BUS F701
Alternative Investments and Portfolio Management
Fall 2026 Course Outline

Finance and Business Economics Area
DeGroote School of Business
McMaster University

COURSE DESCRIPTION

This course introduces students to a wide range of alternative investments, with a particular focus on hedge funds. Students are provided a deeper, cutting-edge treatment of modern hedge fund investment strategies as well as a rigorous analysis of the practical portfolio management process. This course is highly recommended for any student considering a career in investments, portfolio management, corporate finance, investment advisory, or the broader financial services.

INSTRUCTOR AND CONTACT INFORMATION

Thursdays at 8.30 AM
All times referenced in this document are Eastern.

Adeel Mahmood
Instructor
Tel: 905-525-9140
Office Hours: After class or by appointment

COURSE ELEMENTS

Credit Value:	3	Leadership:	Yes	IT skills:	Yes	Global view:	Yes
Avenue:	Yes	Ethics:	No	Numeracy:	Yes	Written skills:	Yes
Participation:	Yes	Innovation:	Yes	Group Work:	Yes	Oral skills:	Yes

COURSE PREREQUISITES AND COMPLEMENTS

Students should have the academic credit of BUS F600 or F650 – or an equivalent preparation – prior to the start of this course.

Course Objectives

This course provides students with an understanding of the theory and practice of hedge fund investing, together with hands-on experience testing strategies, constructing a multi-strategy fund, and researching investment ideas the way a hedge fund analyst does. The course has five major objectives:

- Teach students a framework for assessing the risk and return of hedge fund strategies, including levered, short, and multi-asset positions.
- Introduce students to the major strategy families, long/short equity, event-driven, commodities, global macro, and fixed income including structured finance, together with the market mechanics they depend on: margin, short selling, and financing.
- Teach students to evaluate hedge fund performance and select managers, including the benchmarks, style factors, fee arithmetic, and due diligence the task requires.
- Teach students to implement these concepts in realistic workflows: designing and backtesting rules-based strategies, consolidating strategies into a team fund, and researching an investment theme from structural change down to specific long and short ideas that are pitched and defended.
- Develop the judgment to use analytical tools, including artificial intelligence, critically and accountably.

The overarching goal is for students to encounter the problems hedge fund analysts and portfolio managers actually face. Much of the learning in this course happens outside the classroom: studying investments, following markets through the term, and building the research that the assessments are made of. Class time is where that work is tested.

Students will also gain a deeper understanding of several key topics covered on professional finance exams, including the Chartered Financial Analyst (CFA) Levels II and III.

Learning Outcomes

Upon completion of this course, students will be able to identify, assess, measure, and manage:

- Understand hedge fund structures, investment strategy types, fee setups, and differences from regular funds.
- Calculate trading margin requirements, use leverage safely, and manage the risks of shorting stocks.
- Build balanced investment portfolios and analyze the specific risks of betting against companies.
- Evaluate corporate events like mergers, spin-offs, and shareholder activism for investment opportunities.
- Analyze commodity markets, understand price changes over time, and evaluate commodity funds.

- Spot global economic trends, interpret central bank statements, and invest based on macroeconomic views.
- Use bond market metrics and model cash flows through complex financial structures to predict potential default losses.
- Evaluate money managers fairly by spotting database biases and separating luck from skill.
- Build and test rule-based trading systems while avoiding common research mistakes.
- Research specific investment themes, pitch your ideas to others, and manage .

REQUIRED COURSE MATERIALS AND READINGS

Course content and class communication available on Avenue:

- http://avenue.mcmaster.ca

EVALUATION

Individual learning in this course results from in-class discussions, problem solving, and lab work. The balance of the individual learning results from lectures on specific topics, student research, and industry speakers. Team learning focus of this course is on an applied group project centred on hedge fund portfolio management.

The final grade will be calculated as follows:

Components and Weights

Class Participation	In class or reflection (individual)	10%
Term Tests	Best two out of three (individual)	50%
Backtesting Lab – Part 1	Due on Oct 7 (group)	5%
Backtesting Lab – Part 2	Due at the end of the term (group)	10%
Investment Research – Part 1	Due on Oct 14 (group)	5%
Investment Research – Part 2	Due at the end of the term (group)	20%
Total		**100%**

At the end of the course your overall percentage grade will be converted to your letter grade in accordance with the following conversion scheme:

LETTER GRADE	PERCENT	POINTS
A+	90-100	12
A	85-89	11
A-	80-84	10
B+	77-79	9
B	73-76	8
B-	70-72	7
F	00-69	0

Class Participation

Your participation is needed for a successful class. As in the workplace, your contribution matters to the success of the course. You bring insights and perspectives that can help your classmates understand the concepts better. For the most part, applications of the concepts become clear through class discussion and exercises. Classes in which participation is recorded and scored are tagged as **P1** to **P6** in the course schedule.

If you miss a class and/or want to increase your participation points after class, you can complete a **class reflection** online, summarizing the content covered in that class using a rubric posted on the course website. The deadline to submit your reflections is the end of the term (see the schedule below). Late submissions are not accepted.

Term Tests

Three (3) term tests – ***open-book***, ***open-notes*** tests – will be written during the term. For each student, the two highest percentage scores of the three tests (i.e. **best two out of three**) will be considered in the determination of the final grade. More details of the format, structure, and content coverage will be provided on the course website.

If a student ***misses one term test*** out of the three, the missed test's weight will become zero, and the student's overall ***Term Tests*** grade will be calculated using the two tests that are written.

A student ***missing any additional term test beyond the first missed test*** is required to contact the DSSAO (DSB Student Services Academic Office) and obtain an official approval of relief to avoid getting a zero (0) grade for the additional missed test. If the DSSAO adjudicates that relief be provided, the student will be able to write an alternate test, in lieu of the additional missed test, during the final exam period at the end of the term.

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Backtesting Lab – Parts 1 and 2

The Backtesting Lab is a group activity and runs in two parts. In **Part 1**, each student individually designs and tests a rules-based investment strategy, and the team brings those strategies together into a single comparative report. In Part 2, the team builds a portfolio of its members' strategies as one fund using optimization techniques and evaluates that fund over specific periods provided after the first part's deliverable.

The performance evaluation rewards both the quality of the underlying strategies and the portfolio decisions the team makes in combining them. Teams will be interviewed for a discussion of how the strategies were designed and how the portfolio was managed among the team members. Requirements, details of each deliverable, and evaluation criteria are set out in the assignment documents posted on the course website.

Late submissions are subject to a 25% mark deduction for every 24 hours past the deadline. If there is a valid reason as supported with documentation for a late submission, the deadline will be extended to the time allowed in the documentation. *The team members may be assigned individual grades relative to the group grade based on the peer assessments completed towards the end of the course*.

Investment Research – Parts 1 and 2

Working in teams, students conduct hedge-fund-style investment research across the term: choosing a structural transformation theme, mapping its value chain to find who gains and loses economics and who must spend or borrow, and working from that map down to specific investment ideas.

Part 1 is a checkpoint marked as a progress deliverable to move the research forward and receive early feedback. **Part 2** presents the team's investment ideas down to tickers (with at least one long and at least one short) and concludes with a presentation at the end.

Late submissions are subject to a 25% mark deduction for every 24 hours past the deadline. If there is a valid reason as supported with documentation for a late submission, the deadline will be extended to the time allowed in the documentation. *The team members may be assigned individual grades relative to the group grade based on the peer assessments completed towards the end of the course*.

COMMUNICATION AND FEEDBACK

Students that are uncomfortable in directly approaching an instructor regarding a course concern may send a confidential and anonymous email to the respective Area Chair or Associate Dean:
http://mbastudent.degroote.mcmaster.ca/contact/anonymous/

Students who wish to correspond with instructors or TAs directly via email must send messages that originate from their official McMaster University email account. This protects the confidentiality and sensitivity of information as well as confirms the identity of the student. Emails regarding course issues should NOT be sent to the Administrative Assistant.

Instructors are encouraged to conduct an informal course review with students by Week #4 to allow time for modifications in curriculum delivery. Instructors should provide evaluation feedback for at least 10% of the final grade to students prior to Week #8 in the term.

COURSES WITH AN ONLINE ELEMENT

All courses use some online elements (e.g. e-mail, Avenue to Learn (A2L), LearnLink, web pages, capa, Moodle, ThinkingCap, etc.). Students should be aware that, when they access the electronic components of a course using these elements, private information such as first and last names, user names for the McMaster e-mail accounts, and program affiliation may become apparent to all other students in the same course.

Students may be required to use the Respondus LockDown Browser and Respondus Monitor. The Respondus LockDown Browser is a downloadable program that allows a student to take an Avenue to Learn quiz in a secure environment. Quizzes can be set to use LockDown Browser or LockDown Browser.

For more details about McMaster's use of Respondus Lockdown Browser please go to https://avenuehelp.mcmaster.ca/exec/respondus-lockdown-browser-and-respondus-monitor/

The available information is dependent on the technology used. Continuation in a course that uses online elements will be deemed consent to this disclosure. If you have any questions or concerns about such disclosure, please discuss this with the course instructor.

CONDUCT EXPECTATIONS

As a McMaster student, you have the right to experience, and the responsibility to demonstrate, respectful and dignified interactions within all of our living, learning and working communities. These expectations are described in the ***Code of Student Rights & Responsibilities*** (the "Code"). All students share the responsibility of maintaining a positive environment for the academic and personal growth of all McMaster community members, **whether in person or online**.

It is essential that students be mindful of their interactions online, as the Code remains in effect in virtual learning environments. The Code applies to any interactions that adversely affect, disrupt, or interfere with reasonable participation in University activities. Student disruptions or behaviours that interfere with university functions on online platforms (e.g. use of A2L, WebEx or Zoom for delivery), will be taken very seriously and will be investigated. Outcomes may include restriction or removal of the involved students' access to these platforms.

COPYRIGHT AND RECORDING

Students are advised that lectures, demonstrations, performances, and any other course material provided by an instructor include copyright protected works. The Copyright Act and copyright law protect every original literary, dramatic, musical and artistic work, **including lectures** by University instructors.

The recording of lectures, tutorials, or other methods of instruction may occur during a course. Recording may be done by either the instructor for the purpose of authorized distribution, or by a student for the purpose of personal study. Students should be aware that their voice and/or image may be recorded by others during the class. Speak with the instructor if this is a concern for you.

ACADEMIC INTEGRITY

You are expected to exhibit honesty and use ethical behaviour in all aspects of learning. Academic credentials you earn are rooted in principles of honesty and academic integrity.

Academic dishonesty is to knowingly act or fail to act in a way that results or could result in unearned academic credit or advantage. This behaviour can result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript (notation reads: “Grade of F assigned for academic dishonesty”), and/or suspension or expulsion from the university.

It is your responsibility to understand what constitutes academic dishonesty. For information on the various types of academic dishonesty please refer to the Academic Integrity Policy, at:

www.mcmaster.ca/academicintegrity

Students are responsible for being aware of and demonstrating behaviour that is honest and ethical in their academic work. Such behaviour includes:

- following the expectations articulated by instructors for referencing sources of information and for group work;
- asking for clarification of expectations as necessary;
- identifying testing situations that may allow copying;
- preventing their work from being used by others (e.g., protecting access to computer files); and
- adhering to the principles of academic integrity when conducting and reporting research.

GENERATIVE AI

Students may use generative AI in this course in accordance with the guidelines outlined for each assessment, and so long as the use of generative AI is referenced and cited following citation instructions given in the syllabus. Use of generative AI outside assessment guidelines or without citation will constitute academic dishonesty. It is the student’s responsibility to be clear on the limitations for use for each assessment and to be clear on the expectations for citation and reference and to do so appropriately.

Two principles apply in all assesments. First, students remain fully responsible for everything they submit, including anything an AI tool produced on their behalf: an error generated by a tool is the student's error. Second, students must be able to explain their own submitted work: how it was produced, why the choices in it were made, and how its outputs were checked. Work that cannot be explained by its authors is treated as work they did not do.

MISSED ACADEMIC WORK

Missed Mid-Term Examinations / Tests / Class Participation

Please do not use the online McMaster Student Absence Form (MSAF) as this is for Undergraduate students only. The MBA program will not accept an MSAF.

When students miss regularly scheduled term work which contributes 10% or more to the final grade, for legitimate reasons as determined by the DSB Student Services – Academic Office (DSSAO (DSB Student Services Academic Office)), the activity necessary to compensate for the missed work will be determined by the course instructor. The compensatory activities assigned will vary with the nature of the course and the missed requirement. They include, but are not restricted to, an alternative assignment, a rescheduled midterm exam, or re-weighting the marks for the missed component to other mark components. Documentation explaining such missed work must be provided to the DSSAO (DSB Student Services Academic Office) **within five (5) working days** of the scheduled date for completion of the work.

Acceptable reasons for missed work, along with the Petition for Missed Term Work and the MBA Student McMaster University Student Health Certificate, can be found on the DeGroote MBA Student website (mbastudent.degroote.mcmaster.ca). Please direct any questions about acceptable documentation to the MBA Academic Advisors (askmba@mcmaster.ca). University policy states that a student may submit a **maximum of three** (3) Petition for Missed Term Work per academic year, after which the student must meet with the Director of the program.

If term work is missed without an approved reason, students will receive a grade of zero (0) for that component.

Missed Final Examinations

Students must be available for the duration of the posted exam period regardless of their personal exam schedule. This is to ensure student availability throughout the entire exam period in the event that an exam must be rescheduled due to unforeseen circumstances (university closure, power outage, storm policy, etc.). A student who misses a final examination without valid reason will receive a mark of 0 on the examination.

Students who have missed a final exam for a valid reason can apply to the DSSAO (DSB Student Services Academic Office) to write a deferred examination by submitting an Application for Deferring a Final Exam with supporting documentation. The application must be made **within five days** of the scheduled exam.

The Application for Deferring a Final Exam and the MBA Student McMaster University Student Health Certificate can be found on the DeGroote MBA Current Student website (mbastudent.degroote.mcmaster.ca)

Deferred examination privileges, if granted, are normally satisfied during the deferred examination period as set by the Office of the Registrar.

Requests for a second deferral or rescheduling of a deferred examination will not be considered.

ACADEMIC ACCOMMODATION FOR STUDENTS WITH DISABILITIES

Student Accessibility Services (SAS) offers various support services for students with disabilities. Students must activate their accommodation(s) (e.g., extra-time, alone room, etc.) via mySAS portal at the beginning of each term, normally, within the first three (3) weeks of classes. If a student with a disability chooses NOT to take advantage of an SAS accommodation and chooses to sit for a regular exam, a petition for relief may not be filed after the examination is complete. The SAS website is:

http://sas.mcmaster.ca

Use of Test Accommodations at McMaster University Burlington Campus Ron Joyce Centre

Whereas Student Accessibility Services (SAS), on Main Campus, determines all MBA student accommodations, the MBA Faculty Office manages the coordination of accommodations for tests, midterms, and exams at the Ron Joyce Centre in Burlington.

Process for Students

- Student Accessibility Services (SAS) now uses the online mySAS Portal for graduate students to share accommodation letters with their instructors and Faculty/Program. Students are responsible for activating their accommodations each term through the mySAS Portal. Once activated, an approved accommodation letter will be automatically sent to the instructors associated with the student's enrolled courses for that term.

- Students must engage the DSSAO (DSB Student Services Academic Office) to implement their accommodation(s) (e.g., extra-time, alone room, etc.) for each upcoming test, midterm, or exam, at **least two weeks in advance**. Students can do this by emailing DeGroote MBA SAS scheduling office at DSBSAS@mcmaster.ca or completing the Accommodation Implementation form. If a student cannot meet this deadline, they should contact DSBSAS@mcmaster.ca to discuss alternative arrangements. The program is committed to exploring flexibilities where possible to support students.

- All tests, midterms, and exams are booked synchronously with the class's start time. Any deviations from the start time (e.g. start earlier than the class to enable completion at the same end time) requires a discussion with their instructor on protocol at the time of accommodation activation.

- Students will leverage the accommodation (e.g., extra-time, alone room, etc.), in a designated testing room. Rooms will be booked according to the student's SAS accommodation. Unless the accommodation states otherwise, students should expect that they will be writing in a room with other students. One or more invigilators will always be in the room.

- Following the request to implement the accommodation(s), dsbsas@mcmaster.ca will reach out to the student with their test, midterm, or exam details, including the date, time, and room number. As there may be other students writing tests in the room, we ask that students enter the room quietly and leave all personal items at the front of the room.

Academic Accommodation for Religious, Indigenous or Spiritual Observances (RISO)

Students requiring academic accommodation based on religious, indigenous or spiritual observances should follow the procedures set out in the RISO policy. Students should submit their request to their Faculty Office **normally within 10 working days** of the beginning of term in which they anticipate a need for accommodation or to the Registrar's Office prior to their examinations. Students should also contact their instructors as soon as possible to make alternative arrangements for classes, assignments, and tests.

Potential Modifications to the Course

The instructor and university reserve the right to modify elements of the course during the term. The university may change the dates and deadlines for any or all courses in extreme circumstances. If either type of modification becomes necessary, reasonable notice and communication with the students will be given with explanation and the opportunity to comment on changes. It is the responsibility of the student to check their McMaster email and course websites weekly during the term and to note any changes.

Acknowledgement of Course Policies

Your registration and continuous participation (e.g. on A2L, in the classroom, etc.) to the various learning activities of this course will be considered to be an implicit acknowledgement of the course policies outlined above, or of any other that may be announced during lecture and/or on A2L. It is your responsibility to read this course outline, to familiarize yourself with the course policies and to act accordingly.

Lack of awareness of the course policies cannot be invoked at any point during this course for failure to meet them. It is your responsibility to ask for clarification on any policies that you do not understand.

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COURSE SCHEDULE

#	DATE	CONTENT	DUE
1	Thu, Sep10	Introduction to the Course	-
2	Thu, Sep 17	Long/Short Investing, Overview of Investing Tools	**P1** in class
3	Thu, Sep 24	Event-driven Investing	**P2** in class
4	Thu, Oct 1	**Term Test 1** written in class	
5	Thu, Oct 8	*Investment Research Week 1*	-
-	Wed, Oct 14	**Investment Research, Part 1** – Due online by 10.00 AM	
6	Thu, Oct 15	Commodities Investing	**P3** in class
7	Thu, Oct 22	Global Macro Investing	**P4** in class
8	Thu, Oct 29	**Term Test 2** written in class	
9	Thu, Nov 5	Fixed-Income Investing, Structured Finance	**P5** in class
-	Mon, Nov 9	**Backtesting Lab, Part 1** – Due online by 10.00 AM	
10	Thu, Nov 12	*Investment Research Week 2*	-
11	Thu, Nov 19	Performance Attribution and Evaluation	**P6** in class
12	Thu, Nov 26	**Term Test 3** written in class	
13	Thu, Dec 3	*Investment Research Meetings/Presentations*	-
Tue, Dec 8		**Investment Research, Part 2** – Due online by 10.00 AM	
Tue, Dec 8		**Backtesting Lab,, Part 2** – Due online by 10.00 AM	

Note: **P1** to **P6** represent the in-class components of class participation