FINA 545 Hedge Funds (Spring 2008)

Instructor: Ye Li

Course Outline:

1. **Introduction:** the original hedge fund, hedge fund as a misnomer
2. **Key characteristics and current state of hedge funds:** incentive structures, registration, eligible investors, firm structure, size of industry
3. **Common hedge fund strategies:** Convertible Arbitrage, Dedicated Short, Emerging Markets, Equity Market Neutral, Event Driven, Fixed Income Arbitrage, Global Macro, Long/Short Equity Hedge, Managed Futures, Multi-Strategy, Fund of Funds/Managed Accounts
4. **Demand for hedge funds:** modern portfolio theory, absolute return, diversification benefit, fund of funds as a main intermediary, qualified investors
5. **Managing/Analyzing Hedge Fund Portfolios:** investment style, fundamental analysis, quant strategies, factor exposures, portfolio optimization, short sale/stock loan considerations, execution costs, yield curve models, prepayment models, credit/counterparty exposure, optionalities, inflation/central bank activities, macroeconomic conditions, capacity issues
6. **Performance measurement, risk identification and management:** data availability and providers, hedge funds benchmarks and indices, return distribution, multi-factor exposure modeling, beta vs alpha, tail risk, liquidity risk, concentration risk, key man risk, Value-at-Risk, Monte Carlo versus historical simulation, stress test
7. **Product engineering:** structured products offering unconventional exposures/risk premia, leveraged classes
8. **Future of hedge funds and concluding remarks:** threats and challenges, convergence with private equity/venture capital, hedge fund firms as publicly traded entities

Reference Book (Optional): Intelligent Hedge Fund Investing, Barry Schachter