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Wharton – the prestigious business school that minted stock-pickers like Warren Buffett, Steve Cohen, and Joel Greenblatt – is rolling out the red carpet for quants

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- **The Wharton School of the University of Pennsylvania, one of the most prestigious business schools in the world, is launching a quantitative finance major for MBA students.**
- **Wharton's alumni is a who's who of Wall Street power players, including Berkshire Hathaway's Warren Buffett, Point72's Steve Cohen, Gotham Asset Management's Joel Greenblatt, and Apollo Global Management's Marc Rowan.**
- **Professor Joao Gomes, chair of the finance department at Wharton, told Business Insider the major addresses a growing area of finance the school previously hadn't tapped into.**
- **Quant funds offered by the biggest hedge fund managers in the world have grown from 6% of the industry's assets to 11%, according to a 2019 Barclays study.**

WHARTON SCHOOL OF THE UNIVERSITY OF PENNSYLVANIA

Wharton alumnus Bruce Jacobs, who is co-chief investment officer, portfolio manager, and co-director of research at Jacobs Levy Equity Management, gifted the school $8 million to create the major.

A university that has minted some of Wall Street's most well-known investors and dealmakers is launching a new program that's a departure from what has proved to be its bread-and-butter.

The Wharton School of the University of Pennsylvania, whose alumni include Berkshire Hathaway's Warren Buffett and Point72's Steve Cohen, said on Thursday it was launching a quantitative finance major within its prestigious MBA program.

An $8 million gift from alumnus Bruce Jacobs, who is co-chief investment officer, portfolio manager, and co-director of research at Jacobs Levy Equity Management, helped establish the new major. According to a statement from the university, graduates will be well-suited for jobs in quantitative asset management and trading, financial engineering, risk management, and applied research.

Professor Joao Gomes, chair of the finance department at Wharton, told Business Insider launching a quant major has been something the university has been thinking about for the last few years.

"It's an area that we really haven't been as strong or as focused on as we should," he added. "We've seen a lot of growth. ... There's been a lot of demand for these kinds of people who have very focused skills in these areas, data analytics, and finance."

Credited as being the world's first collegiate business school, Wharton has served as a fast track to land jobs at some of the most prestigious firms on Wall Street – or starting their own fund. Gotham Asset Management's Joel Greenblatt, Apollo Global Management's Marc Rowan, Glenview's Larry Robbins, York Capital's Jamie Dinan, hedge-fund founder Dan Och, and Soros Management CIO Dawn Fitzpatrick are among a long list of Wharton grads that have gone on to become power players on the Street.

However, for as much success as Wharton has had preparing students for careers in finance, the school is not as well-known for launching the careers of high-profile quants. Gomes acknowledged as much, saying that while some Wharton grads do land at quant funds, the school is still known for sending people into consulting, investment banking, and private equity.

The co-founder of the Wharton Alumni Hedge Fund Network, Joëlle Huijnen, does work for well-known quant fund Two Sigma, though.

Gomes said while classes and resources on quantitative finance have been made available to students at Wharton, creating a major allows them to be pooled together.

"It's more that we sort of unified what we had and added two or three real flagship classes to up the level of what we offer," he added.

Once dismissed as a quirky sub-sector of finance, quants have since supercharged the hedge-fund world, with managers like Two Sigma, D.E. Shaw, AQR, Bridgewater, Renaissance Technologies, Man Group, and more growing assets to never-before-seen levels. Quant funds offered by the biggest hedge fund managers in the world have grown from 6% of the industry's assets to 11%, according to a 2019 Barclays study.

March was among the roughest months this industry sector has faced, with names like Renaissance, Schonfeld Strategic Advisors, and Point72's Cubist falling double-digits. Several quants told Business Insider in mid-March that the fall felt worse than 2007's "Quant Quake" that decimated Goldman Sachs' quant unit.

In a video recorded on March 31, Kevin Kelly, Goldman Sachs' co-head of prime brokerage services, said managers playing in the equity space, including quants, were forced to "de-risk" throughout March as the global pandemic caused by the novel coronavirus closed economies and delayed corporate earnings.

Trades that many managers pile into, known as popular shorts or popular longs, Kelly said, started to break down because of it. Several quants trade on momentum and crowded factors, plowing money into stocks that others are holding or stocks that have recently gone up.

"The relationship between those two broke down in March and those performances went awry, i.e. the longs went down and the shorts went up," Kelly said.

Gomes said the timing of the announcement wasn't perfect considering current market conditions but added that the major is part of the long-term strategy at Wharton. It was also important to make the incoming class aware of the new major as they start to make decisions.

"I thought it was important that we have something positive," Gomes said. "There's lots of reasons why this is not the ideal timing, but I thought the positive was that it's good to look forward beyond this."