

**COMMERCE 3FH3
Alternative Investments
Winter 2025 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

**Class Timing: Mondays at 2.30 PM, Tuesdays at 2.30 PM,
Wednesdays at 11.30 AM, or Thursdays at 11.30 AM**
All times referenced in this document are Eastern.

Adeel Mahmood

Instructor

Office Hours: Before or 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

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>

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

Online Quizzes	Best five out of seven (individual)	5 x 1%
Term Tests	Best two out of three (individual)	2 x 25%
Alternatives Assignment	Due online during the term (group)	15%
Hedge Fund Portfolio Project	Due online at the end of the term (group)	30%
Total		100%

Online Quizzes

There are seven (7) quizzes in total, of which each student's best five (5) marks are used to compute their grade for this component. The quizzes are written online and can be completed from anywhere using a computer and an Internet connection. The quizzes are due by the end of the Sunday of the week for which they are assigned.

Each quiz lasts about 20-30 minutes but can be written anytime during a longer window of time. The quiz questions are multiple-choice in format. The content covered is the lecture topic in the week immediately preceding the quiz deadline. Students can use books, notes, and computing devices but must write each quiz on own without assistance from any other person.

The first two missed quizzes are dropped from the grade - such that the student's marks on the remaining quizzes are used to calculate the overall grade for this component. Any additional missed quizzes can only be accommodated for documented, valid reasons. (Students can also use available MSAF submissions to obtain accommodations.) The weight of such additional missed quizzes (with approved accommodations) is reallocated to that of the remaining quizzes.

Term Tests

Three (3) term tests – *open-book, open-notes* tests – will be written during the term. For each student, the two highest percentage scores of the three tests (i.e. **best two out of three**) will be considered in the determination of the final grade. More details of the format, structure, and content coverage will be provided on the course website.

If a student *misses one term test* out of the three, the missed test's weight will become zero, and the student's overall *Term Tests* grade will be calculated using the two tests that are written.

A student *missing any additional term test beyond the first missed test* is required to contact the 'Student Experience – Academic Office' and obtain an official approval of relief to avoid getting a zero (0) grade for the additional missed 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 additional missed test, during the final exam period at the end of the term.

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.

COMMUNICATION AND FEEDBACK

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Area Administrative Assistants. All students must receive feedback regarding their progress prior to the final date by which a student may cancel the course without failure by default.

- For Level 1 and 2 courses, this feedback must be a minimum of 20% of the final grade.
- For Level 3 courses and above, this feedback must be a minimum of 10% of the final grade.

Instructors may solicit feedback via an informal course review with students by Week #4 to allow time for modifications in curriculum delivery.

Students who have concerns about the course content, evaluation methods, or delivery should first reach out to the course instructor. If your concern remains unresolved after speaking with the instructor, you may then reach out to the relevant Area Chair for further consideration.

COURSES WITH AN ONLINE ELEMENT

Some courses may use on-line elements (e.g. e-mail, Avenue to Learn, LearnLink, web pages, capa, Moodle, ThinkingCap, 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.

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. Speak with the instructor if this is a concern for you.

REQUESTING RELIEF FOR MISSED ACADEMIC WORK

In the event of an absence for medical or other reasons, students should review and follow the Academic Regulation in the Undergraduate Calendar, *Requests for Relief for Missed Academic Term Work*, and the link below:

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

* Non-Commerce students must follow the Missed Course Work protocols outlined by their home faculty and Program Office.

COURSE MODIFICATION

From time to time, there may be a need to add and/or remove topics or to change the schedule or delivery format. If these are necessary, you will be given as much advance notice as possible.

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

Students are responsible for being aware of and demonstrating behaviour that is honest and ethical in their academic work. Such behaviour includes:

- following the expectations articulated by instructors for referencing sources of information and for group work;
- asking for clarification of expectations as necessary;
- identifying testing situations that may allow copying;

- preventing their work from being used by others (e.g., protecting access to computer files); and
- adhering to the principles of academic integrity when conducting and reporting research.

GENERATIVE AI

Students may use generative AI for editing, translating, and revising their work throughout the course so long as the use of generative AI is referenced and cited. Use of generative AI outside the stated use of editing, translating, and revising without citation will constitute academic dishonesty. It is the student's responsibility to be clear on the limitations for use and to be clear on the expectations for citation and reference and to do so appropriately.

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.

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 should submit their request to their Faculty Office **normally within 10 working days** of the beginning of term in which they anticipate a need for accommodation 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.

COURSE SCHEDULE			
#	STARTS	CONTENT	DUE
1	Mon, Jan 6	Hedge Funds I Intro to Hedge Funds, Long/Short Investing	-
2	Mon, Jan 13	Hedge Funds Tutorial Illustration of Problem Sets	<ul style="list-style-type: none"> • Quiz 1 by Jan 19
3	Mon, Jan 20	Hedge Funds II Event-Driven Investing	<ul style="list-style-type: none"> • Quiz 2 by Jan 26
4	Mon, Jan 27	Hedge Funds III Commodities Investing, Managed Futures	<ul style="list-style-type: none"> • Quiz 3 by Feb 2 • Groups by Feb 2
5	-	Term Test 1 on Friday, Feb 7, at 7.30 PM	
6	Mon, Feb 10	Hedge Funds IV Global Macro Investing	<ul style="list-style-type: none"> • Quiz 4 by Feb 24
-	Feb 17 to 23	Midterm Recess (<i>No Class</i>)	
7	Mon, Feb 24	Portfolio Management I Fixed-Income and Equity Portfolio Management	<ul style="list-style-type: none"> • Quiz 5 by Mar 2
Mon, Mar 3		Alternatives Assignment due online by 10.00 AM	
8	Mon, Mar 3	Portfolio Management II Evaluating Portfolio Performance	<ul style="list-style-type: none"> • Quiz 6 by Mar 9
9	-	Term Test 2 on Saturday, Mar 8, at 1.30 PM	
10	Mon, Mar 17	Algorithmic Trading + Capital Structure Arbitrage High-Frequency Trading, Convertible Arbitrage	<ul style="list-style-type: none"> • Quiz 7 by Mar 23
11	-	Term Test 3 on Friday, Mar 21, at 7.30 PM	
12	Mon, Mar 31	Project Guidance + Review	-
Mon, Apr 7		Hedge Fund Portfolio Project – Strategy Submission due online by 10.00 AM	
Mon, Apr 14		Hedge Fund Portfolio Project – Final Report due online by 10.00 AM	