Topics in Hedge Fund Strategies (B40.3121)

New York University - Stern School of Business
Fall 2008 (1H) - Wednesdays 6pm-9 pm

Instructors

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Mini Course Description

Over the past decade hedge funds have become an ever increasing presence in world financial markets and in investment circles, with both the number of hedge funds and the amount of hedge fund assets growing substantially during this period. News stories about hedge funds, the people who run them, and the investment strategies they employ, have become common in the financial press, and have even begun to surface in the general press.

The objective of this course is to provide students with a thorough understanding of the investment and trading strategies used by hedge funds to generate enhanced returns to their investors.

We will begin with an introductory overview of hedge funds, covering such aspects as structure, common characteristics, investment tools (leverage, shorting, arbitrage, etc), performance metrics (returns, volatility measures, sharpe ratios, alpha and beta, correlation, etc.), industry dynamics, and recent developments. This will set the framework for more detailed discussions of the main investment strategies, including directional equity strategies (e.g. equity long/short, short selling), credit and event driven strategies (e.g. distressed, merger arb, activism, credit long/short), trading-oriented strategies (e.g. global macro, futures trading), arbitrage strategies (e.g. equity market neutral/statistical arb, convertible arb, fixed income arb), and multi-strategy funds. The theory and practice underlying each strategy will be explained, the source of returns will be explored, and the relevant risk management techniques will be addressed. Each strategy will be further illustrated using examples of sample trades. We will conclude with a discussion of hedge funds from the perspective of the investor, touching on asset allocation, fund selection, fund-of-funds, structured products, indexing, replication, and benchmarking.

Guest Lecturers

Guest lecturers will be invited to speak to the class during several of the class sessions. These guest lecturers will be senior professionals currently working in the hedge fund industry, and will provide insights and examples of the investment and trading strategies being studied.

Reading Materials

Selected chapters from a course textbook will be recommended, and additional articles of interest will be posted on the class blackboard site for reference.

<u>Evaluation</u>

Students will be graded based upon their performance on two projects. Projects can be done by students individually or working in groups of up to four members. A portion of the grade will also be based on quality class participation.

Disclaimer: This syllabus is subject to change.