

MASTER OF SCIENCE IN WEALTH MANAGEMENT
MAÎTRISE UNIVERSITAIRE EN GESTION DE PATRIMOINE

HEDGE FUNDS (S413166)

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6 ECTS

Semester: Fall

Teaching language: English

Objective

The course objective is to introduce students to the main strategies used by hedge funds.

- Students will learn to analyze the risk-return trade-offs faced by hedge funds and to further assess their ability to generate positive performance (alpha).
- Students will identify and differentiate the institutional, organizational and competitive characteristics of the hedge fund industry.
- Utilizing the most recent academic research on hedge funds, the course allows students to investigate its relation to industry practice by analyzing a hedge fund trading strategy using collected data into their own research project.
- Additional topics include hedge funds as liquidity providers, hedge fund replication and the impact of hedge funds on financial market stability.
- Finally, insights from an industry professional(s) will help students translate this knowledge and contrast it against the real world of hedge fund investing.

Description

Each class will consist of a lecture and sometimes a classroom discussion centered upon a recent academic article(s). These articles will present common hedge fund strategies which can serve as the basis for the short research project/paper. In this project, students will be expected to use databases independently/in a group, and apply simple empirical analysis techniques in order to investigate these strategies and to develop a meaningful interpretation of the results. Occasionally, a small part of class time will be devoted to discuss progress on the required short research paper (see below), as well as topics for Master theses.

Active class participation will be encouraged, based on the required readings. The final grade will be based on a short (maximum five page) research paper (30%) and a written examination (70%). The final examination will consist of a theoretical section and an empirical section, and thus, close and careful study of the required readings is a crucial.

Course Outline

- Chapter 1 - An Introduction to Hedge Funds
- Chapter 2 - Hedge fund strategies
- Chapter 3 - Identifying (priced) hedge fund risk factors – theory
- Chapter 4 - Performance of hedge funds – empirical
- Chapter 5 - Sources and limits of hedge fund performance
- Chapter 6 - Replicating hedge funds returns with liquid securities for investors
- Chapter 7 - Analyzing hedge funds flows
- Chapter 8 - Do hedge funds destabilize financial markets?
- Chapter 9 - Invited guest speaker

Bibliography

- François-Serge L'habitant (2007), 'Handbook of hedge funds', John Wiley
- Andrew W. Lo (2010), 'Hedge Funds: An Analytic Perspective (Revised and Expanded Edition)', Princeton University Press

Courses recommended

An introductory asset pricing course and an introductory empirical methods course.

Assessment

Written exam

The final grade will be based on: 1) Short research report (30%) 2) Written examination (70%). 3) Retake exam will be oral (70%)