

The Past, Present and Future of the Hedge Fund Industry



INTRODUCTION

The BNP Paribas Hedge Fund Centre at SMU is one of the few specialist centres for hedge fund research and education in the world. We bring together leading academics, industry practitioners, and students with a view to enhancing the understanding of the hedge fund industry.

In line with those efforts, we have designed a highly educational and thought-provoking programme for finance professionals with an interest in the hedge fund industry. Our programme will give participants the opportunity to learn from recent advances in academic research, as well as provide valuable insights into how the industry has been evolving and where it is headed.

The faculty members teaching the Hedge Fund Programme are leading academics from the London Business School and the Singapore Management University. Their influential research consistently appears in leading academic and practitioner oriented journals. They also have significant experience in the hedge fund industry and are positioned to impart a deep understanding of the subject matter. To help participants understand the inner workings of various hedge fund strategies, we also engage hedge fund managers and veteran hedge fund investors as instructors.

We carefully select the participants in the programme to ensure that you are surrounded by a diverse group of high caliber professionals. The programme encourages honest and open debate, and you will be exposed to the unique perspectives of your fellow participants. Having the opportunity to cultivate a valuable network of business contemporaries is an added benefit.

The Hedge Fund programme is relevant to hedge fund managers, investors, and the service providers supporting them. Taught by academics, it offers an independent view of the industry with a focus on the latest academic research and new trends, as well as issues and challenges. That said, the programme is also highly practical with numerous real world case studies designed to stretch and challenge the individual.

We truly believe that BNP Paribas Hedge Fund Centre at SMU provides a unique and world class learning platform for hedge fund education, and look forward to seeing you at our Hedge Fund programme.

Melvyn Teo

Associate Professor of Finance
Director, BNP Paribas Hedge Fund Centre
Singapore Management University

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SYNOPSIS

The Hedge Fund Executive Education course parlays cutting edge academic research into valuable lessons for the finance practitioner. The programme will help students understand why hedge funds have been so attractive over the last decade, how hedge funds have been affected by the events surrounding the subprime financial crisis, and what the future holds for the industry.

It begins with an overview of the hedge fund industry, its key players, and its recent developments. It then leverages on recent advances in research and introduces a comprehensive framework for understanding hedge funds. This framework encompasses a wide range of hedge fund strategies and is used to demonstrate how hedge fund investment models differ from those of mutual funds and how alphas can be measured. With the

help of real world Harvard Business School case studies and the hedge fund models, we analyze landmark events in the industry and distill important risk management lessons from each disaster.

The programme also reviews the latest work on hedge fund performance, informational asymmetry, fund characteristics, and managerial incentives. To aid hedge fund selection, it explores how fund investment performance is related to past performance, geography, fund size, and high powered incentives. Finally, the programme examines the changes in the hedge fund industry brought on by the events that transpired in 2008 and discusses the equilibrium implications in terms of liquidity, incentive fee negotiation, and capital movements.

WHO SHOULD ATTEND?

- Institutional or private investors
- Pension fund and endowment trustees
- Family offices, investment and private bankers
- Risk managers, actuaries, and quantitative analysts
- Regulators, lawyers, and compliance officers
- Prime brokers, administrators, custodians, and other service providers
- Investment consultants and accountants
- Hedge fund professionals

AT THE END OF THE COURSE YOU WOULD BE ABLE TO:

- Develop a broad overview of the hedge fund industry
- Articulate the return and risk profile of various hedge fund strategies
- Appreciate the key issues that investors face when allocating to hedge funds
- Identify crucial risk management problems for hedge funds
- Construct a hedge fund portfolio using a quantitative selection framework
- Understand the significant trends and challenges facing the hedge fund industry



COURSE OUTLINE

DAY ONE – 24 NOVEMBER 2010

8:00 am - 8:30 am

Registration and Breakfast

8:30 am - 10:00 am

An Introduction to Hedge Funds

Associate Professor Melvyn Teo

- Overview of the hedge fund industry: producers, consumers, facilitators, regulators
- Hedge fund business model, alphas, contracts, and incentives
- Evolution of the industry, style, fund age, size, clientele
- Hedge fund fraud: lessons from Bayou Management and Bernard Madoff
- HBS Case: The Common Fund Hedge Fund Portfolio

10:00 am - 10:30 am

Coffee/Tea break

10:30 am - 12:00 pm

Hedge Fund Strategies

Associate Professor Melvyn Teo

- Risks of equity-oriented and trend following hedge fund strategies
- Fees, incentives, fund size, and performance
- Persistence in hedge fund performance
- The geography of hedge funds
- HBS Case: Numeric Investors

12:00 pm - 1:00 pm

Lunch

1:00 pm - 3:00 pm

Lessons from the Harvard Endowment Fund

Associate Professor Melvyn Teo

- HBS Case: Harvard Management Company
- Why manage internally?
- What are the risks of its positions in the equity, commodities, and fixed income markets?
- What motivated their dual listing, balance sheet, closed-end fund, and synthetic treasury trades?
- What are the challenges that it faces in attracting and retaining talent?

3:00 pm - 3:30 pm

Coffee/Tea break

3:30 pm - 4:30 pm

Fund Manager Perspectives: Fixed Income Strategies

Dr Bart Broadman, Alphadyne Asset Management

- What are different stylistic approaches to fixed income investing?
- What are the key analytical issues?
- Which skills, techniques and perspectives are needed?

4:30 pm - 4:45 pm

Short Break

4.45 pm - 5:45 pm

Fund Manager Perspective: Value Investing in Emerging Markets

Mr Tan Chin Hwee, Apollo Fund Management

- What are the skills needed in value investing?
- How does one minimize risk when investing in emerging markets stocks and bonds?
- How does one uncover and avoid accounting fraud?

“I have a much better understanding of the different hedge fund strategies, traps, and pitfalls and questions to ask in selecting/reviewing fund managers and their performance”

COURSE OUTLINE

DAY TWO – 25 NOVEMBER 2010

| | |
|---------------------|--|
| 8:00 am - 8:30 am | Breakfast |
| 8:30 am - 10:00 am | Capital formation and the impact of hedge fund regulations Professor William Fung <ul style="list-style-type: none">• The institutionalization of the hedge funds industry• Its implication on the flow of capital, performance trends, and regulation• The impact of investor preferences and regulator concerns on future hedge fund product offerings |
| 10:00 am - 10:30 am | Coffee/Tea break |
| 10:30 am - 12:00 pm | How should investors allocate capital across hedge funds? Professor William Fung <ul style="list-style-type: none">• How should capital be allocated given hedge fund performance and risk?• Evolution of hedge fund products – is there enough alpha to pay for fees?• Do transparent and liquid hedge fund products at low fees exist? |
| 12:00 pm - 1:00 pm | Lunch |
| 1:00 pm - 3:00 pm | Risk management lessons from LTCM and recent events Professor William Fung <ul style="list-style-type: none">• HBS case: Long Term Capital Management• What drives performance – home runs or picking pennies in front of steam rollers?• A “tale” of two risks – do we know how to manage tail risks?• The leverage in hedge fund strategies – food or poison? |
| 3:00 pm - 3:30 pm | Coffee/Tea break |
| 3:30 pm - 4:30 pm | Fund Manager Perspectives: Volatility Trading Mr Stephen Diggle, Artradis Fund Management <ul style="list-style-type: none">• The risk and return profile of volatility trading• Volatility trading and hedge fund tail risks• What are the challenges faced by volatility traders? |
| 4:30 pm - 4:45 pm | Short break |
| 4:45 pm - 5:45 pm | Conversations with a Veteran Hedge Fund Investor Mr James Liu, OAKS Family Office <ul style="list-style-type: none">• How should one go about selecting hedge funds?• What are the lessons from the crisis for hedge fund investors?• Have fund fees, incentive structures, transparency, and liquidity improved since the crisis? |

DAY THREE – 26 NOVEMBER 2010

| | |
|--------------------|---|
| 10:00 am - 3:00 pm | Hedge Fund Symposium: The Impact of Hedge Fund Regulations Christopher Fawcett (CEO, Fauchier Partners) William Fung (Professor, London Business School) Other industry leaders |
|--------------------|---|

INSTRUCTORS



WILLIAM FUNG *Instructor*

PhD (London) and PhD (Manchester) is Visiting Research Professor of Finance at the London Business School. He is a leading expert on hedge funds, both through research and hands on involvement in management and consultancy. Bill currently serves on the JP Morgan Alternative Beta

Reference index committee and other advisory boards of hedge funds as well as financial services companies. He is also Chairman of the Board of Directors of the Maple Financial Group Canada and a member of the Supervisory Board of Maple Bank GmbH.



MELVYN TEO *Instructor*

PhD (Harvard) is Associate Professor of Finance and Director, BNP Paribas Hedge Fund Centre, at the Singapore Management University. Melvyn's research spans hedge funds, institutional investors, and capital markets. His articles on these topics have appeared in top peer-reviewed finance journals including the Journal of

Financial Economics and the Review of Financial Studies, and have garnered awards from the European Finance Association, Inquire, AIMA, and INSEAD. Melvyn has also taught and consulted for various banks, sovereign wealth funds, and investment management firms.



BART BROADMAN *Instructor*

MBA and PhD (University of Southern California) is co-founder and Managing Director of Alphadyne Asset Management. Prior to forming Alphadyne, Dr Broadman spent 14 years in Asia for J.P. Morgan, most recently as Vice Chairman of Asia and Head of Markets (Credit, Rates, and Equities) in Asia. Before that, Dr Broadman was Assistant Professor of Finance at Arizona State University. Dr

Broadman is currently a Board member of DBS Bank, the Central Provident Fund (CPF) and the Singapore American School. He is a member of the Nanyang Technological University (NTU) Investment Committee and has recently been appointed Chair of the Monetary Authority of Singapore (MAS) Financial Research Council (FRC).



TAN CHIN HWEE *Instructor*

CFA, CPA and MBA (Yale) started Apollo (Singapore) in 2007 and runs the Asia capital market business of Apollo Global Management, a leading USD55bn global investment firm. Prior to joining Apollo (Singapore), Mr. Tan was a managing director at Amaranth, where he pioneered a number of historic capital market "firsts" in public and private investment opportunities across the capital structure in India, Singapore, Pakistan, Indonesia and Taiwan from June 2003. Prior to joining Amaranth, from September 2001 to May 2003, Mr. Tan worked part-time for Derosa Research and Trading Inc. as a forensic accounting associate while pursuing his MBA education at Yale School of Management on a DBS Bank sponsorship. From 1999 to 2001, he ran the proprietary credit portfolio for Development Bank of Singapore (DBS).

Mr. Tan began his career in 1995 at the treasury division of Keppel Corporation, where he traded proprietary Asian equities and fixed-income until 1999. He received a Bachelor of Accountancy degree and graduated with 2nd Class Upper Honors in 1995 from the Nanyang Technological University, Singapore on a Keppel group sponsorship. He is a Chartered Financial Analyst (CFA) and is both an Australian and Singapore-registered Certified Public Accountant (CPA). Mr. Tan speaks fluent Mandarin, Taiwanese and Cantonese and he has taken lessons on Bahasa Indonesia up to intermediary level. Mr Tan is honored as a World Economic Forum Young Global Leaders 2010 and also voted as among the emerging top 40 absolute return investors globally.



STEPHEN DIGGLE *Instructor*

BA and Masters degree (Oxford) is co-founder of Artradis Fund Management (2001) and has been involved in trading equities in both Asia and Europe since 1986. His prior experience includes more than seven years spent with Lehman Brothers commencing with 3 years in Hong Kong where he held the position of Head of the Asian Equity Derivatives Trading Department, which involved trading in all derivative products, from futures to structured products. He was also Head of Lehman Brothers Hong Kong Futures. Subsequently, Stephen was based in London and was Executive Director of the European Equity Emerging Market Trading Department. In this role, he led a team of traders dealing in the equities, ADRs and equity derivatives of a group of European emerging markets. He was also

responsible for making markets in 60 Asian GDRs and worked closely with the Asian Risk Group of the Hong Kong office of Lehman Brothers. In December 1998, he was appointed as Executive Director of the European Equities Syndicate and led a team of four in that role. In March 2000, he was appointed as Executive Director of the European Equity E-commerce team dealing with a wide range of internal and external E-commerce initiatives. Before working for Lehman Brothers, Stephen was employed with several major securities firms and gained wide experience in trading equity derivatives, developing numerous derivative products and managing proprietary trading on behalf of those securities firms.



JAMES LIU *Instructor*

MBA (Chicago) and AMP (Harvard) is founder and Managing Director of the OAKS Family Office, a single family Family Office based in Singapore. Mr Liu started his career with Fidelity Bank in Philadelphia and served as interim Representative in Brazil. At Chase Manhattan Bank New York he was variously head of the corporate and institutional lending team for the Eastern Arab States & North Africa,

Deputy General Manager in Lebanon, Head of Strategic Planning for Asia Pacific, and Head of Non Presence countries for the Western Hemisphere. At Arab Bank he was Chief Executive for Asia Pacific, Chairman of the Executive Committee for Global Personal Banking and Global Investment Management, where he had oversight of private banking and asset management activities of the bank.

PART ONE APPLICATION / COMPANY DATA

NAME OF APPLICANT (MS. / MRS. / MR. / DR.) PLEASE UNDERLINE SURNAME

GENDER

NATIONALITY

YEAR OF BIRTH

DESIGNATION

ORGANISATION NAME

MAILING ADDRESS

CONTACT NO

FAX NO

EMAIL

COMPANY WEBSITE

BUSINESS SECTOR

PREFERRED NAME ON BADGE

Highest qualification obtained

BACHELOR

MASTER

Ph.D.

OTHERS

PART TWO REGISTRATION AND PAYMENT DETAILS

How did you know about this programme?

 EMAIL INVITATION
 REFERRAL
 WEBSITE
 BROCHURE
 OTHERS (Please Specify)

PROGRAMME FEES (before funding support from FSDF*)

INDIVIDUAL

Early Bird (before/on 15 Oct 2010) **S\$2,696.00**

Standard (after 15 Oct 2010) **S\$2,996.00**

GROUP (at least 3 participants from the same organisation)

Early Bird (before/on 15 Oct 2010) **S\$2,397.00**

Standard (after 15 Oct 2010) **S\$2,696.00**

FUNDING

The Monetary Authority of Singapore (MAS) administers Financial Training Scheme (FTS) grants to financial sector organisations that sponsor eligible Singapore based participants to training programmes that meet qualifying criteria. For more details, please visit www.mas.gov.sg, or contact the **MAS at 6229-9396** or fsdf@mas.gov.sg.

Please forward a cheque/bank draft/money order of the due amount made payable to "Singapore Management University" to confirm your registration. Kindly state the company name on the back of the cheque.

Please mail to:

Karyn Tai
 BNP Paribas Hedge Fund Centre
 Lee Kong Chian School of Business
 Singapore Management University
 50 Stamford Road, #04-01 Singapore 178899

If payment is by VISA/MasterCard, please complete the following:-

CARD NO

(VISA / MASTERCARD - PLEASE CIRCLE APPROPRIATELY)

EXPIRY DATE

CARD SECURITY CODE

(3 DIGITS)

SIGNATURE OF CARD HOLDER

REGISTRATION DATE

PLEASE NOTE THAT REGISTRATION IS CONFIRMED ONLY UPON RECEIPT OF PAYMENT.

For online payment please log on: <http://www.smu.edu.sg/centres/hfc/events/hfee10/registration.asp>

CANCELLATION POLICY

All cancellations must be received in writing. The following charges apply for cancellations received:

4 weeks prior to the course commencement
 2 to 4 weeks prior to the course commencement
 1 to 2 weeks prior to the course commencement
 Less than 1 week prior to the course commencement

no charge
30% of program fee
60% of program fee
100% of program fee

BNP Paribas Hedge Fund Centre

Lee Kong Chian School of Business
50 Stamford Road, #04-01
Singapore 178899

Fax : (65) 6828 0427

Email : hfc@smu.edu.sg

www.smu.edu.sg/centres/hfc