can indicate whether you want to join dinner. Matthijs tells us that he does not eat at home often lately: "I eat at my work or at Vidar most of the time." Every Wednesday evening the members of Fabras meet each other in *Café Jacks*, and besides of that they also go on holiday together each year. The 'odd jobs day' (Dutch: klusdag) is one of the yearly highlights. Rutger says: "It is hard to point out exactly what is so nice about those. I think it is just the atmosphere and the way you are working together to get things done; the fun that you have when you try to get a bookshelf level and then to conclude when you are done that it is still skewed."

Living in Lodges

On the question why they moved out of their parents' home and started living in lodges, Rutger answers: "I have three older brothers, who already moved out, so in the last year of secondary school I was the only one that still lived at home. It was thus quite natural that I would move out of my parents' home too. I started looking for a room and I found one in the south of Tilburg. It was a nice house, but it was not as sociable as here. When a room became available in this house, I moved." Matthijs also lived somewhere else first, namely in the north of Tilburg. "It was a nice house and the housemates were nice, but when a room became available here, I

also moved, since I thought it would be even nicer over here. The surface of the room, however, was about three times bigger than my room now, but I do not regret my decision at all. Back then I lived with housemates, but now I live with friends!" Matthijs' decision for Econometrics in Tilburg is also quite a story: "First I wanted to study Industrial Engineering in Eindhoven. Sjors, also a second year student that I know, because he went to the same secondary school, had the plan to go to the 'student for a day' activity of Econometrics. I joined him just for fun, because I knew some girls here in Tilburg and I arranged with them to go out in the evening. I had no idea what Econometrics was about, but during the day we got a nice case in OR and I could easily solve it, whereas others had quite some trouble with it. So then I realised: 'this is what I should do.' Later I went to 'student for a day' in Enschede. The boy showed me his books which were quite sizeable and I thought: 'I do not want this.' I thought that in Tilburg this would not be the case. This turned out to be a wrong image, but still I do not regret my decision to choose for Econometrics in Tilburg."

Both Rutger and Matthijs are enjoying their student life very much. The atmosphere in the house and the friends are a life time memory. That conclusion ends the interview and we thank Rutger and Matthijs for the dinner and the interview.

Text by: Roland Daamen



Name:
Rutger van
Alphen

Age:
20

Begin Studies:
2009

Address:
Fabrieksstraat 14

Room Surface:
12 m²

Monthly Rent:
278 euros

Participating is more than winning!

BALL DAY



Name:
Janinke Tol

Age:
18

Begin Studies:
2010

On Thursday 12 May it was time for the ball day. An afternoon filled with different kinds of ball sports and teams consisting of only econometricians, with a very nice barbecue afterwards. This already sounds like a good afternoon, but I have experienced it, and it was even better than expected.

The day started just after lunch at the sports centre of the university, where we would stay the rest of the afternoon. We started with a tiny warming-up, but why should we get tired before we had even started? It was much more important to talk about our lack of tactics. Our team consisted of Corné, Geert, Jasper, Rutger and I. So we thought we would have a chance in different kinds of sports, as we had tall, fast, energetic and motivated players.

During the day we have played volleyball, football, basketball and 'knotsbal', this is a sport which looks like hockey, but instead of the stick you now have a club with soft material wrapped around the top. The goal is to score in the goal of the opponent. You had to achieve this without hitting your own team members or your opponent, which turned out to be hard for some people. This sport was very tiring when you played without any form of strategy, because you simply run around trying to hit the ball and hope you are able to score. However, in this way we did win a match!

While playing volleyball, some people developed new techniques and ways to play. But the matches were good, with some good rallies and people to show their volleyball skills.



In our team it was very nice to see how much we improved in the second match compared to the first one. It made the second match much more fun to play and we were even able to build some nice attacks. But I have to admit that our opponents were much better, so they deserved to win.

Halfway through the afternoon we had some time to catch our breath and drink some energy drink and eat an apple. We really needed this energy, because next up was basketball. Almost everyone had played it back in high school and luckily we had some tall players in our team that were able to score quite easily. During our first match three people managed to sprain their ankles in a timeframe of approximately one minute. Luckily no one got hurt badly, only one of us was unable to play the football match afterwards.

The football matches were set up as a final and a match for the third and fourth place, and we had to play this last match because we had not performed very well during this afternoon. With our last bit of energy we started this football match, but I experienced the difference between playing indoor and outdoor soccer. Especially the fact that the good line is black is very confusing in my opinion. And it is far more intense than playing on the field! We lost this match too, so we ended being fourth out of the five teams. Now it was time to take a shower and get prepared for the barbecue, which was well deserved after this afternoon filled with sports. Here we chatted about the ball day for quite a while and afterwards we went to a pub to finish this nice day as it should: with some beer!

All in all it was a very nice day, with the often heard sentence still holding: 'Participating is more important than winning!'

This is the life!

COURSE EXCURSION

ERNST & YOUNG

Thursday 21 April, it promised to be a beautiful day. Not just because the sun decided to behave like it would in southern Spain, but moreover because of the fact that for us –a group of 40 students participating in the third year's course Life Insurance- (some) usually locked doors would open at the Dutch head office of Ernst & Young, Amsterdam.

Suited up, a little sweaty, but –most importantly- fresh of mind we entered the door that could have handled the entrance of a giraffe.

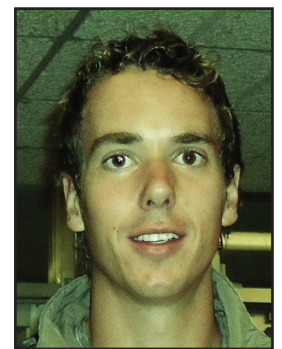
After a short welcome drink we moved to a room, which could be compared to a lecture room as we know it. That is, except for the leather chairs and air conditioning, but of course Tilburg University should be given the space to improve in the future. Well, back to reality. The official part of the day was opened by two junior consultants who each had their own specific field of expertise. Whereas the one mainly focused on the development of mortality patterns with a special focus on pension funds, the other had his focus on changing regulations (Solvency II) and the estimation of risks faced by insurers. The two-hour lecture was divided into halves; each of the consultants got an equal part of the time pie.

The first part showed some well-known 'classic' graphs, not much deviating from pictures seen in class. However, the next graphs also showed another way of modeling changes in mortality rates per age group, which was found to be by colours. Colours from light to dark each coincided with a specific increase or decrease and in this way it became clear that a picture which looked like a horrible remake of Van Gogh's sunflowers at best, quite properly described evolving maturity rates per age cohort. Part 1 finished and we, air-conditioning loving students, were sent off to have a short break in the sun.

Part 2 did not focus as much on mortality profiles of participants, but it focused on the regulatory environment of an insurer and how to behave under these circumstances. A hot topic these days is the new regulatory

framework that arises from Solvency II and this came into discussion. Given the regulations, insurers have to make estimations of their risks (asset risks, lapse risks, and many categories more). How to come to estimations, and why: that is a difficult process. However, we got a first glimpse at this world and that was well worth the trip. Some of our students even took the lecture to a higher level with a bright question here and there, after which we ended the formal part. Was there an informal part? Yes!

The beautiful office served as an excellent basis to relax and evaluate after a warm day of actuarial science. The consultants and recruiters of Ernst & Young came by for a nice chat, and we finished the day with snacks and cold beers. At that moment, it was time to realise that the day had been more than interesting and that the end suited the feeling of happiness as well. Sun, Life Insurance and Heineken, what more could we ask for?



Name:
Michiel
Matthijssen

Age:
23

Begin Studies:
2007

The Best Combination of Alcohol and Sports

SECRET ACTIVITY



Name:
Sjors
Reutelingsperger

Age:
19

Begin Studies:
2010

Asset | Econometrics organised a secret activity for all of her members. The announcement said you needed some stamina, but the activity also had something to do with alcohol. My first guess was some kind of track, with funny drinking games along the way.

However, with such an announcement I should have known that the activity would be 'the best way to combine alcohol with sports', and that is, of course, beer cycling!

We all gathered at the Esplanade-building in the afternoon. There were quite a lot of participants, with a good variation in students of all years. The beer cycles had been stationed at the back of Tilburg University. When we arrived, the participants were divided in three groups, each with their own 'cycling bar'.

Unfortunately the temperature was not the most ideal, but the alcohol would keep us warm. The board of Asset | Econometrics took responsibility as the drivers of the big and crude vehicles. After some pushing to turn the bicycles 180 degrees, the tour around Tilburg could begin. A few metres later we already came to our first obstacle: we had to cross the road, make a sharp turn and enter the cycle track again. It took some time because the traffic lights turned red after each cycle. Although the drivers were not allowed to drink any alcohol, and took this restriction very serious, the mirrors on the side of the road were not safe for our big bicycles. This near-vandalism did not crush our moods, however, because after a few beer and some wine glasses, the bicycles turned into nice bars with fitting sing along songs. We were also provided with some real power food, such as crisps and cocktail nuts.

When we made our first stop the three groups had to compete against one another in a music quiz. Of course the group consisting of males only were the winners of that quiz. After the quiz, we got back on the road. The three groups had a great pace, and I am not only talking about our cycling speed. We had much fun, which was also observed by a passing police car. We had some small talk with them while cycling on and offered them a

beer, but they did not accept our offer. Alcohol did its work, and therefore it was time for a small toilet break. With less luggage and restored legs, we continued. The groups were tested again, this time in the form of a hill to overcome. With some great teamwork we could do the job.

At our last stop the groups had to compete against each other in a whisper game. The team with the most correct words at the end of the line won. You could see that the game was not played completely fair, but no one really minded. And because students will always be students, the groups organised a beer race.

During the last part of the route you could see that people were getting tired. But cheered on by their group, the three groups carried on. When we had finally arrived back at Tilburg University, you could see that some people had wet trousers smelling of alcohol. Although alcohol and cycling do not always work perfect together, you could see that everyone had enjoyed the trip.

After helping to get the beer cycles back on the trailer wagon, everyone went home with a great smile on their face. I would like to thank the organization for this great activity, and may many more follow!



Fair compensation by insurer for usury?

COLUMN

One week ago I received a message from my insurer concerning the compensation they would offer for my savings product. One would expect that, after the credit crisis, insurers would be seriously motivated to pay due respect to their clients and treat them fairly. Is the compensation my insurer offered me confirming this expectancy?

In order to judge for yourself, let me give you some details of the transfer and the history of this product. In 1997 I decided to start saving for the studies of my children and contacted the insurer. An adviser of the insurer personally visited me at home and advised a savings product. During 15 years, my monthly savings would be invested in stocks and that would produce the highest profit in the long run. I started with a monthly amount of € 136. The insurer gave three examples of how my stock would grow to an end capital in 2010: at an annual profit rate of 9%, it would become € 50.300; at 10% € 54,700 and at 11% € 59.500.

Two years later I read in the newspaper that the savings product clients had to pay a substantial premium for life insurance. I was not aware that my product was linked to a life insurance and would not have wanted it all, if I had known. I called my insurance advisor, but heard that he had left the company. Then I decided to reduce my deposit to a minimum of 29 euro per month and just see what the end result would become.

But what was this life insurance about? Recently I took a look at the details and it turned out that if I would die before 2005 – the chance of this happening was extremely low at my age –, my wife would receive my deposits including an annual interest rate of 4%. If I would die between 2005 and 2010, my wife would receive my deposit with an annual interest rate of about 1% per year. Is that not a marvellous insurance: just get back what you have paid anyway?

But how costly was this worthless insurance? Only in 2007 did I receive from my insurer information on how high the premium for this life insurance was (what wonderful transparency). From my deposit in 2007 (only € 272), € 68,46 was paid for life insurance. That is approximately 25% of my deposit. Hence, I was investing in stocks with a huge albatross around my neck. Given

this, it realising the profit rates of 9, 10 or 11%, communicated by the insurer at the start of my insurance, were completely unrealistic.

By the way, over time my insurer started presenting other scenarios. For example, in 2004 it provided a pessimistic prospect with a growth rate of 2,1%. I was also told for the first time that these profit rates referred to gross profit rates, the net profit rates were substantially lower. In 2007 the pessimistic prospect was already reduced to -7,33%, in 2008 to -21,96% and in 2009 to -28,45%.

Now my savings product is almost ending, I have recently checked the average profit rate. What is the outcome? Zero, zero nominally. If I had just put my money in a simple saving account, the revenue would have been about 30% higher. All profits on my savings product have disappeared into the pockets of the insurer.

Last week, however, I received the news of the compensation. Given the fact that my insurer sold me products that did not fit my needs at all (lack of due care) and the incredible lack of transparency (only after 10 years was I informed about the insurance premium), indicating a deliberate effort to deceive the client, I would expect that a fair compensation would be something like 30%. Just the amount of money I would have saved if they had advised me a simple saving account. Guess what the compensation is? You will not believe it. It really is a joke: 0,178% of the stock value of my savings product.

The lesson that you, as a student, may learn is: never think, as I did, that this unfair way of dealing by well known insurance companies, is not likely to happen. The compensation they offer indicates it is rather the other way around. So always be alert.



Name:
Johan Graafland

Position:
Full Professor

Title of the article

ECONOMIC BUSINESS WEEKS TILBURG



Name:
Stèphanie van
Breda

Age:
23

Begin Studies:
2007

Being a last year student in the bachelor of econometrics, the end of my studies is coming soon. I still have to do a master for 18 months and then I will start working. An important question is, then, at what kind of company I want to work in the future.

The Economic Business Weeks Tilburg (EBT) gives students the possibility to take a better look at different kinds of companies and what these companies have to offer. They do this in the form of all sorts of activities so that you can get in touch with the companies.

For some activities companies can select you, based on your curriculum vitae (CV). Therefore, before the start of the event, students have the opportunity to have their CV checked. A CV-specialist will give you hints to improve your CV. After this checking opportunity, there were some days left to subscribe for the CV-activities of the EBT.

Every year the EBT starts with an opening to kick off the event. During the first week there are activities such as training days, workshops in the assessment centre, the SME (Small and Medium Sized Enterprises) day, informal activities and a case day. During the second week one could attend company presentations, there was an entrepreneurship day and, to end it all, the EBT party. During this period there were also company dinners and speed date sessions one could go to.

In the first week I took part in some workshops by the assessment centre. This was a good preparation for applications for some companies. Some companies will ask you to do an assessment for your application. An assessment usually consists of a day in which you must, for example, do assignments in a group, some tests and have conversations with people.

The assessment centre was located in the conference centre of the Willem II stadium. This is the stadium where games for the premium league were played last year and

next year games of the Jupiler league will be played here. In the conference centre it was not very clear that we were in the football club of Willem II, until we went to the toilet. There were big towel holders with the logo of Willem II on them, thus reminding me I was in their building.

The days start, as is normal, with a cup of coffee or tea and with a nice biscuit. After that, someone from the committee tells you what to expect during the day and provides some important information about the programme. After this short talk all students go to their first session of the day.

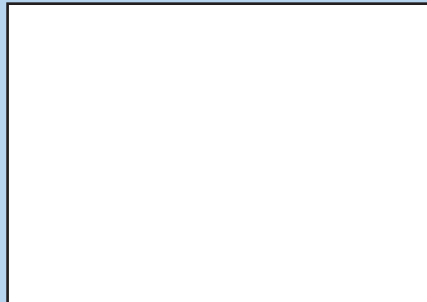
The first session was called "Doe-en denktests (doing and thinking tests)". It was different from what you would have expected. When you see the name you would think that this is a very interactive session, but it was not. We had to listen to the company for a long time, but fortunately it was very interesting as well. They tell you what to expect during an assessment days and how companies choose a new employee, what methods they use to do so, etc. During this talk they gave you a lot of hints on how to prepare for such a day and how to behave during the day.

After this first session lunch was ready, in the Grand Café of the Willem II stadium. It was a very nice lunch with both warm and cold food. For every student there was something they liked. During the lunch you could also go outside of the café and have a nice view over the stadium. It was quite a nice sight for someone who has never been in a football stadium before.

After the lunch the second session started. This session was called the group assignment.

We received a small group assignment which could also have been given by a company during the assessment. We had to work together to get as many M&M's as possible. There was a plate with 21 M&M's on it and we had been divided into three groups. In each round the groups could choose to take zero, one, two or three M&M's or to double the number of M&M's on the plate. There was one moment in which you could confer with the other groups to determine an optimal tactic, but other than that you could only talk to the people in your own group. Therefore you had to trust the other groups to do what you agreed on during the conference. The first rounds went well, as all groups did what they agreed to do, but after some rounds groups started deviating to maximize their own profit. Therefore the number of M&M's on the plate became less and less. At the end of the game the students enjoyed their M&M's while the company representatives gave you feedback on how you worked in a group and what you could improve on.

The third session of that day was the interview. In this session you had to do an elevator pitch. An elevator pitch is a short talk about a certain product or organization. The group was split in two smaller groups, such that the first group listened to the pitches of the people in the second group. These students had to enter the room, one by one, and do their pitch. Your listener was standing at the other end of the room, so you had to walk some distance before giving your pitch. You saw that people felt uncomfortable while walking. Everyone had to do the walk and the pitch, and afterwards you received feedback on your pitch. After the pitch there was some time left and they again reminded us with some



useful hints.

At the end of the day there was a nice drink, again in the Grand Café of the Willem II stadium. The food and drinks were, as before, still fine.

In the second week I went to the company presentation of "Autoriteiten Financiële Markten", better known as AFM. During the presentation the company gave me a good idea of itself and the working possibilities at this company. A company presentation is very interesting when you do not know at what kind of company you want to work. In this way you can look around to see what kind of companies there are.

All in all, it was a very nice event and hopefully, it will help me when I have to do an assessment for a company application or what I can expect at different companies. I think the EBT is a good event to look at the opportunities you have, for all kinds of studies, thus for econometrics students

Uhm... Could you repeat that question?

ASSET PUB QUIZ



Name:
Wilbert
Kistemaker

Age:
21

Begin Studies:
2007

On 30 March the Asset Pub quiz took place at café Polly. The Asset Pub quiz is an annual event for those who demand the most of their brain, for people who knows many useless facts about mingle-mangle. I was so fitting to this description that I joined a delegation of Asset | Econometrics members to participate in this quiz.

Before the quiz, a part of this delegation had a meeting to practice old pub quizzes, read many Wikipedia pages, hear each other out and also to watch the first half of the football match Netherlands – Hungary, the latter being but a minor reason to meet.

During the break of the match we hurried to Polly to see the second half of the match as well. After quite a spectacular game and a 5-3 victory for the Netherlands, the pub quiz could start with a great atmosphere.

The reason I joined the Asset pub quiz is because I am a huge fan of knowing useless facts. Regularly I participate in some pub conversation and I love interrupting with a nonsensical, but true fact about the discussed topic.

By the way, I do not only do this in pub conversations but I like doing it in normal conversation as well. I thought the Asset pub quiz would be the ideal way to show everybody my hidden skill.

The pub quiz consists of different subjects and each subject had fifteen questions. The topics were sports, Tilburg, music, movies, Asset and general.

While enjoying a golden drink from heaven, more commonly known as beer, we answered the questions.

My hidden skill was that well hidden that it was completely useless for answering these questions. Probably the useless facts I know are not that useless, or I was having some kind of black out, but most of the questions were that difficult that I just kept silent. Most of my teammates suffered the same problem. During the topics Sports, music and general we were able to collect some points, but during the other topics our answer sheet

remained sort of empty. Questions such as 'What is the name of the man behind Zorro?' and 'What do the M's in M&M's stand for?' cost us our victory.

Because of these questions and our lack of brains, both of the Asset | Econometrics teams that participated in the pub quiz were ranked in the lower regions. Once and for all I had to face the fact that I did not know enough nonsense, thus I came to the conclusion that I have to gain much more rubbish during my spare time if I want to have a little chance of winning the coveted Asset Pub Quiz Title. After this discovery we went to the 'Lamme Goedzak' to forget our embarrassment.

Formerly Active Friends and Tapas

**FORMER ACTIVE
MEMBERS ACTIVITY**

On Saturday afternoon, 2 April, the sun was shining and I was walking around on Utrecht central station, because Asset | Econometrics had organised an activity for its former active members this evening, and I had subscribed. I had agreed on meeting up with another former active member at Utrecht central station.

Together with a few other former active members of the former Tilburgse Econometristen Vereniging (TEV), we would do a pre-meeting on Pius Square in Tilburg. I looked around and I saw Jens heading towards me, carrying two beers (how nice of him!). It was four o'clock and off we went, taking the train to Tilburg, where we would see Maarten and Thijs at café Brandpunt. It was a logical choice since they serve BaD-approved beer there. The sun was shining in Tilburg as well, so we decided to sit down outside and enjoy the remarkably good weather for the time of the year. It had been a long time for all of us, but it felt very familiar to be back in Tilburg again.

After a few drinks, it was time to move on and go find FEMZ. Here we would participate in a tapas cooking workshop. When we arrived at FEMZ, the board members of Asset | Econometrics were waiting outside to give us a warm welcome. We went inside where a lot of former active members had already gathered for the day. It was nice to see all those familiar faces again, our old fellow students and, of course, the current board of Asset | Econometrics. Everybody had some time to catch up or to get to know each other while enjoying a typical Spanish drink: sangria. But not for long, if we wanted to enjoy some tapas we would have to make them ourselves, hence the word workshop. The recipes of various tapas were spread over several tables and in groups of three to four people we all started cooking enthusiastically. Each group had to prepare at least two different kinds of tapas. If we had any questions, the people of FEMZ were there to help. We made both cold and warm tapas using a variety of different techniques. After a good hour of cooking we were all hungry and exhausted, so it was time to eat. It appeared there was a chef hiding in each one of us. The tapas were delicious!

The activity was concluded with a drink at the local pub Van Horen Zeggen, formerly known as Vagant. It was a nice and cosy pub, not too big and not too small. Traditionally, Asset | Econometrics offered a free barrel of beer. It gave everybody the opportunity to further catch up with each other. That is what a former active members activity is all about. As the evening went by, it was inevitable that more and more old friends had to say goodbye and return home. Although Jens was very eager to stay, eventually it was time to say goodbye for us as well. Unfortunately, that was not the end of it. We arrived at Tilburg Central Station around half past one, after having a quick snack at 't Eindpunt. To our disappointment we had to wait more than half an hour before the train to Eindhoven arrived. And if that was not bad enough, in Eindhoven we had to wait one more hour for the connecting train to Utrecht to arrive. Finally, three hours after leaving pub Van Horen Zeggen we arrived at Utrecht central station.

Sunday 3 April, five o'clock in the morning. This time the moon was shining, we were almost home now. It was way too late, or should I say way too early? But, it was all worth it in the end, we had had a great day. We had felt like students again and that had felt good!



Name:
Gijs Janssen

Age:
28

Begin Studies:
2001



On the Art of Trading at Optiver

BUSINESS INTERVIEW

TNO

Optiver started in 1986 as a market maker on the Amsterdam based European Options Exchange with a single floor trader. 25 years later, Optiver is one of the world's leading liquidity providers with its main office based in Amsterdam.



Name:
Peter Stam

Position:
Screen Trader

As we reach our destination, Amsterdam-Zuid, we see a number of architectural beauties. One of these buildings is marked with the letters 'Atrium', the location of Optiver's office. Upon arrival we ask for Peter Stam, a trader within Optiver and also our interviewee. The aforementioned employee arrives, introduces himself and gives us a tour around the building. The most impressive sight is the trading floor: we see a large number of workspaces next to one another, each equipped with six screens needed to monitor the prices of different options. After the tour we end up in the Optiver Plaza (lunchroom) where we ask Peter all kinds of questions about his job at Optiver.

Hello Peter Stam

"My name is Peter Stam, a 29-year old graduate in Econometrics, with a master in Quantitative Finance and Actuarial Sciences. I am currently a screen trader at the fixed income department of Optiver." Peter reveals that he finished his studies at Tilburg University, and he is therefore also familiar with Asset | Econometrics, though under the name of Tilburgse Econometristen Vereniging. As a student he was an active member of TEV for a short while, where he frequently visited the activities and drinks; one of those activities being the National Econometricians Day (LED). It was during one of the LEDs that Peter encountered Optiver for the first time. Although he was not looking for a job at the time, Optiver's company presentation sparked his interest and enthusiasm: the speaker spoke of ambition and competition, and did so in a swift manner. Peter: "I was still busy studying back then, and by the time I had finished my studies I remembered how much Optiver had appealed to me and decided to apply for a job."

Hello Optiver

What kind of company is Optiver exactly? Optiver is a trading company that deals with highly-automated electronic market making and arbitrage activities. It has three main offices in Amsterdam, Chicago and Sydney, with approximately 600 employees worldwide. Its most important task is pricing options and informing the market of these prices. With three main offices diversified on different continents, it is possible to trade 24 hours a day in different areas all over the world.

Hello trader

Naturally we are curious as to why Peter decided to apply for a job here. "One of the main reasons is the fact that being a trader is stressful and requires agility, something which is possible at a young age. To illustrate this: the average employee age at Optiver is 29. Besides that, being able to see the results of your work directly and dealing with the core business of the company appealed to me: it is completely different from being, for example, a consultant, and I thought of this as a one-time opportunity. I just happened to have been in contact with a trader here at Optiver, who also studied at Tilburg University. He told me about Optiver, its working conditions and the general atmosphere and after hearing him I decided that this was what I wanted. I applied and after taking three tests on arithmetics and other important skills, I was invited for the job interviews. An hour after my interviews I received the call which informed me that I was offered a job. This last feat reflects on the way things work at Optiver: they do not mull endlessly over decisions but are quick and decisive in their way of working. As such, Optiver needs people with good analytical skills that are capable of thinking and reacting swiftly to new information. Therefore



econometricians are very suitable employees, if interested in finance.

A background in finance, however, is not obligatory: starting employees receive a three-week training about option trading and are then placed behind a so-called traineesdesk for one or two months. During these months you learn the basics of trading through simulation and afterwards, you are assigned a desk next to a senior trader, so that he can walk you through the more advanced trading and you have the possibility to ask questions. When the senior is absent, you can take over his place, and if you do well enough, you will be rewarded with your own desk. As such, employees at Optiver are quickly confronted with a large responsibility: after all, they have to make important decisions for the company.

Hello typical day

For Peter, his working day starts somewhere between 7.30 and 8.00h. "I read the morning news on what important events may have happened overnight or are about to come. Based on these events I think about the possible consequences for the market and change the option prices accordingly. At 8.45h there is a morning meeting in which we discuss our plans for the day and do some risk analysis. At 9.00h the market opens and the trading starts." In the afternoon the market is relatively quiet and there is time to have some lunch, although Peter usually remains behind his desk. Peter: "I do not want to miss out on any possible trading opportunities, so I stay at my desk to keep myself up-to-date, because the American market opens in the afternoon. Around 17.30h I do some administrative tasks and at 18.00h we usually have a drink or stick around to play some table tennis or pool before going home." As the

employees are all quite young, the atmosphere at Optiver is 'work hard/play hard' and everyone considers one another as friends.

As a screen trader, Peter is mainly concerned with the correct pricing of options, but there is also another kind of trader: the wholesale trader. Their task is to gather information and deal with counterparties. One could see them as the medium between the outside world and the screen traders. As he said before, Peter works at the department of fixed income. We ask him whether he still uses the knowledge he attained during his studies. Peter: "I am quite fascinated by the direct influence of macroeconomic decisions on option prices. To find the changes in fixed income caused by such decisions, I still have to apply the knowledge I have on models I was taught about in Quantitative Finance, Risk Theory and Asset Liability Management."

Goodbye?

As the average age is not that high at Optiver, it would seem obvious that a lot of traders leave Optiver after a while. Peter tells us that graduates start here at a young age and are ready for the next step at the age of 33 or 34. Depending on their function it is possible for traders to grow further within Optiver in a more strategic or market structure-oriented role. What will he do himself after this? He answers: "As I graduated on an actuarial subject and have been a working student for an actuarial consultancy company during my studies, it is not hard to tell that I am interested in actuarial sciences as well, so that may be an option. After Optiver, I will definitely remain in the world of finance, though perhaps as a strategic trader for a bank instead. But for now, I would not consider moving to another job." To

conclude, Peter shares some thoughts: "I started working here on the exact date the stock markets crashed, back in 2008. We experienced some chaotic and unpredictable times, but it was very interesting as a starting trader. I learned a lot and the knowledge I have gained remains very valuable to me."

Text by: Patrick Kuijpers & Fang Qi Wu

CAN YOU
READ THE
TEXT ON
THIS SCREEN

WHILST
SIMULTANEOUSLY
LOOKING
AT THIS ONE

IN ADDITION TO
KEEPING
AN EYE ON
THIS SCREEN

AND WATCHING
THIS ONE
AS WELL?

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Join the LEVT 2011!

COMMITTEE PROFILE

At the beginning of every academic year, one of the six econometric study associations affiliated with LOES organises the National Econometrics Football Tournament (Landelijke Econometristen Voetbal Toernooi). This sports tournament will be organised by Asset | Econometrics this year, and will take place on 22 September 2011.

The LEVT committee is responsible for organising this tournament, which includes finding a good location for the tournament in which approximately 200 students will participate. Furthermore, the committee is responsible for arranging sponsoring, for example, the sponsoring on the football shirts of the participants. The other econometrics study associations also have to be informed about the developments of the LEVT. Another task that has to be done shortly before the activity takes place, is making a suitable match schedule. Being in this committee offers a nice opportunity to combine organising a sports activity, contacting other econometric study associations and contacting companies.



Now I will introduce you to the members of the LEVT committee of this year. The chairman of the committee is Maarten Meeuwis. He will ensure that the committee members do their tasks and he will bring everything to a good end. Thijs Verhaegh fulfills the task of treasurer, he is responsible for the finance. Tess Beukers is in the position of external affairs, she is responsible for the sponsoring. The sponsoring is a very important thing for this event, so Tess is very busy contacting companies. Furthermore, Bart van Schuppen is the coordinator from the board. Since he is the chairman of our association, he has a lot of contact with the other econometric study

associations, so this is very useful. And last but not least, I, Daniëlle van Dalen, am the secretary of the committee. I will be responsible for the contact with the other associations and all the members, and, of course, also for the hidden words in the minutes of the meetings.

It is time to tell you something about the activity itself and what the day will look like. From the start of the academic year, the LEVT committee is going to promote the activity and members of all six associations will have the opportunity to subscribe for this nice activity. Subscription is possible for teams that consist of about six members.

On the morning the day will take place, the teams from all over the Netherlands will gather at the sports location. We can tell already you that this year the LEVT will take place at the amateur club of Willem II. The participants' t-shirts will be distributed and the groupings in which your team is going to play will be announced. After some matches we will have lunch together. After this lunch the winners of the groups will play against each other and after the final we will know which team will have won the tournament. The losers of the groups will also play against each other, because obviously, no one wants to be last. After this consuming activity, it is time for some stomach filling by means of a nice barbecue. This day, in which students of different cities are integrated, will be closed with a drink at the sport location.

A nice remark is that last year in Amsterdam, Asset | Econometrics almost won the tournament. Unfortunately, the organising association 'Kraket' won the tournament. Of course, we hope that this year the organiser will also win the tournament, so we hope you will participate and help us to gain victory!



Name:
Daniëlle van
Dalen

Age:
20

Begin Studies:
2009

The Reward for Being an Active Member

ACTIVE MEMBERS
WEEKEND



Name:
Cas Luijten

Age:
18

Begin Studies:
2010

In the weekend of 15 till 17 April, the Active Members Weekend (AMW) took place.

During the AMW, active members are thanked for their efforts at Asset | Econometrics.

The tradition holds that everything about the AMW will be kept secret until the very last moment. Just like this time.

This year, there were more participants than during other years. With a total group of over 50 participants, which were divided over 8 teams, we started our journey to destination unknown. Before the AMW started, all teams had to choose a team name and a captain. I was lucky to be team captain of team 8 and we were called 'Infinitely Twisted' (turn the 8 sideways to find out why). A very clever name thought up by Claudia and we got the maximum number of 8 points for that name, so thanks Claudia! Yes, as I said, we got points: during the whole weekend you could gain points with your team. So from that moment on, we know we could win the competition.

We started at Tilburg Central Station that afternoon. After the weekend bags were loaded into a van, we went bowling at bowling centre Dolfijn in Tilburg. Bowling is not a sport for our team, because of unknown reasons. After bowling, we finally went to our camp address, which was still destination unknown. But we soon ended up in Herkenbosch, a place near Roermond. It is a little village in Limburg, close to Germany. After waiting for the key for an hour or longer, we could go inside the building to choose our bed and, most importantly, to drink beer.



I made one big mistake: the list of things of what we had to take with us had said to bring a bed sheet. Due to my poor English I brought an air mattress instead, which I found quite embarrassing, but enough about that fact. The Friday night cooking crew made spaghetti Bolognese. I loved that spaghetti, so can I get the recipe?

After dinner, beer games had been scheduled. There were four games. Two teams had to compete against each other in every game. There was a drawing-game, a Ping-Pong game, a pentathlon and a beer race. The drawing game provided our first victory. After that we won the beer race, but the referee said we had to do the beer relay again. This was not an issue for our team, because we love drinking beer. Unfortunately we could not outdrink our opponents, but we did win the pentathlon. Thus we were satisfied, after winning two out of four games.

The evening was not over yet, because there was one other activity to do: a beer cantus. Singing songs and drinking beer, I guess everybody knows what a beer cantus is. We sang mostly Dutch songs such as 'Ik wil je', 'Brabant' and 'Je denkt maar dat je alles mag van mij'. After each song, you had to sing the song of 'Trink, trink, brüderlein trink' before you started drinking beer. Pascal and I had to go to toilet, which was not allowed during cantus. So immediately after the last word of the song we started singing 'Trink...', so that we would be finished earlier. And what was funniest of all, everybody followed us. Wilbert was clumsy and broke a glass. As a consequence he had to do an 'Ad Schoendum', which is drinking beer from a shoe. Well done Wilbert, we enjoyed watching you do an 'Ad Schoendum'. After an evening full of beer, we

danced, talked and laughed. But after a while sleepiness took over, so I went to bed.

Waking up the next morning, the first thing I did was checking our positions in the competition, which was second place. We, as team 8, were very happy with the second place, but we wanted to win. So we tried even harder today. We had breakfast at 8 o'clock, with some lovely boiled eggs! Every team had a chore and our chore was cleaning up the breakfast on Saturday morning. Tired from our cleaning task and from our short sleep, we went to the next activity by bus. We drove through the landscape of Limburg to an outdoor centre. We were welcomed with a cup of coffee and a piece of pie (Dutch: vlaai). At the outdoor centre a morning and an afternoon activity had been scheduled.

Our morning activity was divided into two parts: first up was wall climbing, afterwards we played archery. I had never done wall climbing before, so I did not know what to expect. Watching the first people getting up to the top and complaining about sore muscles afterwards, I was not confident. Halfway up, I could not get any higher and wanted to stop. But due to my team members, who supported me by yelling and shouting motivational words, I got to the top. We were very good at climbing, with a result of 4 out of 6 people of our team reaching the top. Our next activity was archery, which turned out to be another of our lesser sports. Some members of Infinitely Twisted could not hit the target, but we did what we could, so I was proud of our team nonetheless.

Around noon we had lunch, with raisin bread, colored eggs, tea, coffee and much more. The sun was shining, so we ate outside and enjoyed the



weather. Our afternoon activity was not that hard. We had to walk with a GPS-system: you fill in coordinates and the GPS tells you in which direction and how many metres you have to walk. To find the right coordinates you had to answer some questions. We started off quite well and soon we had walked past the other team, who had started ten minutes earlier. While we were walking the GPS tour, we played the game Geocaching. Geocaching is a game where you hide and seek containers, called "geocaches", anywhere in the world. A typical cache is a small waterproof container containing a logbook where the geocacher enters the date they found it and the container contains items (of little value) for trading. We also found a cache in which we found a train ticket, which we traded for a couple of musical points. When we were back at the outdoor centre, there were awards for the best teams. We had placed second of the three activities and had won a small cache, which we can now

hide somewhere in the world!

When we had returned to our camp address, we were hungry, so we had a barbecue. Dinner was again delicious and there was more than enough. After the barbecue, the scores were updated. To our surprise we had become first.

That night, something special was about to happen: we would go to Germany! We were going to a club in Germany, called the *Cheetah*. I had never been there, but people said it was an amazing discotheque. Everybody did their hair and makeup, and off we went, in a disco bus equipped with a fogging machine and a strobe light. The atmosphere was very good, as we sang some songs in the bus before arrival. That night in the *Cheetah* was great: there was nice music, nice people and nice dancers. And not to forget: a woman with enormous fake breasts. Drinks were very cheap, as almost everything was

Duisenberg school of finance

New thinking in finance

Text: Melissa Ruggles

The story behind Duisenberg school of finance (DSF) is an exceptional one. DSF is venturing a new path in financial education, bringing both real world pragmatism and top intellectual insights to its students through an unprecedented synergy between industry and academia. DSF is an educational institution that focuses on producing tomorrow's top echelon of financial experts. Experts who are financial masterminds, but also grounded, dynamic leaders. Experts who are readily prepared to move from the classroom to the boardroom. Experts who can apply 'new thinking in finance' to discover innovative real market solutions for real market issues.

Founding partners

The past years' global economic crisis and financial market calamities clearly indicated the need for change in financial thinking and approaches. In response, Dutch academic institutions and leading international corporations in the Netherlands joined together to find and develop a solution. Their shared vision was to create a single, distinctive private financial academic institution that would pave the way in creating 'new thinking in finance' – a way of thinking that integrates the latest financial industry knowledge and developments with acute intellectual foresight.



World Class Faculty

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Meeting the minimum admissions requirements is only the first step in DSF's challenging application process. The Admissions Committee, comprised of professors, staff and industry experts, closely evaluate a candidate's combination of Knowledge, Skills and Attitude (KSAs) as presented in a candidate's application and a personal interview. Only the best, most well-rounded and motivated candidates from around the world are handpicked and invited to attend DSF. Only 30 students maximum are admitted to each programme. What is further noteworthy is that DSF goes above and beyond most educational institutions to provide admitted students guaranteed access to incredible funding opportunities, in the form of scholarships and a specially-developed loan scheme. The same criteria used to evaluate candidates for admission to the school are also applied in the awarding of scholarships.

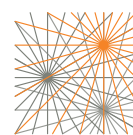
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DSF has 4 highly-specialised, intensive 1-year Master's degree programmes in: **Risk Management, Corporate Finance and Banking, and both a LLM and MSc programme in Finance and Law.** In addition to the core courses, each Master's student is required to perform an internship, to write a thesis and complete the Duisenberg Leadership Programme (DLP). The DLP is designed to develop financial experts as experts who can also act and lead with integrity. The DLP includes courses, such as: Ethics, Professional Communication Skills, Incentives and Behavioural Finance, Financial Regulation, Economics of Risk, and International Corporate Governance.

In 2007, DSF was established. The corporate partners are: ING, NYSE Euronext, Houthoff Buruma, ABN Amro, De Nederlandsche Bank, AEGON, APG, RBS and SNS Reaal. The academic institutions are: RSM Erasmus Universiteit, VU Amsterdam, Tilburg Universiteit, Tinbergen Institute, and Universiteit van Amsterdam.

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