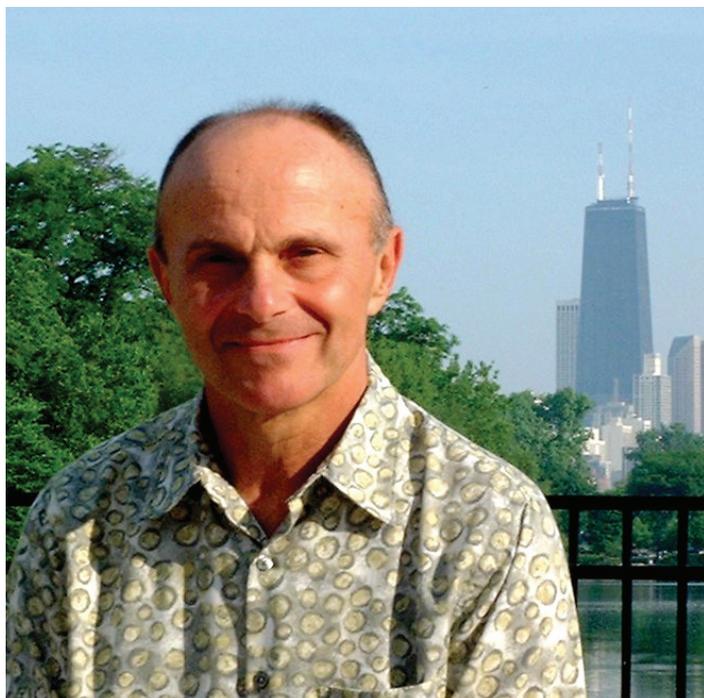


# Champion of Efficient Markets

**CME CENTER FOR INNOVATION HONORS EUGENE FAMA,  
2007 WINNER OF FRED ARDITTI INNOVATION AWARD**



Fama's career as a researcher, teacher and investment specialist has spanned more than 40 years. Since the 1960s, Fama has taken a fresh, and often controversial, look at investments, pricing theory and corporate financing. His research challenges the value of fundamental and technical analysis, as well as the efficacy of active management, and has played a role in the development of passive indexing.

Fama, who earned an MBA degree and a PhD degree in economics and finance from the University of Chicago, joined the faculty in 1963. His landmark dissertation, "The Behavior of Stock Market Prices," was barely completed when he was asked to teach his new thinking in the then still developing field of modern finance, a role he continues to play.

A simplified version of his dissertation, "Random Walks in Stock Market Prices," was published in *Institutional Investor* in 1964 and coined the phrase "efficient markets." Since that time, Fama's name has become as familiar to Wall Street investors as it is to fellow economists.

"I have long maintained that investors can behave as if the price of a stock reflects everything that is publicly known about the stock at any point in time and reflects the impact of events that have already occurred as well as events expected to occur in the future," Fama says. "While market prices efficiently reflect value, price changes themselves cannot be predicted. This requires a need for risk-management products such as those offered at CME. The ability to manage risks associated with future price fluctuation helps enable markets to operate more efficiently, and efficient markets are a cornerstone of capitalism."

"Fama has demonstrated that, for capitalism to work, prices are expected to reflect supply and demand as well as people's expectation about risk and return," says CME Chairman Emeritus Leo Melamed. "Fama's work goes hand in hand with the price discovery feature of CME futures markets, which provide the ability to manage the risk that efficient markets and unpredictable prices create."

Fama is the author of more than one hundred scholarly articles, as well as two books that have become classics in the field: *The Theory of Finance*, co-written with Nobel Prize-winner Merton H. Miller and published in 1972, and *The Foundations of Finance*, published in 1976.

Fama is the third recipient of the Arditti Innovation Award, chosen by CME's Competitive Markets Advisory Council, which includes three Nobel Prize winners among its ranks. The first recipient was Nobel Laureate William F. Sharpe, who was honored in 2005 for his work in economics as the developer of the Sharpe Ratio, a tool for analyzing investment performance, and as one of the originators of the Capital Asset Pricing Model. The 2006 award went to Leo Melamed for his pioneering work in financial futures and his role in creating the CME Globex electronic trading platform, the first platform to offer global electronic futures trading.

Fama, who also is the director of research and a board member of Dimensional Fund Advisors, Inc., an investment advising firm, will receive the award in Chicago on April 24, 2007.

**For more information about CME or the CME Center for Innovation, please visit [www.cme.com](http://www.cme.com).**

**As a college student, Eugene Fama became fascinated with trying to beat the stock market. His early work led him to a lifetime of breakthrough thinking about the financial markets and earned him a special moniker – "the father of efficient market theory."**

**Fama is currently the Robert R. McCormick Distinguished Service Professor of Finance at the University of Chicago Graduate School of Business. He is being honored as the third recipient of the Fred Arditti Innovation Award presented by the Chicago Mercantile Exchange Center for Innovation.**

The award honors an individual or group whose innovative ideas, products or services have created significant change to markets, commerce and trade. It is named after CME's former chief economist, Fred Arditti, a well-known financial services innovator who led the development of CME's Eurodollar futures contract, the first cash-settled futures contract and the most actively traded futures contract in the world.

"It is vitally important that we recognize the individuals whose creative thinking has enabled the marketplace to progress," says CME Executive Chairman Terry Duffy. "The CME Center for Innovation's Fred Arditti Innovation Award is one of the most significant ways we highlight the critical importance of innovation to our business and the broader financial services industry."