

THE UNIVERSITY OF HONG KONG
FACULTY OF BUSINESS AND ECONOMICS
School of Economics and Finance

FINA0605/FINA3325: Alternative Investments
Semester 2, 2016-17

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** If you need to contact the instructor/ TA via email, please send your email directly from your email account to their email accounts. Do not use the email facility in Moodle.*

Class: Semester 2, Thursday 13:30 – 16:20 in KB111

Prerequisites: FINA0301/ FINA2322 Derivatives; *and* FINA2802/ FINA2320 Investments and portfolio analysis *or* STAT2309/STAT3609 The statistics of investment risk

Required Readings:

Since alternative investments comprise of a number of disparate and unrelated forms of investments, there is simply no book in the market. There are, however, two reference books on alternative investments for the CAIA examinations.

- a) *CAIA Level I (CAIA I 2015) An Introduction to Core Topics in Alternative Investments*, 3rd edition, John Wiley & Sons, 2015.
- b) *AIA Level II (CAIA II): Advanced Core Topics in Alternative Investments*, 2nd edition, John Wiley & Sons, 2012

These are not textbooks and are “training manual” at best for those planning to take the CAIA Level I and II Examinations. I have put them on 2-hour reserve. They are also available as e-book in the library. Students could use them as background reading or part of the required reading of the course.

Most of the readings for the course come from industry research reports and academic journal papers provided by the instructor and will be uploaded to Moodle as the course proceeds.

Course Description:

This course provides an overview of various forms of alternative investments that include hedge funds, private equity, venture capital, and commodities. The purpose of the course is to give students a good understanding of the operation and investment strategies of these investments. The current state of research and market institutions of the industry will be covered.

Course intended learning outcomes (CILOs)

Alignment of course ILOs and Faculty Goals:

Course Learning Outcomes	Aligned Faculty Goals
CLO1. characterize the common features of alternative investments and their markets;	Goal# 1, 4
CLO2. distinguish among the principal classes of alternative investments;	Goal# 1
CLO3. apply valuation techniques to price alternative investments;	Goal# 1, 2
CLO4. assess the benefits, such as return enhancement and/or risk diversification, and pitfalls of adding an alternative investment to a reference portfolio; and	Goal# 1, 2
CLO5. advise a client on how to incorporate alternative investment in his portfolio according to his investment objectives and risk tolerance.	Goal# 1, 2, 5
Faculty Goals are as follows: 1. Acquisition and internalization of knowledge of economics & finance 2 .Application and integration of knowledge 4. Developing global outlook 5. Mastering communication skills	

Course Teaching and Learning Activities (TLA)

Course Teaching and Learning Activities	Brief Description	Expected contact hour	Study Load (% of study)
TLA 1 Lecture	Instructor will give lectures on major concepts and issues.	36 hours	30%
TLA 2 In-class discussion	Students are expected to present their answers and engage in discussion during lecture/tutorial meetings. Most in-depth learning takes place when students actively engage themselves in discussions thought presenting and sharing their ideas	12 hours	10%
TLA 3 Self study and Consultation	Both the instructor and the teaching assistant will hold weekly consultation hours to answer students' questions.	72 hours	60%
Total:		120 hours	100%

Assessment Tasks (AT)

Assessment Methods	Weight
AT 1 Group assignments	15%
AT 2 In-class midterm examination	15%
AT 3 Group research project	20%
AT 4 Final examination	50%
Total	100%

Standards of Assessment

Grade	Grade Definition	Description
A+, A, A-	High distinction	Strong evidence of superb ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply, evaluate, and synthesis.
B+, B, B-	Distinction	Strong evidence of the ability to fulfill the intended learning outcomes of the course at all levels of learning: describe, apply, evaluate, and synthesis.
C+, C, C-	Credit pass	Evidence of adequate ability to fulfill the intended learning outcomes of the course at low levels of learning such as describe and apply but not at high levels of learning such as evaluate and synthesis
D+, D	Pass	Evidence of basic familiarity with the subject.
F	Fail	Little evidence of basic familiarity with the subject.

Assessment Rubrics for Assignments, In-class midterm examination, Group research project and Final examination are the same as in course grade descriptors.

Operation aspects and policies of the course

Lecture PPT files will be posted on Moodle before each class. Please download and bring them to class.

1. Lecture PPTs are **not** substitutes for coming to class. It is especially important to attend the lectures because

- a. examples and further elaborations will be provided only in class, and
- b. there is no formal textbook for the course.

2. Midterm Examination Policies

No supplementary midterm examination will be given. If you have a legitimate reason for missing the midterm, its weight will be added to the final examination. The only legitimate reason is sickness. You must inform the instructor (via email, phone call or voice message) *before* the examination starts and provide a doctor certificate to verify that you have sought medical treatment *prior to* the exam and that you are unfit to take the examination.

3. This class has no regular tutorials every week. There will be about 4 to 5 tutorials. You will be informed when they are scheduled.

4. It is your responsibility to check your email regularly for course announcements.

5. Do not abuse the convenience of emails.

- (i) Do not ask about things you are supposed to know, such as those in Moodle or emails from the instructor/TA.
- (ii) Minimize emailing your questions to the instructor/TA since it is often difficult to answer questions effectively via emails. Please go to see them in person during their office hours.

6. Classroom conduct: Be a considerate and mature person. The instructor and TA have the discretion to impose penalty in case of classroom misconduct.

- (i) Do not videotape or audio record the lecture without the instructor's consent.
- (ii) Please observe the following good practice:
 - Come to class and return from the break on time.
 - In case you are late, minimize disruption to the class by sitting at the back.
 - If you have to leave the class early, please inform the instructor beforehand and sit close to the door.
 - Use of mobile/smart phone for *any* purposes and chatting are strictly prohibited when the class is in session. Remember to turn off your phone before class starts.

7. Academic Conduct

The University Regulations on academic dishonesty will be strictly enforced! Please check the University Statement on plagiarism on the web:

<http://www.hku.hk/plagiarism/>

Academic dishonesty is behavior in which a deliberately fraudulent misrepresentation is employed in an attempt to gain undeserved intellectual credit, either for oneself or for another. It includes, but is not necessarily limited to, the following types of cases:

a. Plagiarism - The representation of someone else's ideas as if they are one's own. Where the arguments, data, designs, etc., of someone else are being used in a paper, report, oral presentation, or similar academic project, this fact must be made explicitly clear by citing the appropriate references. The references must fully indicate the extent to which any parts of the project are not one's own work. Paraphrasing of someone else's ideas is still using someone else's ideas, and must be **acknowledged**.

b. Unauthorized Collaboration on Out-of-Class Projects - The representation of work as solely one's own when in fact it is the result of a joint effort. Where a candidate for a degree or other award uses the work of another person or persons without due acknowledgement:

- (1) The relevant Board of Examiners may impose a penalty in relation to the seriousness of the offence;
- (2) The relevant Board of Examiners may report the candidate to the Senate, where there is *prima facie* evidence of an intention to deceive and where sanctions beyond those in (1) might be invoked.

Plagiarism will automatically result in at least a failing grade for the plagiarized assignment or examination, and possibly the entire course depending on the severity of the case. Serious cases will be referred to the University's Disciplinary Committee.

Tentative course outline

Topic	Related readings from CAIA Handbooks
1. Introduction	CAIA I 2015: Ch. 1, 2 (exclude section 2.5), 7, 8.
2. Hedge fund	CAIA I 2015: Ch.16 (up to and including section 16.4 only, but exclude sections 16.2.4 and 16.2.5), 18 (up to and including section 18.4.6 only), 19 (sections 19.4.1 to 19.4.6 only), 20 (sections 20.1, 20.2, 20.4, 20.5.1, 20.5.2, 20.5.4, 20.5.6, and 20.6 only), 32. CAIA II: Ch. 34 (exclude 34.3), 36
3. Private Equity	CAIA I 2015: Ch. 23 CAIA Level II, Ch. 13
4. Commodity*	CAIA I 2015: Ch. 23, 24 CAIA II: Ch. 23 – 28

* This is an optional topic. It will be covered if time permits.