**THIS IS THE SYLLABUS FROM LAST YEAR'S CLASS AND IS REPRESENTATIVE OF THE COURSE. (THE SPEAKERS CHANGE FROM YEAR TO YEAR).**

# Alternative Investments

**NEW YORK UNIVERSITY, STERN SCHOOL**

**Syllabus** **Fall 2016**

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## Course Description

This course provides both a theoretical and practical look into the world of managing alternative investments, in particular, hedge funds. The long-term goal of the course is for students to understand how to put outside capital to work. In order to do this, students need to understand how classic hedge fund strategies are executed, how to evaluate these strategies as well as new ones, and how to manage risk. The course intends to teach students in all of these areas.

## Course Materials

The main course material can be broken down into three sets:

> First, a collection of presentation slides to be used in each lecture. These slides are based on chapters of the book, *Efficiently Inefficient: How Smart Money Invests and Market Prices Are Determined.*
>
> Second, a collection of readings, which provide additional discussion of the issues and analysis brought up during the lectures. These materials will be available on NYU Classes throughout the semester.
>
> Third, the required book is *Efficiently Inefficient: How Smart Money Invests and Market Prices Are Determined* by Lasse H. Pedersen. Lasse Pedersen is a former professor of finance at NYU Stern School of Business and is a principal at the

asset management firm, AQR Capital Management. The book is available at the bookstore or through outside sources, such as Amazon.com.

**Course Grading and Requirements**

There are numerous written problem sets and quantitative assignments throughout the course, along with a case study on Warren Buffett's performance, as well as two in-class closed-book exams. Each of these are graded out of a possible score of 100. The overall weight attached to each graded task is then calculated as follows:

4 Problem Sets – 12%

4 Quantitative Assignments – 28%

Buffett's Alpha Case Study – 10%

2 Exams – 50%

Each specific exercise and its due date, as well as the suggested start date of the exercise, is given on the website at NYU classes.

**Important Course Timing**

Classes will take place on Monday and Wednesday from 9:30am to 10:50am. Note that the outside speaker talks will take place between 4:30pm and 6pm. These talks will be shared with the MBA course on alternative investments. On those days, there will likely be no class during the regular time.

A tentative list of lectures is given below. The timing of the lectures may vary from this plan because the schedules of the outside speakers are apt to change. For each date, we provide the lecture topic, the relevant chapter from the required book (*Efficiently Inefficient: How Smart Money Invests and Market Prices Are Determined*), and the professor/outside speaker.

**TENTATIVE LIST of LECTURES**

| Date | Topic | Chapter |
|---|---|---|
| Wednesday, September 7 | Introduction | 1 |
| Monday, September 12 | Performance Measurement | 2 |
| Wednesday, September 14 | Performance Measurement | 2 |
| Monday, September 19 | Finding Alpha & Backtesting | 3 |
| Wednesday, September 21 | Portfolio Risk | 4 |
| Monday, September 26 | Portfolio Risk, Trading & Funding | 4&5 |
| Wednesday, September 28 | Trading & Funding | 5 |
| Monday, October 3 | Due Diligence | |
| Wednesday, October 5 | Equity Valuation | 6 |
| Monday, October 10 | No Class | |
| Wednesday, October 12 | Dedicated Short Bias | 8 |
| Monday, October 17 | Discretionary Equity | 7 |
| Wednesday, October 19 | Asset Allocation | 10 |
| Monday, October 24 | Exam #1 | |
| Wednesday, October 26 | Global Macro | 11 |
| Monday, October 31 | Quantitative Equity | 9 |
| Wednesday, November 2 | Arbitrage | 13 |
| Monday, November 7 | Quantitative Equity | Cliff Asness, AQR |
| Wednesday, November 9 | Distressed Debt | Marc Lasry, Avenue Capital |
| Monday, November 14 | Event Driven | 16 |
| Wednesday, November 16 | Event Driven | Jamie Dinan, York Capital |
| Monday, November 21 | Fixed Income Arbitrage | 14 |
| Wednesday, November 23 | No Class | |
| Monday, November 28 | Long/Short Equity | Michael Karsch, Hunter Peak |
| Wednesday, November 30 | Case Study - LTCM: Anatomy of a Hedge Fund Failure | |
| Monday, December 5 | Hedge Fund Allocation | Anders Hall, CIO, Vanderbilt University |
| Wednesday, December 7 | Managed Futures | 12 |
| Monday, December 12 | Case Study - Buffett's Alpha | |
| Tuesday, December 13 | Convertible Bond Arbitrage | 15 |
| Wednesday, December 14 | Exam #2 | |