



# ALTERNATIVE INVESTMENTS AND RISK MANAGEMENT

<b>Course code</b>	GRAE023
<b>Course title</b>	<i>Alternative Investments and Risk Management</i>
<b>Type of course</b>	<i>Compulsory</i>
<b>Year of study</b>	<i>1st</i>
<b>Semester</b>	<i>2<sup>nd</sup></i>
<b>ECTS</b>	<i>6 ECTS credits: 18 hours of lectures, 18 hours of seminars, 124 hours of individual work</i>
<b>Coordinating lecturer</b>	<i>Assoc.prof. dr. Silviu Ursu</i>
<b>Study form</b>	<i>Full-time</i>
<b>Course prerequisites</b>	<i>Basic Finance, Economics and Statistics, Investment Management</i>
<b>Language of instruction</b>	<i>English</i>

## Course Description

This course involves students studying how and why to invest in derivatives and other alternative investments, as well as how to manage risk by using alternative investments as a part of portfolio. Since risk management is a broad topic, course intention is to give students knowledge and understanding at the level they can further explore issues by themselves. It will cover the most interesting and most common used methods and instruments in contemporary financial risk management focusing on students being able to use them at their work/personal finance.

## Objectives and learning outcomes

<b>Course learning outcomes (CLO)</b>	<b>Study methods</b>	<b>Assessment methods</b>
Apply risk management concepts to real world applications.	Lectures, seminars, self-study	Exams, written analysis, coursework, and presentations
Demonstrate effective communication skills when making presentations	Lectures, seminars, self-study	Written analysis and presentations
Assess the risk, value and performance of investment assets.	Lectures, seminars, self-study	Exams, written analysis, coursework, and presentations
Make effective investment decisions	Lectures, seminars, self-study	Exams, written analysis, coursework, and presentations

## Learning methods

The course is taught in English and is structured as a combination of lectures, in-class activities, and student presentations. It requires a substantial amount of preparation by the students and active involvement during class.

## Quality issues

The lecturer assures a variety of teaching and testing methods. The feedback from students is always highly valued and appreciated.

## Cheating issues

The teaching and testing methods are chosen taking into account the purpose of the minimization of cheating opportunities. The ISM regulations on academic ethics are fully applied in the course.



**Topics:**

	TOPIC	IN-CLASS HOURS		READINGS (Chapter No.)
		Lectures	Seminars	
1	Introduction to course Where we are regarding knowledge at this moment – needs assessment What is the alternative investment? The environment of alternative investments	4	0	Readings 1
2	Rethinking derivatives (Introduction, Forwards, Futures, Swaps, Options) Rethinking derivatives (cont.) Insurance Strategies and Risk Management	3	1	Readings 2
3	Investing in commodities - Is gold/corn/oil/diamonds the alternative of today? Commodity Forward Commodity Futures	2	2	Readings 3
4	Commodities (cont.) Commodity applications	3	1	Readings 4
5	Corporate application of Derivatives Quiz 1	1	3	Readings 5
6	Financial Futures (Index, Futures on Forwards) and what is new about swaps	3	1	Readings 6
7	Financial Engineering (Miler Modigliani, Structure Notes, Credit Structures, etc.) Credit risk and credit derivatives	4	0	Readings 7
8	Hedge Funds Structure of the hedge fund industry Macro and Managed hedge funds Private Equity	1	3	Readings 8
9	Other alternative investments (Are exotic options/ weather/ environmental/ FFA the alternative of today?) Quiz 2	2	2	Readings 9
	<b>FINAL</b>			
	<b>Total:</b>	22	14	

*This course outline is intended to give you an idea of the sequence of topics; however, it is subject to change at the discretion of the instructor. Some of the topics will be covered in greater detail than others and some of the material presented in class is not in the text. You must attend class to obtain the reading and problem assignments.*



**Individual work and assessment:**

Type	Self-study hours	Evaluation, %
Presentation and handouts	32	30
2 Quizzes	24	20
Final exam	68	50
<b>Total:</b>	<b>124</b>	<b>100</b>

**Course requirements:**

**1. Presentations and handouts**

Students will make formal presentation(s) to class on their analysis and provide handouts for their colleagues. The presentations will count 30% of the final grade.

**2. Two quizzes**

Students will take two quizzes with multiple choice questions covering topics from lectures provided before. The quiz number 2 will not repeat the topics from the quiz number 1. The quizzes will count 20% of the final grade (10% each).

**3. Final Exam**

The final exam is comprehensive and will count 50% of the final grade.

**Class Participation**

Positive contributions to class are encouraged and rewarded. Consistent positive contributions will help you if you are on a grade border at the end of the course.

In case of a negative final grade, students are allowed a re-sit exam. It will cover all course material. The weight of a re-sit is 70%. Presentation cannot be rewritten/redone.

**Course Materials:**

1. Donald R. Chambers, Mark J. P. Anson, Keith H. Black, Hossein Kazemi (2015) Alternative Investments: CAIA Level I, 3rd Edition, Wiley
2. McDonald, R. (2013) Fundamental of Derivatives Markets, 2nd ed. Addison Wesley
3. Hull, J.C. (2015) Options, Futures and other derivatives. Prentice Hall.
4. Derivatives and portfolio management, CFA Program, volume 6
5. Readings, case studies, and professor's lecture notes