

Close-up

Hedging Their Bets in a Sober Economy

Connie Theodore Teska and Kelly Chesney's investment management business is holding its own during the economic downturn. **BY ANNIE MARTIN**

Three years ago two executives left their posts at one of the world's largest banks to start their own fund-of-hedge-funds business. Since then many financial institutions have hit the rocks, but Evanston-based Pluscios Management is still going strong. Since it launched, the investment firm has doubled its assets under management and recently added pension and endowment clients.

And founding partners Connie Theodore Teska (J79, KSM89) and Kelly Chesney (KSM00) say the harsh conditions they've faced in the last year have actually strengthened their business.

"We're almost grateful for 2008 because it gave us a chance to prove ourselves in the market," Chesney says. "Many expected an entrepreneurial firm like ours to get washed out last year, but because we have been doing this through so many cycles we were able to reduce the negative impact on our portfolios."

Indeed, by the end of June almost all of Pluscios' clients had recovered the 2008 losses and were again making money.

"Compared with many competitors in the marketplace, we were able to come through the perils of 2008 pretty much unscathed," Teska says. "We have the sustaining power now to deal with an environment with less competition and great investment opportunities."

Though it was a tough year for most investment strategies, not just hedge funds, Teska and Chesney think many people perceive hedge funds as especially risky. This isn't necessarily true, they say. Hedge funds can adjust quickly to changing markets and have trading strategies that don't require positive market performance to generate returns, which is a boon in a rough market.

Teska and Chesney call their firm a "boutique" because in addition to being nimble and active in the management of their portfolios, they can tailor their products to meet their client's needs.

The two say their experience at their former employer, JPMorgan Chase and Co. (originally First Chicago and then Bank One), gave them the skills necessary to survive the financial crisis.

Both women's careers have followed unusual trajectories. Teska started working in media relations for GTE shortly after graduating from the Medill School of Journalism. Two years later she landed a job in media relations at First Chicago.

After earning her MBA from the executive program at the Kellogg



Pluscios Management founders Kelly Chesney, left, and Connie Theodore Teska

School of Management, Teska became a senior vice president at First Chicago. She was part of the team that led a proprietary investment business, which used a range of different investment types to earn revenue for the bank. She later became head of the bank's capital management group, which invested both proprietary and client assets in portfolios of hedge funds.

Chesney entered the banking industry after starting her career in bankruptcy law and later working in consulting. At First Chicago she initially worked with the corporate investments and capital markets groups. It was here that Teska and Chesney pioneered hedge fund investing for the bank's account.

And it was Teska who suggested Chesney should attend Kellogg's executive program after First Chicago became Bank One and Chesney's workload dried up.

With two Kellogg MBAs and years of expertise in the banking industry between them, the pair left JPMorgan Chase in 2006 and set out on their own to launch Pluscios Management.

Teska and Chesney are part of a larger group of successful women investors. According to a Pluscios-supported study by Hedge Fund Research Inc., women-owned funds significantly outperform funds in general. Since 2000, women-owned funds delivered an average annual return of more than 9 percent, compared with less than 6 percent among a broader composite index of hedge funds.

"I think what they're doing is quite extraordinary," Linda Andrews, a former First Chicago colleague, told Reuters' *Accredited Investor* magazine. "They know what investors want and what they need — not only from a numbers viewpoint but through the degree of confidence investors have in them. They're an impressive pair."

Teska and Chesney have also balanced demands of family life and entrepreneurship. They decided to locate their office in Evanston so they could be close to their families. Teska and her husband, Mike Teska (McC77, KSM80) have a daughter in high school and a daughter in college, and Chesney has a 5-year-old daughter.

Starting a company hasn't been easy, but Teska and Chesney have found fulfillment in their entrepreneurial venture.

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