

ALTERNATIVE INVESTMENT I (HEDGE FUNDS)

18-hour course

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Course Outline

This course is designed to provide students with a thorough understanding of the nature of hedge funds and of their activities.

It will describe hedge funds and their risk / return profile, fee structure, and their legal structure, explain the rationale for investing in hedge funds (whether for returns, for risk reduction, or risk seeking) and articulate how this may fit in a wider portfolio.

The course will describe and assess the different possible strategies used in hedge fund investing. It will compare hedge funds with funds of hedge funds, explaining the potential added value of a fund of Hedge Funds with another layer of fees.

It will review the profile of hedge fund Investors and examine the emergence of managed accounts in the hedge Fund space. It will also set out in practical terms how to perform a proper due diligence.

The course will be based on significant quantitative analysis and sophisticated tools to measure ex-ante risk factors hedge fund investments, as well as the risk and the expected return of an entire hedge Fund portfolio, which are typically not available in university classes.

The course will illustrate relevant aspects through several case studies.

Course Structure

- I. **Market description**
 - a. Definition
 - b. Size & growth of the industry
 - c. Who invests in Hedge Funds?
 - d. How to access this asset class?
- II. **Purpose of investing in Hedge Funds**
 - a. Review of Reading Material: Harvard Endowment Investment Strategy + "The Empire of Edge"
 - b. New Yorker Oct Issue
 - c. Why invest in Hedge Funds?
 - d. Why not invest in Hedge Funds
- III. **Deep Dive into Hedge Funds Strategies**
 - a. Long/Short Equity
 - b. Global Macro
 - c. Merger Arbitrage
 - d. Special situations / Distressed
 - e. Multi Strategy
 - f. Index Arbitrage
- IV. **Deep Dive Hedge Funds Strategies (Continued)**
 - a. Commodities and Volatility Trading
 - b. Systematic trading
- V. **Hedge Funds intermediary space**
 - a. Direct Investing vs. Funds of Hedge Funds
 - b. Role of Investment Consultants
 - c. Portfolio construction of a Fund of Hedge Funds
 - d. Hedge Funds as allocation in a Global Portfolio
- VI. **Operational set-up of a typical Hedge Fund**
 - a. Role of administrator, custodian and prime broker
 - b. Risk management within a hedge fund manager
 - c. Regulations in hedge funds (distribution, trading and management)
- VII. **How to invest professionally in Hedge Funds**
 - a. Case study: Jabra Capital
 - b. Case study of Operational Due Diligence: F.G.G.
 - c. Investing via managed accounts
- VIII. **Liquid alternatives (1940 Act and UCITS)**
 - a. How to get a job in the Hedge Fund industry?
 - b. Hedge Fund corporate management and compensation structure
 - c. How to Value a Hedge Fund Management Company?