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Hedge Fund Performance Measurement

Overview

The objective of this course is to give an understanding and review of Hedge Fund performance indicators and quantitative assessment measures using real industry data examples.

This course is also useful for those dealing with normal Mutual Fund performance measures.

No prior knowledge of Performance Measures is assumed but a basic knowledge of statistics is useful (volatility, correlation, regression). The learning process will be reinforced through the use of workshops and case studies using real data. The course has a split of 50% theory/50% practice.

Delegates

- Bankers and Prime Brokers that invest / lend to Hedge Funds
- Hedge Fund Managers and Analysts and Marketing executives
- Quantitative Analysts and Performance Assessors
- Support staff for those dealing in / investing / lending to Hedge Funds
- Fund Managers
- Institutional Investors
- Pension Advisers
- Private Bankers considering Hedge Fund investments
- IT and other market professionals and advisors who are dealing with hedge funds

Content

Current industry situation with examples

- Academic view
- Biases
  - Survivorship bias
  - Instant return history bias

Classic quantitative tools used in the industry

- Descriptive statistics (mean, variance, correlation, etc.)
- Geometric v arithmetic averages
- Rolling statistics
- Ratios (Sharpe, Calmar, MAR, Sortino, etc.) + Information Ratio
- Distribution of returns (normal, skewed, kurtotic)
  - Skewness
  - Kurtosis
- Stress test
- Regression analysis: alpha, beta & R^2

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- Comparison to Peers
- Drawdown assessment/negative streak and recovery period
- Hedge funds versus classic investments in difficult times

Quantitative techniques currently used in the industry

- Style analysis (Sharpe 1992 & the new versions)
  - The concept
  - The theory
  - Practical examples
- Fama & French (1993) 3-factor model
- Carhart (1997) 4-factor model
- Deep correlation analysis
  - Using daily to monthly data
  - Between hedge funds
  - Between hedge funds & classical indices
- VaR for hedge funds

New tools and Ratios

- New Ratios
- Normality triangle
- Extended Sharpe ratio

New techniques (extended multi-factor performance attribution model, omega)

- Extended multi-factor performance attribution model
  - Performance analysis
  - Persistence in performance analysis
- Omega
- Inserting hedge funds in a portfolio
  - Risk-return (volatility)
  - Risk- return (alternative measures of risks)
- Liquidity risk estimation

The shortcuts of Quantitative Analysis

Duration: 1 day

London: 15 November 2010,
7 February 2011

Fee: £680 + VAT