

IB9CR-15 Alternative Investments

22/23

Department

Warwick Business School

Level

Taught Postgraduate Level

Module leader

Samer Jarkasy

Credit value

15

Module duration

9 weeks

Assessment

25% coursework, 75% exam

Study location

University of Warwick main campus, Coventry

Description

Introductory description

Alternative investments by their very nature are applications of various disciplines. Therefore, this general practitioner (foundation) module will build on the students' knowledge from any relevant modules such as: general finance, corporate finance, investment, economics, accounting, financial analysis, asset pricing, valuation, business/management, statistics, econometrics, financial mathematics, big data, machine learning, engineering, law, etc., (none of such subjects is a specific prerequisite for this elective).

Students are strongly encouraged to make the practical link between their other subjects and the topics of this elective and how this could inform their future career or research decisions. It would enable students to recognise how they can leverage their knowledge in other disciplines to pursue and develop a career in or around investment. Below are some examples (but not exhaustive).

Economics ↔ Global Macro Hedge Fund Strategies, Strategic Asset Allocation

Corporate Finance, Corporate Governance ↔ Merger Arbitrage, Corporate Activism, Private Equity, Long-Only Active Equities

Accounting, Valuation, Equities ↔ Fundamental Equity Long/Short Hedge Funds, Private Equity, Long-Only Active Equities

Fixed Income ↔ Fixed Income Arbitrage, Distressed Securities Investing, L/O Active FI

Mathematics, Econometrics, Statistics, Big Data, Machine Learning, Coding, Engineering ↔

Quantitative Investing, Systematic Trading/Investing, Managed Futures
The same way of thinking applies to other fields of finance and investment

Module aims

Introducing the world of Alternative Investments: Hedge Funds, Alternative Risk Premia & Smart Beta, Private Equity (including Venture Capital) and Real Assets (briefly, such as real estate, natural resources and land, infrastructure, commodities and intellectual property)

Providing practical and academic foundations and skills that are useful and relevant whether for a career with an alternative investment fund manager, investor, intermediary, or to pursue academic research in alternative investments and also beneficial for other careers

Understanding key areas of major alternative investments such as:

Main types, investment strategies and risk-return characteristics

Investment legal entity (vehicle) and compensation structures

The module's topics will introduce and support understanding related areas such as manager due diligence, selection, allocation, performance evaluation and benchmarks

The role and positioning of alternative investments in the investment world

Role and contribution to an investor's traditional asset portfolios

Strategy behaviour in different market/economic environments

Linking alternative investments and their transferable skills to the skills and knowledge of other relevant disciplines and informing students' career or research decisions in or around alternative investments as highlighted earlier

Outline syllabus

This is an indicative module outline only to give an indication of the sort of topics that may be covered. Actual sessions held may differ.

Introduction to Hedge Funds:

- Global Macro
- Managed Futures
- Event-Driven Hedge Funds
- Relative Value Hedge Funds
- Equity Hedge Funds
- Funds of Hedge Funds
- Risk Premia: Alternative Risk Premia vs Smart Beta
- Due Diligence of Fund Managers

Private Equity including Venture Capital

Introduction to Real Assets

Learning outcomes

By the end of the module, students should be able to:

- Demonstrate a clear understanding of hedge fund strategies, their behaviour under different macro environments and their statistical properties
- Demonstrate a clear understanding of the basics of Private Equity as an alternative asset class
- Demonstrate a clear understanding of the basics of risk premia strategies
- Demonstrate a clear understanding of the pros and cons of investing in alternatives, and the role they can play in a diversified investment portfolio.
- Critically analyse academic papers and understand the covered research on hedge funds and private equity
- Identify the strengths and weaknesses of investing in specific alternative strategies
- Critically analyse the statistical impact of adding hedge funds to the a traditional portfolio consisting of long only assets

Indicative reading list

Main Textbook

Chambers, et al., Alternative Investments CAIA Level I, Wiley (2020 4th edition or if you have the 2015 3rd edition).

Optional – Additional alternative investments references

Chartered Alternative Investment Analyst (CAIA) Association book: Kazemi, Black and Chambers (2020), Alternative Investments: An Allocator's Approach, 4th edition, Wiley

Chartered Alternative Investment Analyst (CAIA) Association book: Kazemi, Black and Chambers (2016), Alternative Investments CAIA Level II, 3rd edition, Wiley

Ludovic Phalippou, Private Equity Laid Bare, 2017 (and free resources on <http://pelaidbare.com/>)

Bookstaber, Richard (2007), A Demon of Our Own Design: Markets, Hedge Funds, and the Perils of Financial Innovation, Wiley

Thaler Richard H. (2020), The Winner's Curse: Paradoxes and Anomalies of Economic Life, Free Press

Zuckerman, Gregory (2019), The Man Who Solved the Market: How Jim Simons Launched the Quant Revolution, Portfolio Penguin

Euan Sinclair, Volatility Trading, 2013, 2nd edition, Wiley

Dunbar, Nicholas (2000), Inventing Money: The Story of Long-Term Capital Management and the Legends Behind It: Long-term Capital Management and the Search for Risk-free Profits, Wiley

Lowenstein, Roger (2002), When Genius Failed: The Rise and Fall of Long Term Capital Management, Fourth Estate

Nassim Nicholas Taleb, The Black Swan: The Impact of the Highly Improbable, 2010

Optional – Additional general investment and finance references students could refer to (general or to support a specific topic)

McKinsey & Company Inc., Koller, Goedhart and Wessels (2020), Valuation: Measuring and Managing the Value of Companies, 7th edition, Wiley

Brealey, Myers and Allen (2020), Principles of Corporate Finance, 13th edition, McGraw-Hill

Bodie, Z., Kane, A., and Marcus, A.J. (2018), Investments, 11th International edition, McGraw-Hill

Elton, E., Gruber, M.J., Brown S.J. and Goetzmann W.N. (2010), Modern Portfolio Theory and Investment Analysis, 9th edition, Wiley

Hull, J.C. (2017), Options, Futures, and Other Derivatives, 9th Global Edition, Pearson

Industry reports and documents (where available online or will be posted on my.wbs) – below are some examples:

The Boston Consulting Group (BCG), Global Asset Management 2019-2021 Reports

The Investment Association (IA) Annual Survey, Asset Management in the UK 2017-2021 reports

Morgan Stanley, AIP Hedge Fund Team, Hedge Fund Strategy Outlook, 2018, 2019

McKinsey Global Private Markets Reviews 2018-2021

Alternative Investment Management Association (AIMA) and Bloomberg, The Hedge Fund Start-Up Guide

Research element

Group project that requires researching a hedge fund strategy and presenting to class where the class acts as the investment committee of an institutional investor

Interdisciplinary

Extensive as detailed under Module Description above

International

This module covers alternative investments and their strategies globally

Subject specific skills

Style analysis hedge funds

Transferable skills

Written communication

Oral communication

Study

Study time

Type	Required
Lectures	9 sessions of 1 hour (6%)
Seminars	9 sessions of 1 hour (6%)
Other activity	9 hours (6%)
Private study	49 hours (33%)
Assessment	74 hours (49%)
Total	150 hours

Private study description

Self study to include preparation for lectures and seminars

Other activity description

1 hr per week will be either a face to face lecture or asynchronous tasks with either online or face-to-face support

Costs

No further costs have been identified for this module.

Assessment

You do not need to pass all assessment components to pass the module.

Assessment group D3

	Weighting	Study time
Group Presentation	25%	18 hours
2 hour examination	75%	56 hours

Feedback on assessment

Written and oral feedback, in lectures and via my.wbs

[Past exam papers for IB9CR](#)

Availability

Courses

This module is Optional for:

- Year 1 of TIBS-N300 MSc in Finance
- Year 1 of TIBS-LN1J Postgraduate Taught Finance and Economics