

UNIVERSITY OF PENNSYLVANIA  
The Wharton School  
Hedge Funds: FNCE 386/886  
Professor Bilge Yilmaz

Fall 2016

**Course Objective:**

The aim of the course is to provide an introduction to hedge funds. Students will be exposed to major hedge fund strategies as well as risk management, fundraising, operation, control, administration, due diligence and valuation issues.

**Reading Materials:**

- Case materials and lecture notes on course webpage (Canvas)
- Recommended (but not required) for background reading:  
*“Efficiently Inefficient: How Smart Money Invests and Market Prices Are Determined,”* Lasse H. Pedersen

**Format:**

The structure of the course includes lectures, case discussions, and guest speakers. The major objective of the case method in finance is to **use the logic of financial theory to arrive at sensible conclusions** when faced with real world problems. However, one should **keep in mind that there is not one absolutely right answer to a case; different assumptions can lead to different solutions**. While there are no “right” answers, there are good arguments and bad arguments. The process of this course will help distinguish between sensible and senseless arguments. Considering the professor’s analyses as the correct solution defeats the purpose of this course and contributes to the silly notion that in the “real world” there is a single correct recipe to be followed.

**Student Responsibilities and Assessment:**

- **Case Study Assignments:** (Approximately 70% of the course grade). Students will organize themselves into groups of five members to work on three case assignments. Groups must be fixed throughout the semester. Diverse background within the group is beneficial. Since group work is a cooperative undertaking, students are urged to ensure that they form groups that are able to work effectively as a group. Although brief discussions across different groups are allowed, exchange of analysis and calculations is not. Two cases in this course involve actual companies and the third one involves an actual sovereign nation. The cases that require write-ups appear in **bold** (see the tentative course outline below). Each group is expected to **hand in** a hard-copy of their conclusions in a one or two page executive summary **prior to any class discussion**. Supporting computations and tables can be included in an appendix. All of the assumptions and formulas used should be provided (preferably as a footnote). The case assignments contain questions that need to be addressed; these assignments will be posted on the course webpage. The raw data for

cases will be made available on the course webpage in .xls format. **A subset of groups will be chosen to lead the discussion by presenting their analysis.**

- **Class Participation and Attendance:** (Approximately 30% of the course grade)  
A goal of this course is to provide students with the opportunity to learn how to best contribute to discussions about complex financial issues. Therefore, this class depends and thrives on class participation. It is an important and essential part of this course. Because so much learning in this course occurs in the classroom, it is important that you attend every class. **Voluntary class participation is encouraged. “Cold calls” will be made as to ensure that the class enjoys the benefit of every student’s contribution.** Inadequate class participation combined with several absences can lead to a failing grade. Performance will be judged based on the quality of comments/answers. **Students are expected to prepare for each case and participate actively in class.** To facilitate recording of class participation, please keep the same sitting arrangement throughout the semester.

**Code of Ethics:**

Submitted assignments for grading should be your own or your team’s own work only. Most cases in this course involve actual companies. You may use firm specific or market data that are publicly available for your analysis. You cannot, however, use analysis belongs to others e.g. banks, hedge funds. Failure to observe this rule may result in an automatic failing grade for the course.

**Office Hours and Contact Information:**

Bilge Yilmaz:

Office Hours: Tue 9:00-10:00am, SHDH 2333

Email: [yilmaz@wharton.upenn.edu](mailto:yilmaz@wharton.upenn.edu)

If you have questions about the material, the best place is the Canvas discussion board. We will try to answer all questions. However, considering the size of the classes we teach, we may not always be able to do so in a timely manner - especially the night before an exam.

**Lead Teaching Assistant:**

Adrian Aycan Corum: [corum@wharton.upenn.edu](mailto:corum@wharton.upenn.edu)

## **TENTATIVE COURSE OUTLINE**

This outline is a rough guide as to when material will be covered. It is highly likely to have a number of changes with advance notice given in class and/or Canvas. Some of the **guest lectures may be held outside the regular class location and time. In general, please be prepared to attend classes on Monday and Wednesday from 3-6pm.**

### **Session 1: August 31**

Introduction and Organization

### **Session 2: September 7**

Asset Allocation and the Role of Hedge Funds

### **Session 3: September 12**

Performance Measurement, Incentives and Hedge Fund Structure

### **Session 4: September 14**

Active Investment and Trading

### **Session 5: September 19**

Fund of Funds

### **Session 6: September 21**

Equity Strategies: Discretionary

### **Session 7: September 26**

Equity Strategies: Quant

### **Session 8: September 28, 3:00pm, location TBD**

Guest Speaker: Jamie Dinan

Hedge Fund Industry

### **Session 9: October 3**

**Case Presentation: Discretionary Long Short Equity**

### **Session 10: October 5, 3:00pm, location TBD**

Guest Speaker: Nim Drexler

### **Session 11: October 10, 3:00pm, location TBD**

Guest Speaker: Jeff Smith

Shareholder Activism

### **Session 12: October 12, 3:00pm, location TBD**

Guest Speaker:

Legal Framework in Shareholder Activism

### **Session 13: October 17, 3:00pm, location TBD**

Guest Speaker: Jesse Cohn

Shareholder Activism

**Session 14: October 19, 4:30pm, location TBD**

Guest Speaker: David Mussafer  
The Role of PE

**Session 15: October 24, 3:00pm, location TBD**

Guest Speaker: Seema Hingorani  
LPs' Perspective

**Session 16: October 26**

Guest Speaker  
Quant Equity

**Session 17: October 31**

Distressed Investment

**Session 18: November 2, 3:00pm, location TBD**

Guest Speaker: Marc Lasry  
Distressed Investment

**Session 19: November 7**

**Case Presentation: Distressed Investment**

**Session 20: November 9**

Guest Speaker:

**Session 21: November 14, 3:00pm, location TBD**

Guest Speaker: Mete Tuncel  
Global Macro

**Session 22: November 16**

Greek Sovereign Debt Crisis

**Session 23: November 21**

**Case Presentation: Global Macro**

**NO CLASS on November 23**

**Session 24: November 28, 3:00pm, location TBD**

Guest Speaker: Aziz Francis

**Session 25: November 30**

Legal and Regulatory Structure

**Session 26: December 5, 3:00pm, location TBD**

Guest Speaker:  
Legal and Regulatory Structure

**Session 27: December 7**

Wrap up