



ECFS992

Hedge Funds

AFC Term 2 CBD 2016

Dept of Applied Finance and Actuarial Studies

Contents

<u>General Information</u>	3
<u>Learning Outcomes</u>	3
<u>General Assessment Information</u>	4
<u>Assessment Tasks</u>	4
<u>Delivery and Resources</u>	10
<u>Unit Schedule</u>	12
<u>Learning and Teaching Activities</u>	13
<u>Policies and Procedures</u>	13
<u>Graduate Capabilities</u>	15
<u>Changes from Previous Offering</u>	18
<u>Course Coordinator Biography: Bev Durston</u>	18
<u>Course Coordinator Biography: David Bell</u>	18
<u>Important Notice</u>	19
<u>Introduction: Message from Bev Durston and David Bell</u>	19

Disclaimer

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Standards Required to Complete the Unit Satisfactorily

20

General Information

Unit convenor and teaching staff

Lecturer

Bev Durston

bev.durston@mq.edu.au

Contact via Email

Unit Convenor

David Bell

david.a.bell@mq.edu.au

Contact via Email

Mi Yea Park

miyea.park@mafc.mq.edu.au

Credit points

2

Prerequisites

(Admission to MAppFin or PGCertAppFin or GradDipAppFin) and (AFCP801 or ECFS865)

Corequisites

Co-badged status

Unit description

This unit provides a broad coverage of the hedge fund industry, with an emphasis on investment management. This unit builds an overview of the industry, beginning with a definition. A portion of the unit is dedicated to developing an understanding of the background knowledge required before spending a considerable amount of time analysing the different hedge fund strategies. Within each strategy, concepts such as risk/return, qualitative risks and business models are discussed. Fund of hedge funds and the role of hedge funds within a diversified portfolio is discussed. Controversies and characters of the industry add some flair to the unit as well as providing good examples of the industry in practice.

Important Academic Dates

Information about important academic dates including deadlines for withdrawing from units are available at <https://www.mq.edu.au/study/calendar-of-dates>

Learning Outcomes

On successful completion of this unit, you will be able to:

Solid and broad understanding of the hedge fund industry. This includes understanding the greater flexibility and fewer constraints hedge funds have compared with traditional funds.

Understand, analyze and appropriately explain a range of different hedge fund strategies, including their return opportunities.

Understand and critically evaluate key hedge fund considerations, including risk / return trade-off, as well as specific qualitative risks which need to be managed.

Assess and have an understanding of the issues faced by fund of hedge funds.

Understand the key issues when considering the role of hedge funds within a diversified portfolio.

Understand and review high profile hedge fund case studies.

General Assessment Information

To pass this unit (requires a Standardised Numerical Grade of 50 or better) the student must pass the final examination.

Assessment Tasks

Name	Weighting	Due
Pre-Unit Assignment	5%	First class
Class Participation	5%	Ongoing
Case Study / Assignment	30%	Refer to iLearn
Final Exam	60%	Refer to Timetable

Pre-Unit Assignment

Due: **First class**

Weighting: **5%**

Summary of Assessment Task

Individual / Group: Individual

Due Date: At the end of the first night lecture

Grading Method: Refer to 'Standards Required to Complete the Unit Satisfactorily' section

Submission Method: In class

Duration: 1 to 2 standard pages

Extension Requests:

- No extensions are permitted.
- Late submission will result in zero marks, unless special consideration is approved by the Director of Studies under the University's Disruption to Studies Policy.

Other Information:

- Explore and come up with your own definition of what a hedge fund is. Assignment should include:
 - Your own definition (and justification of any key inclusions/omissions).
 - Three other definitions – from interviews, books, the web etc. Please include source of quote, date etc.
 - Read the pre-Unit articles included in the Unit notes. List three comments that you found interesting. Introductory articles are included in the Unit notes. This reading forms part of the Pre-Course assignment.
- Assignment should fit on one page.
- Note that answers will be discussed in class on the first lecture.

On successful completion you will be able to:

- Solid and broad understanding of the hedge fund industry. This includes understanding the greater flexibility and fewer constraints hedge funds have compared with traditional funds.

Class Participation

Due: **Ongoing**

Weighting: **5%**

Summary of Assessment Task

Individual / Group: Individual and Group

Due Date: Ongoing and final Sunday afternoon group discussion

Grading Method: Refer to 'Standards Required to Complete the Unit Satisfactorily' section

Submission Method: In class

Duration: Discussion on case studies

Extension Requests:

- No extensions are permitted.
- Late submission will result in zero marks, unless special consideration is approved by the Director of Studies under the University's Disruption to Studies Policy.

Other Information:

- The class participation mark is based on:
 - Class attendance
 - Contribution to class discussions throughout the course
 - Group presentation or discussion of 'Legends & Disasters' assigned case studies from the industry.
- On the first night students will be broken into small groups and assigned a particular 'Disaster' or 'Legend' of the hedge fund industry. Articles on each case study are available on iLearn.
- A discussion or presentation by each group will take place on the Sunday afternoon session.
 - No more than 3 – 5 mins in total for each group
 - Limited time will be allotted during lecture times to prepare for this
- Presentation / discussion style:
 - The focus should be on educating the class and keeping interest levels high. Each group can decide whether each member will talk or they can nominate a single presenter.
 - Outline the case, summarize the salient points and conclude on the merits of the case. Keep it punchy!
 - As long as all students have contributed, they will receive equal marks for this section.

On successful completion you will be able to:

- Solid and broad understanding of the hedge fund industry. This includes understanding the greater flexibility and fewer constraints hedge funds have compared with traditional funds.
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- Understand and critically evaluate key hedge fund considerations, including risk / return trade-off, as well as specific qualitative risks which need to be managed.
- Assess and have an understanding of the issues faced by fund of hedge funds.
- Understand and review high profile hedge fund case studies.

Case Study / Assignment

Due: **Refer to iLearn**

Weighting: **30%**

Summary of Assessment Task

Individual / Group: Individual

Due Date: Refer to the Unit's iLearn site

Grading Method: Refer to 'Standards Required to Complete the Unit Satisfactorily' section

Submission Method: Online via Turnitin on the Unit's iLearn site

Duration: Maximum 4 standard pages

Extension Requests:

- If you have extenuating circumstances that prevent you from submitting your assignment by the due date, please make arrangements with your Lecturer prior to the due date.
- Unless prior arrangements have been made, any late submission of assignments will automatically be penalised. In the absence of special circumstances, the penalty will be 10% of the available marks for the assessment for each business day (or part thereof) they are late.

Other Information:

- Write an essay, explanatory paper or a short quantitative piece on any topic related to hedge funds.
- Maximum four pages (excluding bibliography which must be included).
- Some examples of ideas:
 - There are many more famous legends or disaster case studies than just the ones discussed in the groups during the course to write about. Do NOT write your assignment about one of the case studies that we used as group presentations in class. Do NOT choose a case study which has been highlighted as a possible exam question during the exam tips. Do NOT choose anything to do with Long Term Capital management (LTCM) hedge fund.
 - You may choose a hedge fund topic that we have discussed in class but NOT the disaster and legend case studies that we presented in classes and not a case study that may be an exam question. Some examples include the flash crash episode, famous M&A trades that broke down, famous hedge fund managers and their strategies, regulatory issues or battles, particular trading strategies). The list of topics on hedge funds is very wide as they are always in the press.
 - The important thing to remember in the assignment is that the topic needs to be presented in the style of the course notes about the hedge fund strategy highlighting the exposures, the return potential, the risks, business and key man risks plus idiosyncrasies of the strategy and why it is sustainable. It is not a

good idea to simply write a narrative about a story from the hedge fund world. Do relate it to the way the course analysed hedge fund strategies and it is important that you provide your own opinions as well.

- Critique an interesting research paper or hedge fund book.
- Explore a strategy or even a sub-strategy further.
- You are welcome to run your idea by the lecturer if you are unsure whether it is suitable or not.
- All source material used must be quoted and referenced in the bibliography.
- Do NOT include reference any material in the bibliography unless you have explicitly used that material in your case study and can demonstrate that this is the case if requested.

On successful completion you will be able to:

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Final Exam

Due: **Refer to Timetable**

Weighting: **60%**

Summary of Assessment Task

Individual / Group: Individual

Due Date: Refer to Timetable. Assessments: Different Class Groups have different deadlines. Students should find the timetable and dates relevant to their group at www.mafc.mq.edu.au

Grading Method: Refer to 'Standards Required to Complete the Unit Satisfactorily' section

Submission Method: As per MAFC Program Rules & Procedures at www.mafc.mq.edu.au

Duration: 2 hours plus 10 minutes reading time

Examination Conditions:

- All examinations are closed book. **Only non-programmable calculators (no text/**

storage retrieval) are permitted to be used in the exam.

- Exam times and locations are noted in the unit timetable at www.mafc.mq.edu.au.
- Refer to MAFC Program Rules & Procedures at www.mafc.mq.edu.au.

Extension Requests:

- You are expected to present yourself for examination at the time and place designated in the relevant MAFC Timetable at www.mafc.mq.edu.au.
- Deferral of an examination is not permitted, unless special consideration has been approved by the Director of Studies under the University's Disruption to Studies Policy.
- Refer to MAFC Program Rules & Procedures at www.mafc.mq.edu.au for information on the University's Disruption to Studies Policy or non-attendance at an examination.

Other Information:

- The exam will test students' understanding of the industry, the strategies, and the portfolio management issues related to hedge funds.
- The exam will be a blend of different styles of questions as noted here:
 - Short answer questions: This will test the Students' understanding of definitions and workings of the industry, the various strategies, and the portfolio management issues related to hedge funds. This section may require an understanding of the financial instruments and may also include some questions which require calculation.
 - Medium answer questions: This will be a statement or question requiring comment, discussion and opinion. The Student should preferably be able to discuss the issues affecting both sides of the debate and form their own conclusion.
 - Technical questions: This will test the Students' understanding of hedge fund trading strategies by providing numeric questions, which follow similar concepts to technical example questions discussed in class.

On successful completion you will be able to:

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trade-off, as well as specific qualitative risks which need to be managed.

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- Understand the key issues when considering the role of hedge funds within a diversified portfolio.

Delivery and Resources

CLASSES

Face-to-Face Teaching: Generally 20 hours

Timetable: Detailed timetable for classes are on the Centre's web site www.mafc.mq.edu.au

Consultation Times:

Students who wish to contact any of the teaching staff may do so through:

- The Unit's iLearn site, in relation to general queries (so that all students may benefit); or
- Individual consultation with the lecturer by email in the first instance, if necessary.

REQUIRED AND RECOMMENDED TEXTS AND/OR MATERIALS

Text: Nil

Additional Readings:

- Case study materials are supplied. Required readings are included in the notes.
- Additional discussion data will be placed on iLearn.
- Students should assume these materials, readings and data are not examinable unless otherwise advised.

Lecture Notes: Available in printed form and electronically via iLearn.

Study Problems: Students are required to work systematically through suggested technical examples. These examples will not be collected but they will help you prepare for the exams.

Pre-Unit Materials: Information papers on statistics, regression, accounting and other material may be found at <http://www.mafc.mq.edu.au/applications/minimum-knowledge-requirement/pre-course-materials1/>. Students should work through this material prior to commencing the degree. The material will remain a useful reference as students progress through the program.

Useful Article References:

- Introductory articles are included in the notes and form part of the pre-Unit assignment.
- Other articles are also included in the notes and on iLearn.
- The lecturer will advise which articles are examinable.

Calculators: Only non-programmable calculators (no text/storage retrieval) are permitted to be used in the exam.

Assumed Knowledge: Mathematical content

- Finance has a high level of numerate content. Consequently this Unit is, in parts, mathematical and arithmetical. As an indication of the level of algebra required, students should find the following problem easy to solve:

$$\text{Solve for } Z_5: \$1,000 = \$681.20(1+Z_5/2)^{10}$$

- Occasionally the Unit dips into the differential calculus. As an indication of the level of calculus required, Students should be able to interpret the following equation:

$$D = - ((1+y) / P) (\Delta P / \Delta y)$$

- Students should look at the Web link below to obtain notes on the minimum mathematical and statistical knowledge required to undertake the Master of Applied Finance degree: <http://www.mafc.mq.edu.au/applications/minimum-knowledge-requirement/pre-course-materials1/>

Assumed Access: Access to a computer with word processing and spreadsheet capability is assumed, as is general student computer literacy.

TECHNOLOGY USED AND REQUIRED

Unit iLearn Site:

- Found by logging on to iLearn ilearn.mq.edu.au, then clicking on **Hedge Funds**.
- This is where you will find forums, downloadable resources and links to important pages.
- The forum allows you to communicate with other students and lecturer(s) and may provide supplementary material.
- You are requested to post your questions on the forums at least 24 hours prior to the assignment submission date or the examination date. Questions posted after that time may not be answered. **Do not leave your questions to the last few days.**

Important Notice:

- It is important that you familiarize yourself with the Unit's iLearn site.
- Students should check the Unit's iLearn site regularly (minimum twice a week and prior to all lectures) and look for updates and distribution of materials (including case studies) related to the unit or assessments and, if relevant, participate in forum discussions.

Unit Schedule

Session	Topic
Session 1	<ul style="list-style-type: none"> • Introduction <ul style="list-style-type: none"> ◦ Review of Unit Outline • What is Hedge Fund? <ul style="list-style-type: none"> ◦ Building up of a formal definition ◦ Features of Hedge Funds • Key Knowledge Concepts <ul style="list-style-type: none"> ◦ Leverage, derivatives, short selling etc • 'Disaster's & Legend's' Intro <ul style="list-style-type: none"> ◦ Assigned case studies in small groups
Session 2	<ul style="list-style-type: none"> • Industry Participants <ul style="list-style-type: none"> ◦ Prime Broker, Administrator, Custodian, Hedge Fund Manager/Adviser, Auditor, Investors • Styles I - Long Short Equity <ul style="list-style-type: none"> ◦ Long/Short Equity (+Variants), Short Only and Short Biased Managers
Session 3	<ul style="list-style-type: none"> • Styles II – Relative Value Equity Strategies <ul style="list-style-type: none"> ◦ Convertible Bond Arbitrage ◦ Merger Arbitrage ◦ Market Neutral Equity ◦ Statistical Arbitrage ◦ Other Strategies
Session 4	<ul style="list-style-type: none"> • Styles III – Credit & Fixed Income Strategies <ul style="list-style-type: none"> ◦ Fixed Income Arbitrage ◦ High Yield Strategies ◦ Distressed Securities ◦ Emerging Markets Debt • Styles IV – Tactical Strategies <ul style="list-style-type: none"> ◦ Fundamental strategies ◦ Technical strategies • Styles V – Multi-Strategy Funds <ul style="list-style-type: none"> ◦ Different Structures ◦ Risks and Opportunities
Session 5	<ul style="list-style-type: none"> • Portfolio Construction and Hedge Funds <ul style="list-style-type: none"> ◦ Risk Return Characteristics ◦ Correlations ◦ Diversified or Specific Strategy? ◦ Distribution of Returns ◦ Which assets should they replace? ◦ Optimal allocation in a Diversified Portfolio

Session	Topic
Session 6	<ul style="list-style-type: none"> • 'Disasters' and 'Legends' within the Hedge Fund Industry <ul style="list-style-type: none"> ◦ Student group discussions / presentations • Summary and Review

Learning and Teaching Activities

Strategy

The Master of Applied Finance degree adopts a deep teaching and learning strategy, in which Students acquire and retain knowledge and also are able to make sense of the issues and concepts and apply them in the “real world”. The degree relies heavily on student engagement and participation by: (a) Continuous learning throughout the semester. This is encouraged through a combination of students undertaking prescribed reading throughout the units and / or completion of practice problems, case studies, assignments, class presentations etc and interaction via forums in the unit’s iLearn site; and (b) Assessments, which enable the student to demonstrate his / her understanding of the learning objectives achieved through the continuous learning.

Student Participation

Students participate in this unit by: (a) Attending lectures and participating in class discussion; (b) Before each class, completing the recommended readings of notes and text, and working systematically through suggested problem sets; (c) Interacting on the unit’s iLearn site; and (d) Completing all assessment tasks and exams. On average the unit will require students to complete, for every hour of class time, approximately 3 hours private study.

Policies and Procedures

Macquarie University policies and procedures are accessible from [Policy Central](#). Students should be aware of the following policies in particular with regard to Learning and Teaching:

Academic Honesty Policy http://mq.edu.au/policy/docs/academic_honesty/policy.html

New Assessment Policy in effect from Session 2 2016 http://mq.edu.au/policy/docs/assessment/policy_2016.html. For more information visit http://students.mq.edu.au/events/2016/07/19/new_assessment_policy_in_place_from_session_2/

Assessment Policy prior to Session 2 2016 <http://mq.edu.au/policy/docs/assessment/policy.html>

Grading Policy prior to Session 2 2016 <http://mq.edu.au/policy/docs/grading/policy.html>

Grade Appeal Policy <http://mq.edu.au/policy/docs/gradeappeal/policy.html>

Complaint Management Procedure for Students and Members of the Public http://www.mq.edu.au/policy/docs/complaint_management/procedure.html

Disruption to Studies Policy http://www.mq.edu.au/policy/docs/disruption_studies/policy.html *The Disruption to Studies Policy is effective from March 3 2014 and replaces the Special Consideration Policy.*

In addition, a number of other policies can be found in the [Learning and Teaching Category](#) of Policy Central.

Student Code of Conduct

Macquarie University students have a responsibility to be familiar with the Student Code of Conduct: https://students.mq.edu.au/support/student_conduct/

Results

Results shown in *iLearn*, or released directly by your Unit Convenor, are not confirmed as they are subject to final approval by the University. Once approved, final results will be sent to your student email address and will be made available in [eStudent](#). For more information visit ask.mq.edu.au.

Students should also consult the MAFC Program Rules & Procedures found at <http://www.mafc.mq.edu.au>

Student Support

Macquarie University provides a range of support services for students. For details, visit <http://students.mq.edu.au/support/>

Learning Skills

Learning Skills (mq.edu.au/learningskills) provides academic writing resources and study strategies to improve your marks and take control of your study.

- [Workshops](#)
- [StudyWise](#)
- [Academic Integrity Module for Students](#)
- [Ask a Learning Adviser](#)

Student enquiry service (MAFC-specific)

For all student enquires, please contact studentsupport@mafc.mq.edu.au

Student Services and Support

Students with a disability are encouraged to contact the [Disability Service](#) who can provide appropriate help with any issues that arise during their studies.

Learning Skills

Learning Skills (http://www.students.mq.edu.au/support/learning_skills/) provides academic writing resources and study strategies to improve your marks and take control of your study.

- Workshops
- StudyWise
- Academic Integrity Module for Students
- Ask a Learning Adviser

Student Enquiries

For all student enquiries, visit Student Connect at ask.mq.edu.au

IT Help

For help with University computer systems and technology, visit http://www.mq.edu.au/about_us/offices_and_units/information_technology/help/.

When using the University's IT, you must adhere to the [Acceptable Use of IT Resources Policy](#). The policy applies to all who connect to the MQ network including students.

Graduate Capabilities

PG - Capable of Professional and Personal Judgment and Initiative

Our postgraduates will demonstrate a high standard of discernment and common sense in their professional and personal judgment. They will have the ability to make informed choices and decisions that reflect both the nature of their professional work and their personal perspectives.

This graduate capability is supported by:

Learning outcomes

- Solid and broad understanding of the hedge fund industry. This includes understanding the greater flexibility and fewer constraints hedge funds have compared with traditional funds.
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- Assess and have an understanding of the issues faced by fund of hedge funds.
- Understand the key issues when considering the role of hedge funds within a diversified portfolio.
- Understand and review high profile hedge fund case studies.

Assessment tasks

- Pre-Unit Assignment
- Class Participation

- Case Study / Assignment
- Final Exam

PG - Critical, Analytical and Integrative Thinking

Our postgraduates will be capable of utilising and reflecting on prior knowledge and experience, of applying higher level critical thinking skills, and of integrating and synthesising learning and knowledge from a range of sources and environments. A characteristic of this form of thinking is the generation of new, professionally oriented knowledge through personal or group-based critique of practice and theory.

This graduate capability is supported by:

Learning outcomes

- Solid and broad understanding of the hedge fund industry. This includes understanding the greater flexibility and fewer constraints hedge funds have compared with traditional funds.
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Assessment tasks

- Pre-Unit Assignment
- Class Participation
- Case Study / Assignment
- Final Exam

PG - Research and Problem Solving Capability

Our postgraduates will be capable of systematic enquiry; able to use research skills to create new knowledge that can be applied to real world issues, or contribute to a field of study or practice to enhance society. They will be capable of creative questioning, problem finding and problem solving.

This graduate capability is supported by:

Learning outcomes

- Solid and broad understanding of the hedge fund industry. This includes understanding

the greater flexibility and fewer constraints hedge funds have compared with traditional funds.

- Understand, analyze and appropriately explain a range of different hedge fund strategies, including their return opportunities.
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Assessment tasks

- Pre-Unit Assignment
- Class Participation
- Case Study / Assignment
- Final Exam

PG - Engaged and Responsible, Active and Ethical Citizens

Our postgraduates will be ethically aware and capable of confident transformative action in relation to their professional responsibilities and the wider community. They will have a sense of connectedness with others and country and have a sense of mutual obligation. They will be able to appreciate the impact of their professional roles for social justice and inclusion related to national and global issues

This graduate capability is supported by:

Learning outcomes

- Solid and broad understanding of the hedge fund industry. This includes understanding the greater flexibility and fewer constraints hedge funds have compared with traditional funds.
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Assessment tasks

- Pre-Unit Assignment
- Class Participation
- Case Study / Assignment
- Final Exam

Changes from Previous Offering

Course Coordinator Biography: Bev Durston

Bev Durston is an award winning and energetic seasoned investment professional with over 25 years' experience. She has implemented investment solutions for Superannuation Funds, Sovereign Wealth Funds and Commercial Fund managers in Australia, Singapore and the UK.

She now manages an advisory business for institutional clients, Edgehaven Pty Limited which advises on investing, manager selection, scheme design, portfolio construction and risk management. Her clients include Australian and UK Superannuation funds, Not for Profit bodies and a Retirement Incomes Solution Provider. She is also an Honourary Fellow of Macquarie University and teaches the Hedge Fund elective for their Masters of Applied Finance Program.

Her previous roles have encompassed the entire spectrum of asset classes including traditional and Alternative Assets and Strategic Asset Allocation. Prior employers include Commonwealth Super Corporation, Sunsuper, the Government of Singapore Investment Corporation (GIC), BT Funds Management and British Airways Pensions.

Bev has a first class Banking and International Finance degree from CASS in London, a Masters of Applied Finance from Macquarie University, Sydney and professional Trustee qualifications.

She was selected by aiCIO for the top 100 CIO Global Power listing and is a contributor to Cuffelinks newsletter on investing. Bev has spoken at industry conferences both in Australia and overseas on Alternative assets, the obsession with liquidity in Australian Superannuation funds and the DB versus DC retirement experience for members.

Research interests include:

- Providing adequate retirement income projections to individual members;
- Management of investment funds with an income objective; and
- Non-traditional, diversifying strategies for long term investing.

Course Coordinator Biography: David Bell

David is currently the Chief Investment Officer of Auscoal, a large industry Superannuation Fund. There he is responsible for asset allocation and manager selection across all of the funds under management as well as advising on the investment options offered to members in accumulation and retirement. Prior to this he was the founder of St Davids Rd Advisory, an independent advisory firm specialising in the areas of finance and investments. His firm

consulted primarily to wholesale investors, asset managers and corporate organisations across a range of different areas including hedge funds, portfolio and risk management, strategy and governance.

Prior to establishing St Davids Rd Advisory David spent 12 years at Colonial First State Global Asset Management . The last 8 years of that time was spent establishing, managing and winding up their Fund of Hedge Fund business. At its peak this business managed \$540m and had 10 investment staff across Sydney and London. David ran this division for the last 6 years. He also spent 6 months in Zurich working with Harcourt Investment Consulting, who provided investment consulting services to CFS.

David has a Bachelor's degree in Mathematics, from the University of Newcastle, with majors in applied mathematics and statistics. He also holds a Master of Applied Finance degree and is an Honorary Fellow of Macquarie University, where he coordinates and lectures the Hedge Fund elective for the Masters of Applied Finance course. David is a part-time PhD candidate at UNSW where his research is focused on multi-period portfolio construction.

In 2010 David was awarded a Lifetime Achievement Award for Contribution to the Hedge Funds Industry at the Australian Hedge Fund Awards.

Important Notice

This Unit Guide may be subject to change. The latest version is on the Centre's web site [www.mq.edu.au](http://www.mq.edu.au/afc.mq.edu.au).

Students should read the Unit Guide carefully at the start of semester. It contains important information about the Unit. If anything is unclear, please consult one of the unit lecturers.

Introduction: Message from Bev Durston and David Bell

Welcome to this Unit. We hope you find it exciting and informative. We believe that hedge funds are one of the most interesting areas in finance. Consider the following:

- Hedge funds began because people thought they had better opportunities to make money and/or manage their risk better if they were not restricted by the more stringent rules of the mutual fund structure and regulations. Logically, one would expect these managers to be more creative and innovative in the way they manage their money as they have more flexibility.
- The universe of hedge fund strategies encompass those strategies typically employed by traditional fund managers (eg. Equity and bond investment), but also strategies more commonly associated with investment banks (eg. Convertible arbitrage, merger arbitrage, and so on)
- Hedge funds have extra risks for investors. For example:

- They are not regulated
 - They often have low liquidity
 - They often have low transparency
 - They often apply leverage
 - They often invest in illiquid securities
- There are many who believe in hedge funds and many who are cynical about hedge funds
 - Hedge funds have experienced substantial amounts of press, both good and bad and continue to do so
 - Many of the great investors of modern times operate hedge funds. Think Soros, Robertson, Paulson etc.
 - Many of the great disasters in finance have involved hedge funds. Think LTCM, Amaranth, Madoff!

As a result this Unit should provide plenty of colour, conversation and hopefully debate. We encourage class participation and some of your assessment is based on this.

The Unit is not intended to make the Student a specialist in all aspects of hedge funds, but rather to give an overview of the wide range of strategies employed and key industry concepts.

Enjoy!

Bev Durston & David Bell

Standards Required to Complete the Unit Satisfactorily

University Policy on Grading:

- Macquarie University's Academic Senate has established a Grading Policy available at <http://www.mq.edu.au/policy/docs/grading/policy.html>. Your final result will include:
 - A grade ranging from Fail to High Distinction; and
 - A Standardised Numerical Grade (SNG). A SNG is not a summation of the individual assessment components, but is allocated on the basis of the performance in all assessment items, providing the examination component is passed.
- It is important to note:
 - The Policy does not require that a minimum or maximum number of students are to be failed in any unit;
 - Grades will not be allocated to fit a predetermined distribution; and

- The process of allocating SNGs does not change the rank order of marks among students who pass the unit.

Specific Unit Grading:

- To pass this unit (requires a Standardised Numerical Grade of 50 or better) the student must pass the final examination.
- All final grades in the Applied Finance Centre are determined by a grading committee and are not the sole responsibility of the unit convenor.
- The core criteria used to assess student work in this unit are:
 - Knowledge and understanding: Understanding key ideas, knowledge and use of concepts.
 - Application: Ability to apply theoretical ideas and frameworks in practice and in a critically reflective way.
 - Reasoning and analysis: Ability to analyse, use critical reasoning and principles to formulate a position, balancing theory and personal reflection.
 - Professional literacy and research: Understanding of professional factors (language and landscape) and ability to undertake appropriate research.
 - Communication and presentation: Ability to communicate and present effectively (written and oral, as relevant).
 - Use of mathematical and statistical ideas: Ability to use mathematical and statistical ideas, methods and formulae appropriately.
- Performance in relation to each of these criteria are assessed against the University's grading descriptors:

Grade	Expectation
High Distinction	Provides consistent evidence of deep and critical understanding in relation to the learning outcomes. There is substantial originality and insight in identifying, generating and communicating competing arguments, perspectives or problem solving approaches; critical evaluation of problems, their solutions and their implications; creativity in application as appropriate to the discipline.
Distinction	Provides evidence of integration and evaluation of critical ideas, principles and theories, distinctive insight and ability in applying relevant skills and concepts in relation to learning outcomes. There is demonstration of frequent originality in defining and analysing issues or problems and providing solutions; and the use of means of communication appropriate to the discipline and the audience.
Credit	Provides evidence of learning that goes beyond replication of content knowledge or skills relevant to the learning outcomes. There is demonstration of substantial understanding of fundamental concepts in the field of study and the ability to apply these concepts in a variety of contexts; convincing argumentation with appropriate coherent justification; communication of ideas fluently and clearly in terms of the conventions of the discipline.
Pass	Provides sufficient evidence of the achievement of learning outcomes. There is demonstration of understanding and application of fundamental concepts of the field of study; routine argumentation with acceptable justification; communication of information and ideas adequately in terms of the conventions of the discipline. The learning attainment is considered satisfactory or adequate or competent or capable in relation to the specified outcomes.

Grade	Expectation
Fail	Does not provide evidence of attainment of learning outcomes. There is missing or partial or superficial or faulty understanding and application of the fundamental concepts in the field of study; missing, undeveloped, inappropriate or confusing argumentation; incomplete, confusing or lacking communication of ideas in ways that give little attention to the conventions of the discipline.

Review of Grade and final examination Script viewing:

- A student who has been awarded a final grade for a unit and who does not believe it is an accurate reflection of their performance, and has grounds for such a claim and can demonstrate those grounds, may apply to have their grade reviewed.
- For information on requesting a review of grade and/or viewing your final exam script, please refer to the University's Grade Appeal Policy at <http://www.mq.edu.au/policy/docs/gradeappeal/policy.html> and MAFC Program Rules & Procedures at <http://www.mafc.mq.edu.au>.