

**COMMERCE 3FH3  
Alternative Investments and Portfolio Management  
Winter 2023 Course Outline**

**Finance and Business Economics Area  
DeGroote School of Business  
McMaster University**

**COURSE DESCRIPTION**

This course introduces students to a wide range of alternative investments, including hedge funds, private equity, commodities, and infrastructure. Students are also provided a deeper, cutting-edge treatment of modern hedge fund investment strategies as well as a rigorous analysis of the practical portfolio management process. This course is highly recommended for any student considering a career in investments, portfolio management, corporate finance, investment advisory, or the broader financial services.

**INSTRUCTOR AND CONTACT INFORMATION**

**Multiple Sections / Class Times**

*All times referenced in this document are Eastern.*

**Adeel Mahmood**

Instructor

Tel: 905-525-9140

*Office Hours: After class or by appointment*

**COURSE ELEMENTS**

Credit Value: 3	Leadership: Yes	IT skills: Yes	Global view: Yes
Avenue: Yes	Ethics: No	Numeracy: Yes	Written skills: Yes
Participation: Yes	Innovation: Yes	Group Work: Yes	Oral skills: Yes

**COURSE PREREQUISITES AND COMPLEMENTS**

COMMERCE 2FB3 (or 3FA3) or IBH 3AC3; and registration in any Bachelor of Commerce or Engineering and Management program or relevant minor

## COURSE OVERVIEW AND OBJECTIVE

During the past decade, there has been an explosive growth in the use of “alternative” investments in enhancing investment portfolios. Alternative investments include hedge funds, private equity, commodities, infrastructure, and others. This first part of this course provides an introduction to a wide range of alternative investments. In the second half, we gain a rigorous understanding of the practical portfolio management process.

A deeper, cutting-edge treatment of modern hedge fund investment strategies forms the fabric of the major part of the course – much of which is delivered in a financial trading lab. Students will be introduced to spreadsheet-based investment and portfolio analysis and will also get to work with a range of financial data sources (such as Bloomberg and Thomson Reuters).

This course covers several key investment topics in such professional finance exams as:

- *CFA Institute*: Chartered Financial Analyst (CFA) – all levels
- *CAIA Association*: Chartered Alternative Investment Analyst (CAIA) – all levels
- *Global Association of Risk Professionals*: Financial Risk Manager (FRM) exams

## LEARNING OUTCOMES

Upon completion of the first half of this course, students will be able to:

- Identify and distinguish between the traditional and alternative investments;
- Use investment analytics to examine each alternative asset class;
- Address the unique attributes of, and investments under, each alternative asset class, including hedge funds, commodities, infrastructure, and others;
- Conduct a deeper, cutting-edge analysis of modern hedge fund investment strategies, including long/short, event driven, managed futures, and others.

In the second half, students will develop a sound understanding of the following topics:

- Attributes and needs of institutional investors, including asset allocation;
- Equity and fixed-income portfolio management; and
- Evaluating portfolio performance.

## REQUIRED COURSE MATERIALS AND READINGS

Course content and class communication available on Avenue:

- <http://avenue.mcmaster.ca>

## OPTIONAL COURSE MATERIALS AND READINGS

(MTPM) Maginn, Tuttle, Pinto, McLeavey; Managing Investment Portfolios: A Dynamic Process (CFA Institute Investment Series); Third (3rd) Edition; Wiley, 2007:

- ISBN: 978-0470080146

Maginn, Tuttle, Pinto, McLeavey; Managing Investment Portfolios Workbook: A Dynamic Process (CFA Institute Investment Series); Third (3rd) Edition; Wiley, 2007:

- ISBN: 978-0470104934

Anson, Fabozzi, Jones; The Handbook of Traditional and Alternative Investment Vehicles: Investment Characteristics and Strategies; First (1<sup>st</sup>) Edition; Wiley, 2010:

- ISBN: 978-0470609736

## EVALUATION

Individual learning in this course results from in-class discussions, problem solving, and lab work. The balance of the individual learning results from lectures on specific topics, student research, and industry speakers. Team learning focus of this course is on an applied group project centred on hedge fund portfolio management.

The final grade will be calculated as follows:

### **Components and Weights**

Two Term Tests	Variable weights (individual)	55%
Alternatives Assignment	Due online during the term (group)	15%
Hedge Fund Portfolio Project	Due online at the end of the term (group)	30%
<b>Total</b>		<b>100%</b>

### **Term Tests**

Three term tests – *open-book, open-notes* tests – will be written during the term. More details of the format, structure, and content coverage will be provided on the course website.

A student *missing a Term Test* is required to contact the ‘Student Experience – Academic Office’ and obtain an official approval of relief if he or she wishes to avoid getting a zero (0) grade for the test. If ‘Student Experience – Academic Office’ adjudicates that relief be provided,

the student will be able to write an alternate test, in lieu of the missed test, during the final exam period at the end of the term.

While the combined weight of the two term tests is 55%, **the test in which the student's percentage mark is higher will form 30% of the student's final grade** with the other test forming the remaining 25%. This re-weighting is still applicable if an alternate test is written in lieu of a missed test.

### ***Alternatives Assignment***

The ***Alternatives Assignment*** will be completed and submitted for marking online by students in groups. More details of the format, structure, and content coverage will be provided during the term.

Students will form groups for this component. Each student group will also complete the ***Hedge Fund Portfolio Project*** as described further below. *The group members will be assigned individual grades relative to the group grade based on the peer assessments completed towards the end of the course.*

### ***Hedge Fund Portfolio Project***

Students will form groups for this component. Each student group will also complete the ***Alternatives Assignment*** as described further below. *The group members will be assigned individual grades relative to the group grade based on the peer assessments completed towards the end of the course.*

Each group will complete the ***Hedge Fund Portfolio Project, due at the end of the term.*** The project will entail analyzing and managing a hedge fund investment portfolio using available financial data and the concepts covered in the course. More details will be available online on the course website.

## **COURSES WITH AN ONLINE ELEMENT**

In this course, we may use online elements (e.g. e-mail, A2L, web pages, etc.). Students should be aware that, when they access the electronic components of a course using these elements, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course.

The available information is dependent on the technology used. Continuation in a course that uses on-line elements will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure please discuss this with the course instructor.

## ONLINE PROCTORING

In this course, we may use online proctoring software for tests and exams. This software may require students to turn on their video camera, present identification, monitor and record their computer activities, and/or lock/restrict their browser or other applications/software during tests or exams. This software may be required to be installed before the test/exam begins.

## CONDUCT EXPECTATIONS

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all of our living, learning and working communities. These expectations are described in the *Code of Student Rights & Responsibilities* (the “Code”). All students share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, **whether in person or online**.

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in University activities. Student disruptions or behaviours that interfere with university functions on online platforms (e.g. use of A2L, WebEx or Zoom for delivery), will be taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students’ access to these platforms.

## EXTREME CIRCUMSTANCES

The University reserves the right to change the dates and deadlines for any or all courses in extreme circumstances (e.g., severe weather, labour disruptions, etc.). Changes will be communicated through regular McMaster communication channels, such as McMaster Daily News, A2L and/or McMaster email.

## COPYRIGHT AND RECORDING

Students are advised that lectures, demonstrations, performances, and any other course material provided by an instructor include copyright protected works. The Copyright Act and copyright law protect every original literary, dramatic, musical and artistic work, **including lectures** by University instructors.

The recording of lectures, tutorials, or other methods of instruction may occur during a course. Recording may be done by either the instructor for the purpose of authorized distribution, or by a student for the purpose of personal study. Students should be aware that their voice and/or image may be recorded by others during the class. Please speak with the instructor if this is a concern for you.

## **ACADEMIC INTEGRITY**

You are expected to exhibit honesty and use ethical behaviour in all aspects of the learning process. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the *Academic Integrity Policy* at:

[www.mcmaster.ca/academicintegrity](http://www.mcmaster.ca/academicintegrity)

The following illustrates only three forms of academic dishonesty:

1. Plagiarism, e.g. the submission of work that is not one’s own or for which other credit has been obtained.
2. Improper collaboration in group work.
3. Copying or using unauthorized aids in tests and examinations

## **REQUESTING RELIEF FOR MISSED ACADEMIC WORK**

Students may request relief from a regularly scheduled midterm, test, assignment or other course components. Please refer to the policy and procedure on the DeGroot website at the link below:

<http://ug.degroot.mcmaster.ca/forms-and-resources/misled-course-work-policy/>

## **STUDENT ACCESSIBILITY SERVICES**

Students who require academic accommodation must contact Student Accessibility Services (SAS) to make arrangements with a Program Coordinator. Academic accommodations must be arranged for each term of study. Student Accessibility Services can be contacted by phone 905-525-9140 ext. 28652 or e-mail [sas@mcmaster.ca](mailto:sas@mcmaster.ca).

For further information, consult McMaster University’s Policy for Academic Accommodation of Students with Disabilities:

<http://www.mcmaster.ca/policy/Students-AcademicStudies/AcademicAccommodation-StudentsWithDisabilities.pdf>

## **ACADEMIC ACCOMMODATION FOR RELIGIOUS, INDIGENOUS OR SPIRITUAL OBSERVANCES (RISO)**

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the RISO policy. Students requiring a RISO accommodation should submit their request, including the dates/times needing to be accommodated and the courses which will be impacted, to their Faculty Office normally within 10 days of the beginning of term or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

## **ACKNOWLEDGEMENT OF COURSE POLICIES**

Your enrolment in this course will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.

Lack of awareness of the course policies cannot be invoked at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

## **RESEARCH DATA**

Any research data obtained by a student from publicly available sources for the purposes of completing term work (including data used in assignments, projects, and tests) are the joint property of the student, the instructor, and the university. All parties are free to use the research data subject to the original copyright of such data. Students hereby agree not to use in their term work any proprietary data or data subject to copyright protection without the prior written approvals of the instructor and the owner of any such copyright.

## **POTENTIAL MODIFICATIONS TO THE COURSE**

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

**COURSE SCHEDULE**

<b>WK.</b>	<b>STARTS</b>	<b>CONTENT</b>	<b>READINGS</b>
1	<i>Virtual</i>	<b>Introduction</b> Traditional vs. Alternative Investments, Intro to Hedge Funds	<ul style="list-style-type: none"> <li>• Canada Hedge Fund Primer – AIMA Canada</li> </ul>
2	Mon, Jan 16	<b>Hedge Funds I</b> Long/Short Investing, Market-Neutral Investing	<ul style="list-style-type: none"> <li>• Long/Short Equity Strategy – AIMA Canada</li> </ul>
3	Mon, Jan 23	<b>Hedge Funds II</b> Event-Driven Investing	<ul style="list-style-type: none"> <li>• Introduction to Event-Driven Investing</li> </ul>
4	Mon, Jan 30	<b>Hedge Funds III</b> Commodities Investing, Managed Futures	<ul style="list-style-type: none"> <li>• Managed Futures – CME Group</li> <li>• Mining &amp; Steel Primer – UBS</li> </ul>
5	Mon, Feb 6	<b>Hedge Funds IV</b> Global Macro Investing	<ul style="list-style-type: none"> <li>• Systematic Global Macro – Graham Capital Management</li> </ul>
6	(TBA*)	<b>Term Test 1 (Date/Time To Be Announced)</b>	
-	Feb 20 to 26	<b>Midterm Recess (No Classes)</b>	
7	Mon, Feb 27	<b>Portfolio Management I</b> Fixed-Income and Equity Portfolio Management	<ul style="list-style-type: none"> <li>• MTPM – Fixed-Income Portfolio Management</li> <li>• MTPM – Equity Portfolio Management</li> </ul>
8	Mon, Mar 6	<b>Portfolio Management II</b> Evaluating Portfolio Performance	<ul style="list-style-type: none"> <li>• MTPM – Evaluating Portfolio Performance</li> </ul>
9	Mon, Mar 13	<b>Capital Structure Arbitrage</b> Convertible Arbitrage	<ul style="list-style-type: none"> <li>• Convertible Arbitrage Strategy – AIMA Canada</li> </ul>
10	Mon, Mar 20	<b>Structured Finance</b> Asset-Backed Securities, Structured Lending	<ul style="list-style-type: none"> <li>• Secondary Real Estate Markets</li> </ul>
-	Mon, Mar 27	<b>Alternatives Assignment due online by 10.00 AM</b>	



Wk.	STARTS	CONTENT	READINGS
11	Mon, Mar 27	<b>Algorithmic Trading</b> Developing Algorithms, High-Frequency Trading, Market Making	(TBA*)
12	(TBA*)	<b>Term Test 2 (Date/Time To Be Announced)</b>	
13	<i>Virtual</i>	<b>Cryptocurrencies + Project Review</b> Blockchains, Bitcoin/Ethereum, Project Review	(TBA*)
-	Mon. Apr 10	<b>Hedge Fund Portfolio Project – Strategy Submission Due Online by 10.00 AM</b>	
-	Wed. Apr 12	<b>Hedge Fund Portfolio Project – Final Report Due Online by 11.59 PM</b>	

\* To be announced during the term