

ALTERNATIVE INVESTMENTS (FM230)

Course duration: 54 hours lecture and class time (Over three weeks)

Summer School Programme Area: Finance

LSE Teaching Department: Department of Finance

Lead Faculty (session one): Dr Dong Lou and Dr Hongda Zhong (Dept. of Finance)

Lead Faculty (session three): Dr Hongda Zhong and Mr Cameron Peng (Dept. of Finance)

Pre-requisites: Basic mathematics, and statistics. Introductory Finance (to the level of FM250) **or** Introductory Microeconomics (to the level of EC101).

Course Description:

In the era of significant market turmoil institutional, as well as, individual investors look beyond traditional investment vehicles such as bonds and shares. For example the price of gold has substantially increased since 2008. The purpose of this course is to explore the world of alternative investments such as investments on hedge funds, private equity / venture capital funds, real estate, and commodities, either directly or through funds of funds. The course will combine theory with empirical exercises, allowing students to get a “hands-on” experience. We want to see what the return-risk characteristics of alternative investments are, what attributes to their appeal, how to understand related technical publications, and how to construct a portfolio using them.

Readings

Some of the course is covered in the following textbook:

-“Handbook of Alternative Assets”, by Mark J. P. Anson, John Wiley & Sons (2006).

Additional material (such as case packs) will be distributed.

As part of class work students will be encouraged to work with data (in Excel). Particular date work will include measuring the risks of investment portfolios, calculating the alphas of Hedge Fund strategies, evaluating an LBO deal, evaluating a VC deal, and pricing an MBS. There will be guest lectures by practitioners from the Hedge Fund and Private Equity industries.

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COURSE OUTLINE:

Session	Lecture	Book	Class-work
1	Overview of Alternative Assets – Introduction to Hedge Funds	1–2	No Class
2	Introduction to Hedge Funds (ctd.) A Hedge Fund investment Program	3–4	Basic statistics and linear regression
3	A Hedge Fund Investment Program (ctd.) Due Diligence	4-5	Modern portfolio theory
4	Risk Management for Hedge Funds Regulation	6-8	CAPM and factor models
5	<i>Invited Lecturer</i> Hedge Fund Benchmarks	9-10	4-factor model / Performance measures
6	Commodities Investing in Commodity Futures	12-13 15	Options
7	Midterm		No Class
8	Return Predictability	N/A	Convertible
9	Venture Capital	16	Event Study
10	<i>Invited Lecturer</i> Venture Capital (continued)	17-18	Risk Shifting
11	Venture Capital (continued) LBOs	19-20	LBO Valuation
12	LBOs (continued)	21-22	LBO Valuation
13	Real Estate	N/A	MBS Valuation
14	No Lecture	N/A	MBS Valuation
15	Final Exam	N/A	No Class

Assessment:

Two written examinations. In formative preparation for the examinations, the students will be given problem sets, the solutions to which will be discussed in class.

Summative assessment format:

Format and weighting: Two hour mid-session examination (40%)

Date: Tuesday of week two

Results due: By Monday of week three

Format and weighting: Two hour final examination (60%)

Date: Friday of week three

Results due: Within a week of the exam

The precise time and location of the exams will be circulated during the programme.

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Credit Transfer: If you are hoping to earn credit by taking this course, please ensure that you confirm it is eligible for credit transfer well in advance of the start date. Please discuss this directly with your home institution or Study Abroad Advisor.

As a guide, our LSE Summer School courses are typically eligible for three or four credits within the US system and 7.5 ECTS in Europe. Different institutions and countries can, and will, vary. You will receive a digital transcript and a printed certificate following your successful completion of the course in order to make arrangements for transfer of credit.

If you have any queries, please direct them to summer.school@lse.ac.uk