ALTERNATIVE INVESTMENTS
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Course description

This course will have several lectures-seminars covering latest topics in the broad areas of liquid and illiquid alternative investments as well applied subject of structuring forecasting analyses in investment or corporate set ups. It will focus on:

- Overview of various active investment strategies, their background and limitations
- Details of liquid alternative strategies (e.g. various hedge funds, CTAs) and terminology
- Details of illiquid alternative strategies (e.g. PE/RE/distressed funds) and terminology
- Analysis of risk-reward in specific strategies from an investor prospective
- Structural details of several real asset classes (commodities, real estate, infrastructure)
- Latest theory and practice of forecasting in finance and business and their limits

Students will be expected to read all suggested materials (list will be provided for each class) as there is no single textbook to use, and to assess and develop a significant understanding of processes and approaches to generating returns independent from broad public markets (e.g. "alpha returns" as compared to "beta returns").

Students will need to analyze several investment situations as a part of home assignments. Focus of the class will be on class participation and quizzes, short individual assignments as well as final group project, there will be no exam.

Grading

The course grade will be based on three individual home assignments (15% each), and one group assignment-project (35%), as well as class participation and in-class quizzes (20%). Home assignments and group project will be assessed based on factual correctness, analytical excellence in supporting statements and evidence of independent critical thinking, as there won't be single correct answers to questions. Students should think of completing homeworks as of completing typical investments or analytical tasks at an alternatives buy-side firm or at a bank/large corporate.

Course intended schedule and contents

Class	Topic	Reading
1	**Introduction to the topic of alternatives**: History, background of supply and demand for such products. Terminology. Academic evidence of alpha generation.	List to be provided for the class

Class	Topic	Reading
2	**Liquid alternative strategies 1**: Overview of hedge funds, CTAs, liquid alternatives. Recent performance of main strategies. Recent collapses and scandals.	List to be provided for the class **Homework 1**
3	**Liquid alternative strategies 2**: Details of selective alpha strategies and case studies. Examples of risk mismanagement and black swans.	List to be provided for the class **Homework 2**
4	**Illiquid alternative strategies 1**: Overview of PE/RE/distressed/real assets. Main players and approaches for excess return generation.	List to be provided for the class **Homework 3**
5	**Illiquid alternative strategies 2**: Details of real assets (commodities, infrastructure) and returns levers.	List to be provided for the **Group project**
6	**Forecasting in business in finance**: Theory and practice of forecasting, applications to capital markets and corporates.	List to be provided for the class
7	**Group project submission and presentations**. Topics on latest markets developments and hedging discussions.	

Examples of expected assignments and group projects (illustrative)

A. Using provided background literature, identify key approaches and drivers of macro-focused active investment strategies

B. Using provided data, identify if a long/short investment strategy can be implemented for a specific sector, and list risk and liquidity limitations

C. Compute, using provided historical data, statistical measures of hedge fund index performance – alpha, correlation, beta, drawdown, Sharpe and Treynor ratios. What conclusions can be made over last 10 years vs last 3 years?

D. For an M&A transaction, compute expected pay offs for risk arbitrage strategies, and recommend (or not) a specific trade set up

E. Analyze, using provided materials, a distressed debt situation: list your assumptions for identifying downside and upside of such investments, list risks and limitations

F. Design a EM-focused macro trading strategy using several provided cross-market time series: list the potential entry/exit signals, identify mean reversion triggers, test for stability

G. List key drivers of a top-performing strategy in real assets, decide on the optimal use of leverage, highlight operational requirements to execute that strategy

Optional reading

"The Handbook of Alternative Assets", Mark Arson, 2002 and later editions
"Creating Value Through Corporate Restructuring", Altman et al, 2001 and later editions

Academic integrity policy

Cheating, plagiarism, and any other violations of academic ethics at NES are not tolerated.