1. General Information

Course Subject	FINA
Course Number	3327
Course Title	Hedge Funds: Strategies, Business Management, and Institutions
Academic Years	2023-2024
Grading Method	Letter

2. Instructors

Dr Feng,Vince
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Subclasses: 1A

3. Teaching Assistants

Mr Ho,Chi Fung
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Subclasses: 2A

4. Course Description

Course Description	This course is an in-depth study of the hedge fund industry. We will study hedge fund trading strategies, the business model of hedge funds, hedge fund investors, as well as the institutional and regulatory framework in which hedge funds operate. The course will evaluate and analyze popular hedge fund trading strategies, including equity strategies (activist, market-neutral, long/short, event-driven, etc.), arbitrage strategies (derivatives, convertible, fixed-income, currency and global macro, etc.), and fund of hedge funds. The course will also analyze the hedge fund business model, including: performance evaluation and risk management; fund compensation and contractual features; transaction costs and market impact; as well as fund raising and marketing. In addition, the course will study the institutional relationships hedge funds have with service providers (prime brokers, custodian banks, etc.) and with regulators. We will also discuss public policy implications and the value of hedge funds in society. This course is designed to provide students with the skills necessary to evaluate hedge fund strategies, and to develop, manage, and successfully grow a hedge fund business.
Prerequisites	FINA2322: Derivatives, and FINA2320: Investments and Portfolio Analysis or STAT3609 The statistics of investment risk
Mutually exclusive	FINA3325: Alternative Investments
Free Elective	Yes

5. Course Objectives

1. Introduce you to basic and advanced hedge fund strategies from both a conceptual and risk perspective.

2. Introduce you to methods for evaluating the performance and risk of hedge fund strategies.

3. Introduce you to the compensation and contractual features of hedge funds.

4. Help you to develop skills in designing, implementing, and back-testing hedge fund trading strategies.

5. Help you to develop skills in marketing a hedge fund strategy to potential investors.

6. Faculty Learning Goals

Goal 1: Acquisition and internalization of knowledge of the programme discipline

Goal 2: Application and integration of knowledge

Goal 3: Inculcating professionalism

Goal 4: Developing global outlook

Goal 5: Mastering communication skills

Goal 6: Cultivating leadership

7. Course Learning Outcomes

Course Teaching and Learning Activities	Aligned Faculty Learning Goals					
	1	2	3	4	5	6
CLO1. Assess how a hedge fund trading strategy produces value.	✔					
CLO2. Analyze and identify the performance and risks of hedge fund strategies.	✔	✔	✔	✔	✔	
CLO3. Analyze the unique features of the hedge fund industry and the regulatory environment.		✔	✔	✔		
CLO4. Formulate an effective hedge fund strategy to mitigate arbitrage opportunities.	✔	✔	✔	✔	✔	

8. Course Teaching and Learning Activities

Course Teaching and Learning Activities #	Expected Study Hours	Study Load (% of study)
T&L1. Lectures	36	27.3
T&L2. Projects / assignments	36	27.3
T&L3. Tutorials	12	9.1
T&L4. Self-study	48	36.3
	Total: 132	Total: 100

9. Assessment Methods

Assessment Methods	Description	Weight %	Aligned Course Learning Outcomes

9. Assessment Methods			
A1. Tutorial Participation & Discussion		10%	1,2,3,4
A2. Assignments	The course will consist of lectures covering the theories and concepts that underlie the hedge fund industry. The two assignments will test the students understanding of the financial economics of hedge funds. Topics may include performance evaluation, risk assessment, cost analysis, and incentive analysis. The assignments will include both quantitative and analytical questions, and points will be given for correct answers.	10%	1,2,3
A3. Group Project	The term project will involve a write-up and a group presentation. Half of the points will come from the write-up. Students will be expected to utilize the knowledge gained in the course to pitch their hedge fund strategy in a convincing manner. Points will be awarded for a clear and concise investment thesis, technically correct specifications and testing, and appropriate tone and style. The remaining points will be awarded based on the in-class presentation of the final project. Students are expected to present their thesis idea in a professional and well-articulated manner. Points will be awarded for successfully communicating the investment idea to the class, and for thoughtfully, logically, and clearly responding to audience questions.	30%	1,2,3,4
A4. Final Exam	The final exam will test understanding of course material. It will include a mix of both quantitative and analytical questions designed to test students' understanding and knowledge of hedge fund strategies, the hedge fund industry and business model, as well as public policy implications for hedge funds.	50%	1,2,3,4

10. Course Grade Descriptors	
A+,A,A-	• All aspects were addressed and researched in great depth. • Demonstrates a clear understanding of and the ability to apply theory, concepts and issues relating to the topic. • Able to clearly identify the most critical aspects of the task and adopt a critical perspective. • Excellent development of argument and offers a logically consistent and well-articulated analysis and insight into the subject. • Draws widely from the academic literature and elsewhere whilst maintaining relevance. • All aspects conform to a high academic / professional standard
B+,B,B-	• Most aspects were addressed and researched in depth. • Demonstrates a good understanding and some application of the theory and issues relating to the topic. • Able to identify critical aspects of the task and adopt a critical perspective. • Some evidence of analysis, supported by logical argument and insight into the subject. • Draws on relevant academic and other material. • Most aspects conform to a high academic / professional standard.
C+,C,C-	• Most aspects were addressed and researched adequately. • Demonstrates a good understanding of the theory, concepts and issues relating to the topic but limited application relating to the topic. • Some argument presented showing some insight but not always consistent and logical. • Draws upon an adequate range of academic and other material

10. Course Grade Descriptors

		• Most aspects conform to an acceptable academic / professional standard.
	D+,D	• Basic aspects were addressed and researched adequately. • Demonstrates mainly description, showing basic understanding of the topic but no application. • Little evidence of analysis but no clear and logical argument relating to the subject. • Draws primarily upon course materials. • Limited aspects conform to academic/professional standards.
	F	• Basic aspects were superficial, inadequate or absent. • Demonstrates limited understanding of the topic and draws conclusions unrelated to the topic. • The written work is not of an academic/professional standard.

12. Required/Recommended Readings & Online Materials

Textbook	There is no required textbook for this course. Lecture notes will be posted in Moodle, and are designed to be self-contained. That is, the material you will be tested in in assignments and the exam will all come from the lecture slides and optional homework.

13. Means / Processes for Student feedback on Course

✔	Conducting mid-term survey in additional to SETL around the end of the semester
	Online response via Moodle site
	Others

14. Course Policy

Academic Honesty and Integrity

The University Regulations on academic dishonesty will be strictly enforced. Please check the University Statement on plagiarism on http://www.hku.hk/plagiarism/.

Cheating or plagiarism of any kind would result in an automatic F grade for the course plus strict enforcement of all Faculty and/or University regulations regarding such behavior. Incident(s) of academic dishonesty will NOT be tolerated.

Academic dishonesty is a 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:

1. 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.
2. 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.
3. Cheating on In-Class Exams - The covert gathering of information from other students, the use of unauthorized notes, unauthorized aids, etc.

Unauthorized Advance Access to an Exam - The representation of materials prepared at leisure, as a result of unauthorized advance access (however obtained), as if it were prepared under the rigors of the exam setting. This misrepresentation is dishonest in itself even if there are not compounding factors, such as unauthorized uses of books or notes.

15. Additional Course Information

Required Tool

A standard financial calculator SUCH AS Texas Instruments, Casio, and HP 12C.