

## ***Career Path:* Equity Research**

### **Introduction**

Career Services (CS) created the *Career Path* series to assist students with the career search process. Each *Career Path* handout examines a common business functional area in which Stephen M. Ross School of Business graduates pursue jobs each year. The first four steps of CS's recommended career search process are detailed for each specific business field.

### **Equity Research Overview**

While Finance and Equity Research are distinctly different careers, they require a similar background with high levels of financial knowledge and general business acumen. The job of an equity research professional is to provide timely, in-depth analysis of companies, industries and the world economies. Sell side equity research falls under the investment banking umbrella. However, financial research opportunities are not limited to investment banking. Mutual funds, asset management firms, commercial banks, insurance companies, and pension funds all hire research analyst and associates to analyze their investment direction. This is usually referred to as buy side research.

Candidates are expected to be well versed not only in finance, but also in accounting, corporate strategy, and the latest issues and regulations in the industry. An equity research associate must be multi-faceted because investment recommendations will involve staying on top of all the news related to the industry or company coverage, as well as broader industry trends and general market research.

### **Steps for Developing a Career in Equity Research**

#### **Career Search Step #1: Conduct Self-Assessment**

Like any other field, self-assessment can help you evaluate the equity research arena as a possible career path. As discussed in CareerLeader, individuals successful in this field have a strong desire to “own” a process from beginning to end. They like to take control and be in charge. Like other finance professionals, they have a strong interest in quantitative analysis. Specific skills/attributes required include:

- Passion for the markets (Do you love stocks?)
- Strong communication abilities
- Networking capabilities and contacts
- Analytical strength
- Superior intellectual curiosity
- Confidence to have an opinion (Sometimes non-conscious)
- Attention to detail

A career in equity research can lead to great financial rewards. Initial salaries are comparable to those in investing banking, and the potential upside is great. Initial salaries on the sell-side tend to be higher than those on the buy side. However, both sides offer significant returns as you progress through your career towards the analyst or portfolio management position.

## **Career Search Step #2: Investigate Possible Career Opportunities**

Entry level positions for MBAs are at the Associate level, with upward opportunity based on results. Most associates on the sell side aspire to gain company coverage, followed by a position as an analyst. Associates on the buy side aspire to become portfolio managers of moderate size funds, followed by large size funds.

## **Career Search Step #3: Research and Conclude on Immediate Postgraduate Employers**

Because there are significantly less open positions in equity research than in investment banking and sales and trading, securing a position will be a little more challenging. However, with a little persistence opportunities can be found in both sell side and buy side firms. Most of the entry level openings are found in the New York offices of the large investment banking and asset management firms. There are also opportunities in the smaller regional investment banking and asset management firms.

## **Career Search Step #4: Develop a Career Search Strategy**

In addition to the research strategies mentioned above, there are other key search strategies required:

- **Industry knowledge.** Read the Wall Street Journal, New York Times, Institutional Investor, Business Week, Fortune and other financial publications. When reading, learn about the industry and the players in it. Consider developing a personal journal of important economic and company events to keep up to speed with what is going on in the markets.
- **Prepare yourself.** Register for courses to prepare you in this field, specifically financial valuations, financial statement analysis, etc. Also, join appropriate clubs.
- **Utilize CS services.** CS sponsors a number of workshops, including resume and cover letter preparation, interview skills, and off campus career searches. Office hours are available for counseling on all aspects of the career search and skill development process.
- **Contact alumni/network.** Meet as many people as you can, and conduct informational interviews to further your knowledge.

## **Frequently Asked Interview Questions**

1. Why did you decide to get an MBA?
2. Why are you interested in Equity Research?
3. Do you follow the markets; do you invest in the market?
4. Do you follow a specific industry or company?
5. What stock will you recommend that I should buy, and why?
6. Explain why you went from engineering to obtaining an MBA and why the financial services area?
7. How does your background relate to Equity Research?
8. Tell me something that differentiates you from your classmates.
9. What is your definition of success?
10. Tell me about a personal event in which you took a risk, physical and/or financial.
11. What do you think will happen in the economy over the next five years?
12. What was the least favorite part of your most recent job?
13. Tell me what I should be looking for in a candidate. (Now) Tell me why I should hire you?
14. How do you prepare for an exam?
15. What are your strengths/development needs?

16. Give me an example of a situation where you made a difference.
17. Provide examples of how you have established business relationships.
18. Give me an example of a time when you developed a creative solution to a business problem.
19. Tell me about a time when you persuaded a skeptical colleague to buy in to your point of view regarding a contentious issue.

**Bibliography of Information Resources**

- Career Leader™ profiles
- Wet Feet Press, Kresge Library