



FIN 621 Hedge Funds/Fall Module I: Sept. 2-Jan 15
Peking University HSBC Business School

Location/Time: C-102m/M,Thu: 1:30-3:20
Office Hours: M 4-5, Tue. 4-5 or by appt.
Tel #: 86-755-2603-3084

Instructor: Dr. Erik Benrud
Office: C-414
E-mail: ebenrud@phbs.pku.edu.cn

Course Overview: The goal of this course is to examine the properties of hedge fund returns and their role in modern portfolio management. There will be an examination of each of the major hedge fund strategies such as long/short equity, dedicated short-selling, merger arbitrage, distressed securities, managed futures, relative-value arbitrage and others. For each style, there will be an analysis of the goal of the style, the execution of the style and the properties of the historical returns. The analysis of the returns requires a survey of the many techniques for assessing hedge fund performance from the standard Sharpe ratio to other measures more suited for the unique properties of hedge fund returns.

Objectives:

- Learn the history of hedge funds and current trends.
- Learn the many hedge fund styles.
- Understand the characteristics of the returns.
- Understand the role of hedge funds in modern portfolio management.

Prerequisites: Corporate Finance (FIN521), Investments (FIN513) and statistics courses and are recommended.

Approach: The course will consist of lectures, video representations, homework, projects, and discussions. Lectures will include discussions of current events or subjects I assign as research topics. Work in Excel will be part of the learning process. Some assignments will involve downloading data from the Internet and analyzing it in Excel.

Class Format: Most of the class time will consist of lectures and discussion of current events in alternative investments.

Practice Problems: I will post practice problems that you should be able to work for the exams.

Assignments to hand in: These will be assigned at various times. They will be Excel problems, cases, and advanced problems. Late assignments will be penalized by a letter grade each day. When specified, you can work in groups of 2s and 3s. You can also work on your own. The first one is due Sept. 9.

Grading:	In-class work/participation	20%
	Homework/Research	20%
	Research Paper	10% (Due Oct. 14)
	Exams	50%

Homework #1: For Mon. day Sept. 9: Two things. i) Determine which pair of stocks from the list below would make the BEST long/short portfolio. You must write at least one paragraph for each of the two stocks in the pair you select as to why one will outperform and the other will underperform relative to the other. ii) Which single stock would be the best for writing deep out of the money calls?

PAIRS: (T, CHA), (GOOG, BIDU), (AMZN, DANG), (MWW, JOBS), (PCLN, CTRP).

Research Paper due Oct. 14 (hard copy, work alone): The topic is **“if you could only invest in one hedge fund style with a 3-5 year holding period, which would you choose and why?”**

Requirements: i) 2-4 written pages, ii) a hard copy to be handed in, and iii) at least 3 credible references supporting your choice.

Course Materials: a time-value of money (TVM) calculator, EXCEL, access to the Internet and the ability to download required materials..

Readings: Handouts and links to **PPT presentations, Internet articles, and other documents.** I will hand out some of these, but after the first week, you will be required to download or print out most of materials yourself.

Web pages to watch (more to come): <http://allaboutalpha.com/blog/>
<http://www.reuters.com/finance/deals/hedgeFunds>

Tentative Course Schedule

Week	Topic	
Sep. 2	Introduction to Hedge Funds	
Feb. 5	Hedge Fund Styles Overview	
Sep. 9	Hedge Fund Styles	Homework #1 due: proposed portfolios/option pick
Sep. 12	Hedge Fund Styles	
Sep. 16	Replicating Strategies and Benchmarking	
Sep. 18	Replicating Strategies and Benchmarking	(Note, this is a Wednesday)
Sep. 19	No Class. Class rescheduled to Sept. 25	
Sep. 23	Determinants of Return	
Sep. 25	Determinants of Return	(Note, this is a Wednesday)
Sep. 26	Exam I	
Sep. 30		HOLIDAY
Oct. 3		HOLIDAY
Oct. 7	No Class. Class rescheduled to Sept. 18	
Oct. 10	No Class. Class rescheduled to Oct. 16	
Oct. 14	Discussion of Research Papers	
Oct. 16	Hedge Fund Fees	(Note, this is a Wednesday)
Oct. 17	Regulation, Transparency and other Current Issues	
Oct. 21	Review of Basic Risk and Return Measures	
Oct. 23	Review of Basic Portfolio Theory	
Oct. 28	Advanced Risk and Return Measures	
Oct. 30	Advanced Risk and Return Measures	
Nov. 4	Advanced Risk and Return Measures	
Nov. 7	Hedge Funds in Modern Portfolio Management	

FINAL EXAM TBA