

VIAF

MMAF531 HEDGE FUNDS AND MERGERS & ACQUISITIONS

Trimester One 2011

COURSE OUTLINE

Names and Contact Details

The lecturer for the first (Hedge Funds) section of this course is Mahendrarajah Nimalendran (Nimal), Bank of America Professor at University of Florida. Preferred contact is by email mahen.nimalendran@warrington.ufl.edu

The lecturer for the second (M&A) section of this course is Tina Wendel who lectures at Victoria University of Wellington. Preferred contact is by email Tina.Wendel@vuw.ac.nz

The administrator for this course is Anna Potts, RH307. She can be contacted on (04) 463 6148 or viaf-programme@vuw.ac.nz

Trimester Dates

The study and assessment period is 11th July to 30th October 2011.

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before 11 March 2011.
2. The standard last date for withdrawal from this course is Monday *15 August 2011*. After this date, students forced to withdraw by circumstances beyond their control must apply for permission on an '*Application for Associate Dean's Permission to Withdraw Late*' including supporting documentation. The application form is available from either of the Faculty's Student Customer Service Desks.

Class Times and Room Numbers

Block Release Times:

9:30am Friday, 2 September – 12:30pm Sunday, 4th September 2011

And 9:30am Friday, 28th October – 12:30pm Sunday, 30th October 2011.

A detailed schedule of each block release course will be supplied closer to the September and October sessions. Classes will take place at the Kelburn Campus (rooms MY632 and KK216) – please see the schedule for confirmation.

Attendance at all sessions of both block releases is compulsory.

Course Content

Part 1: The Hedge Funds section of the course will explore the investment strategies and techniques used by hedge fund managers including event driven or distressed mergers, long and short equities, convertible arbitrage and global macro strategies. Other topics covered in the

course include hedge fund compensation, performance evaluation, risk management, and the role of arbitrageurs in the capital market.

Since the section requires some knowledge of portfolio management and derivative securities, we will also review these topics. This part of the course will consist of assigned readings, assignments, lectures, cases, term paper/project, and a final test.

The above knowledge areas detailed in the course objectives will be introduced through readings, lectures (including videotaped), tutorials, then applied in a case study assessment or a project.

Knowledge areas will also be tested during the preparation time and at the end of the block release course.

Part 2: Mergers and acquisitions (M&A) assist companies in responding to ever changing market conditions and in their objective to create shareholder value. This course aims to combine strategic skills with analytical skills from corporate finance. This course provides students with an analytical framework supported by real world case studies to introduce methods and techniques for successful M&A transactions.

Course Learning Objectives

By the end of this course, students should be able to:

- Explain the structure and history of hedge funds and the legal environment in which they operate.
- Explain the differences between hedge funds and other pooled funds such as mutual funds and ETF's in terms of the investor profile and the disclosure requirements.
- Distinguish between different strategies that are employed by hedge funds and the pros and cons of these strategies.
- Explain the tools that are used by hedge funds such as leverage, margin accounts, short selling and derivatives.
- Use publicly available data to describe the performance of hedge funds with different styles, graphically and with performance measures.
- Construct portfolios of traditional asset classes such as stocks, bonds and cash and analyze the effect of adding hedge funds to the portfolio.
- Explain the strategic motives employed by companies for pursuing mergers such as operational and financial synergies, and explain under which strategies mergers are likely to create shareholder value.
- Explain the nature of due diligence and what to look for in uncovering potential problems with the merger.
- Apply different valuation approaches in the valuation of companies such as the discounted cash flow valuation approach, comparable companies and comparable transactions approach, and explain their advantages and limitations. Explain the pitfalls in performing valuations.
- Explain the advantages and disadvantages of the applied deal structure such as the form of acquisitive reorganisation, the form of payment and the form of finance.
- Explain the reaction of the market following merger announcements whilst analysing the share price performance of the target and the bidder.
- Explain the value creation or value destruction of mergers. Explain reasons why mergers went wrong and analyse how such outcomes could have been prevented.
- Formulate successful takeover strategies and on the other hand explain antitakeover measures which companies can apply to pro-actively prevent a hostile takeover bid. Explain the potential agency costs surrounding such strategies.

Course Delivery

The course will consist of assigned readings, assignments, lectures and case discussion. In addition, pre-recorded lectures on the material that will be covered during the preparation period for the intensive block classes may be posted on Blackboard.

Expected Workload

Total average workload of 200 hours. During the approximately 6 weeks of term prior to each block release, students will need to allow about 14 hours per week for study, research and preparation of assignments for this course. The two block courses each involve approximately 18 hours of work.

Readings

Part 1: Hedge Funds

Required Text: "Hedge Funds: Myths and Limits," by Fracois-Serge Lhabitant

Lecture Notes and Assignments – Will be made available on Blackboard

Reference Text on Reserve at the Library: Hedge Funds: Quantitative Insights," by Francois-Serge Lhabitant

Part 2: Mergers and Acquisitions

Required text: Patrick A. Gaughan, Mergers, acquisitions and corporate restructurings, Fifth edition, 2011,

John Wiley & Sons Inc.

Additional required reading (as per course content)

- Robert F. Bruner, Applied Mergers & Acquisitions, 2004, John Wiley & Sons Inc.
- Ross, Westerfield, Jaffe, Corporate Finance, 9th edition, 2010, McGraw-Hill
- Weston, Mitchell, Mulherin, Takeovers, restructuring, and Corporate Governance, Fourth edition, 2004

Case studies

- The following case studies will be made available on blackboard or paper copy
- J. Fred Weston, The Exxon-Mobil Merger: An Archetype, 26 February, 2002, The Anderson School at UCLA
- University of Virginia (handouts): Methods of valuation for mergers and acquisitions
- Further cases studies

Materials and Equipment

Students are required to have a financial calculator.

Assessment Requirements

Part 1

- Assignments/ Quizzes (1) – 10%. This will be based on the material covered during the preparation period. Due 5th August 2011
- Test 1 - 20% (2 hours)
- Term Paper – 15%, due 16th September
- Class Participation including Attendance – 5%

Part 2

- Individual assignment - 15%, due 14th October 2011
- Test 2 - 35%

Where applicable, word limits will be listed on the relevant assessment.

Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of FCA programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

Examinations

There are no examinations for this course.

Penalties

Late submission will incur a penalty of 5% per day that the assignment is late. No assignment will be accepted after 27th October 2011.

Mandatory Course Requirements

Attendance at all sessions of both block releases is compulsory.

Class Representative

A class representative will be elected in the first class, and that person's name and contact details made available to VUWSA, the Course Coordinator and the class. The class representative provides a communication channel to liaise with the Course Coordinator on behalf of students.

Communication of Additional Information

Outside the block releases, additional material may be communicated by Blackboard, email and post. Students are responsible for ensuring their contact details are up to date and checking Blackboard regularly.

Use of Turnitin

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine <http://www.turnitin.com>. Turnitin is an on-line plagiarism prevention tool which compares submitted work with a very large database of existing material. At the discretion of the Head of School, handwritten work may be copy-typed by the School and subject to checking by Turnitin. Turnitin will retain a copy of submitted materials on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

For the following important information follow the links provided:

Academic Integrity and Plagiarism

<http://www.victoria.ac.nz/home/study/plagiarism.aspx>

General University Policies and Statutes

Find key dates, explanations of grades and other useful information at www.victoria.ac.nz/home/study.

Find out about academic progress and restricted enrolment at www.victoria.ac.nz/home/study/academic-progress.

The University's statutes and policies are available at www.victoria.ac.nz/home/about/policy, except qualification statutes, which are available via the Calendar webpage at www.victoria.ac.nz/home/study/calendar (See Section C).

Further information about the University's academic processes can be found on the website of the Assistant Vice-Chancellor (Academic) at

www.victoria.ac.nz/home/about_victoria/avcacademic/default.aspx

AVC (Academic) Website: information including: Conduct, Academic Grievances, Students with Impairments, Student Support

http://www.victoria.ac.nz/home/about_victoria/avcacademic/Publications.aspx

Faculty of Commerce and Administration Offices

<http://www.victoria.ac.nz/fca/studenthelp/>

Manaaki Pihipihinga Programme

http://www.victoria.ac.nz/st_services/mentoring/