

Università Bocconi
Academic Year 2011-2012, 2nd Semester

30187 – ALTERNATIVE INVESTMENTS

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Course Description

The course aims to provide an in-depth understanding of the alternative investment techniques available to private and institutional investors in a globalized market. In particular, the course aims to add a new dimension to the construction and management of traditional investment portfolios by focusing on “alternative” asset classes and by presenting them in detail within an academic and practical framework.

The emphasis will be on four major classes of alternative investments: Hedge Funds, Real Estate, Insurance linked securities, and Art. Asset classes will be examined in terms of the following aspects: key characteristics, investment strategies, and portfolio consideration (risk/return profile and their contribution to portfolio diversification). The aforementioned objectives will be addressed in a series of formal lectures that will be supplemented by live deals in the form of case studies and guest speakers from the industry.

Prerequisites

Students attending this course should be familiar with the basic concepts of probability, statistics, and finance.

Class participation

Active class participation is a must for this course. Everyone is expected to participate in discussion of course material, cases, and assignments. Some lessons will be devoted to the presentation of group assignments. Constructive class participation is especially expected during such lessons, since group assignments might be comprised into the course materials.

Course materials

There are no required textbooks. Required readings, PowerPoint slides used in class, and any additional required material (e.g. group-works) will be available at your yoU@B Diary page.

The book below provides helpful additional (not required) information on traditional and alternative investment vehicles, as well as on basic risk / return indicators:

- Anson, Fabozzi, Jones, *The Handbook of Traditional and Alternative Investment Vehicles*, Wiley & Sons, Inc (2011) (available at Egea Bookstore and Bocconi library)

Exam policy

- Students may choose among the following exam options.
 - o **Option # 1 - Take a final general exam** based on all the topics covered during the entire course. It will consist of 30 multiple choice questions. Each multiple choice question answered correctly is worth 1.1 point. Wrong answers are worth -0.15, unanswered questions are worth 0 (zero). A minimum grade of 17.5 is required to pass the exam. The length of a typical exam will be 80 minutes.
 - o **Option # 2 - Take two partial exams:** the partial exam I (18 April) will cover the first part of the course; the partial exam II (11 June) will cover the second part of the course. The final grade will be the sum of the two grades. Each exam will consist of 15 multiple choice questions. Each multiple choice question answered correctly is worth 1.1 point. Wrong answers are worth -0.15, unanswered questions are worth 0 (zero). A minimum of 7 for each partial exam as well as a minimum overall grade of 17.5 are needed to pass the course. The length of a typical partial exam will be 40 minutes.
 - o **Option # 3 - Take only part of the two partial exams and complete three group assignments, according to the following instructions:**
 - *Individual partial exams:* Students who choose option # 3 will take both the first partial exam and the second partial exam (18 April and 11 June, respectively). They will be required to answer only 10 (instead of 15) multiple choice questions, at their own choice, in 40 minutes. A minimum of 6 for each partial exam is needed to pass the course.
 - *Group assignments (general policy):* Students who choose option # 3 will be also required to complete three group assignments. Each assignment entails a report (due no later than a specified deadline, see the group assignment timetable) as well as an in-class presentation. Detailed information about the group assignments will be provided during the course. Assignments 1 and 2 will be worth 0 to 3 points. Assignment 3 will be worth 0 to 6 points.

Therefore, the final grade will be the sum of the grades of the following activities:

Activity	Maximum grade
First assignment (in group)	3
Second assignment (in group)	3
First partial exam (individual)	11
Third assignment (in group)	6
Second partial exam (individual)	11
Overall grade	34

Notice that option # 3 students are required to (i) participate in all the group assignments, and (ii) get a final grade of (at least) 17.5 in order to pass the exam.

- Group assignment rules (for students choosing option 3 only):
 - o Groups will be formed by students themselves (instructors may help to facilitate group formation). The minimum number of group-mates is four and the maximum is six.
 - o Instructors may intervene to reorganize a group if necessary. Similarly, you may ask instructors' help, should you want to participate to group-works but need help to join a group.
 - o All detailed information about groups and group assignments (name of the group; name, student id, and email address of group-mates; title of the assignment) must be communicated to the course teaching assistant – Mr. Gerry Abdesaken (email address: gerald.abdesaken@phd.unibocconi.it) - by the due time (see the timetable below) and by compiling the excel file "GroupDetails_Name.Assign#" available at the course yoU@B page. Please, recall to rename the file accordingly (e.g. for a group named "RollingStones" involved in the Assignment # 1 the name of the file will become "GroupDetails_RollingStones.Assign1").
 - o A typical assignment entails the preparation of a written report and, if required, an in-class presentation. As far as the in-class presentation is concerned, as general rules:
 - Instructors will select the most interesting and valuable reports to be presented;
 - Selected groups must be prepared to effectively present (via PowerPoint) the report. Groups will organize their presentations by themselves. However all group-mates are required to present.
 - Each group will be given a time limit of 20-30 minutes (depending on the number of presentations allowed) for the presentation, to enable time for discussion.
 - o As far as the first and second assignments are concerned, please refer to the document "Assignments 1 and 2. Rules and List of titles" available at the course yoU@B page. As for the third assignment, special rules will be provided after the first partial exam break.
 - o Option # 3 students must comply with the following timetable.

	Group name/composition and Assign. title due by (*)	Assignment due by (*)	Communication of groups eligible to present	Group in-class presentation
First assignment	19/02	26/02	27/02	29/02
Second assignment	11/03	18/03	19/03	21/03
Third assignment	06/05	03/06	Tbd	06/06

(*) To be sent to Gerry Abdesaken (E-mail: gerald.abdesaken@phd.unibocconi.it)

- Laude policy. Regardless of the exam option, all students will be graded 30 *cum laude* with an overall grade of 31.5 (reached with no rounding) or higher.
- Exams may require a basic (non-programmable) calculator. Use of mobile phones, laptops or programmable calculators during the exams is strictly forbidden. More in general, Bocconi Honor Code and Rules of Conduct during exams apply.

Course schedule*

13 February (Brunella Bruno and Giacomo Nocera)

Course introduction

15 February - 29 February (Giacomo Nocera)

Alternative investments

- Definitions, asset classes, main features
- Asset pricing: some basic concepts to better understand alternative investments' properties
- Alternative investments as zero-beta asset classes
- Risk-return evaluation of alternative investments

Insurance linked securities

- Property insurance linked securities
- Life insurance linked securities

Assignment due: 26 February

Assignment presentation: 29 February

5 March - 21 March (Brunella Bruno)

Art

- Overview (art as an investment: art vs. traditional financial asset classes)
- Investment strategies (financing of indirect art investment: art funds)
- Portfolio considerations: the contribution of artworks to portfolio diversification

Assignment due: 18 March

Assignment presentation: 21 March

I Partial Exam: 18 April, 9.00 am

2 May - 21 May (Brunella Bruno)

Real Estate

- Overview
- Investment strategies (direct vs. indirect real estate investments)
- Investment strategies (financing of indirect real estate investments: REITs, REIFs, ETFs, and MBS)
- Portfolio considerations: the contribution of real estate to portfolio diversification

23 May - 6 June (Brunella Bruno)

Hedge Funds

- Overview (hedge funds vs. mutual funds)
- Investment strategies
- Portfolio considerations: contribution to portfolio diversification

Assignment due: June 3

Assignment presentation: June 6

II Partial Exam / General Exam: 11 June, 2.30 pm

*A refined version of the schedule will be posted on the course page on a regular basis