



## MBA/M.Sc.

### Alternative Credit Investing - 1231.3830

#### עולם ההשקעות בחוב פרטי

**Prerequisites:** Finance Management 12312410

**Parallel req.** – none

**Spring Semester- First Half – 2022**

**THE COURSE IS TAUGHT IN HEBREW**

Section	Day	Hour	Final Task	Lecturer	Email
01	Tuesday*	18:45- 21:30	Exam	Alon Avner	<a href="mailto:alon.avner@alumni.insead.edu">alon.avner@alumni.insead.edu</a>

- The last session of the course will be held on Monday, 24 April 2023

[For details of the exams schedule](#)

**Teaching Assistant (TA):** Daniel Gandelman

**Office Hours:**

Class Participation is highly encouraged and will be part of student's grade (20%)

### Course Units

Course units: 1 YAS

1 course unit = 4 ECTS units

The ECTS (European Credit Transfer and Accumulation System) is a framework defined by the European Commission to allow for unified recognition of student academic achievements from different countries.

### Course Description

Over the last 20 years, the market for alternative investments has been experiencing exponential growth. While Private Equity investing and teaching has become mainstream, the markets for alternative credit investing are less well explored.

This c. \$10 Trillion global market has several main components with the largest ones being High Yield Bonds, Leveraged Loans, Private and Distressed Credit as well as Non-Performing loans and Securitized products.

The importance of this market continues to grow as investment performance of the asset class continues to be very strong and beats public market returns. As this market continues to grow, more graduates of Tel

Aviv University will seek employment in this fast-growing segment of the financial markets and this course will offer them a strong basis of understanding of these investment strategies.

The Alternative Credit Investing course will provide real life access to the market and will

- Complement other core courses and electives
- Develop understanding of absolute and relative value and enhance knowledge of valuation methodologies across the cycle
- Provide skills, frameworks and experience to support careers and employment in leveraged buyouts, alternative credit investment markets, banking and asset management.

## Course Objectives

Upon completion of the course, students will be able to:

1. Understand the leverage buyout ecosystem, its fund structures and success factors
2. Master the principles of alternative credit investment strategies including High Yield Bonds, Leveraged Loans, Direct Lending/Private credit, Corporate Distressed and Special Situations
3. Understand the benefits and disadvantages of each strategy and determine best options for companies to finance themselves in different circumstances
4. Assess appropriate protections required for individual credit investments (based on ownership, industry, company, and financing structure)
5. Evaluate different credit instruments, assessing their viability and price them based on absolute and relative value

## Evaluation of Student and Composition of Grade

Percentage	Assignment	Date	Group Size/Comments
5%	Pre Course Assignmet		Individual
15%	Group Assignment		4-5 students per group
20%	Class Participation		Individual
60%	Individual exam		Individual

\* Students who absent themselves from classes or do not actively participate in class may be removed from the course at the discretion of the lecturer. (Students remain financially liable for the course even if they are removed.)

## Course Assignments

### 1. Pre-Course Assignment

The Pre-Course Assignment is due before Session 1 .

In preparation for the course and in order to familiarise yourself with the most frequent terms we will use during the course, you will be required to provide a short description/ explanation for the terms.

Students are encouraged to read the high priority book in the reading list before or during the course

### 2. Group Assignments

Each group should have a minimum size of 4 members and maximum size of 5 members. All team members are urged to contribute productively and to understand all components of work turned in by the group. Do not delegate!

Each group is required to purchase the case study (it could be found at [www.thecasecentre.org](http://www.thecasecentre.org))

The case is a Harvard Business School case (26 pages) named Countrywide PIC with a case reference of 9-211-026

The group assignment will be the submission of a report on the Countrywide Plc. case study. List of questions will be published in advance on the course site

- Submission **before the beginning of session 7**
- Submit a maximum 4 page + Appendix document

### 3. Individual Exam

The exam will include quantitative as well as qualitative questions

## Grading Policy

In the 2008/9 academic year the Faculty instituted a grading policy for all graduate level courses that aims to maintain a certain level of the final course grade. Accordingly, this policy will be applied to this course's final grades.

Additional information regarding this policy can be found on the Faculty website.

[Score Retention Policy](#)

## Evaluation of the Course by Student

Following completion of the course students will participate in a teaching survey to evaluate the instructor and the course, to provide feedback for the benefit of the students, the teachers and the university.

## Course Site (Moodle)

The course site will be the primary tool to communicate messages and material to students. You should check the course site regularly for information on classes, assignments and exams, at the end of the course as well.

Course material will be available on the course site.

Please note that topics that are not covered in the course material but are discussed in class are considered integral to the course and may be tested in examinations.

## Course Outline\*

Class	Date	Topic(s)	Required Reading (High yield Debt Book)	Submissions	Comments
1+2		<b>Introduction Course and LBOs</b> <ul style="list-style-type: none"> <li>– Welcome and Course Introduction</li> <li>– Alternative Investment Strategies</li> <li>– Introduction to Private Equity</li> <li>– Why investors (LPs) like Private Equity</li> <li>– Market trends</li> <li>– Competitive landscape</li> <li>–</li> </ul>	No reading required	Pre course assignment	
3+4		<b>LBOs (continued) and other alternatives</b> <ul style="list-style-type: none"> <li>– Private vs. Public markets</li> <li>– Opportunities and challenges</li> <li>– Diligence and Value Creation</li> <li>– Secondaries</li> </ul>	No Reading required		
5+6		<b>Introduction to Credit Investing</b> <ul style="list-style-type: none"> <li>– How companies / asset owners finance themselves?</li> <li>– The universe of alternative credit instruments, managers and funds</li> <li>– The Role of Ratings</li> <li>– High Yield Bonds and Leveraged Loans, the basics</li> <li>– Investor base for High Yield and Leveraged Loans</li> </ul>	Chapter 1, 2, 3, 4		
7+8		<b>Liquid Performing Credit Part 1 (High Yield Bonds and Leveraged Loans)</b> <ul style="list-style-type: none"> <li>– Yield and credit spreads</li> <li>– The Credit ecosystem and new deal process</li> <li>– Pricing and Trading</li> <li>– Bond math</li> </ul>	Chapter 1, 2, 3, 4		
9+10		<b>Liquid Performing Credit Part 2 (High Yield Bonds, Leveraged Loans)</b> <ul style="list-style-type: none"> <li>– Investor Protections and legal analysis</li> <li>– Ranking and subordination</li> <li>– Defaults and Recoveries</li> <li>– Market Size and Growth</li> <li>– Why Investors buy High Yield Bonds and Leveraged Loans</li> <li>– Market health</li> <li>– Investor Biases</li> </ul>	Chapter 5, 6, 7, 8		
11+12		<b>Private Credit and Distressed &amp; Special Situations</b> <ul style="list-style-type: none"> <li>– Direct Lending/ Private Credit</li> <li>– Corporate Distressed</li> <li>– Non Performing Loans</li> </ul>	Chapter 10		
13+14		<b>Credit in Real Life and latest trends</b> <ul style="list-style-type: none"> <li>– The Countrywide Case Study</li> <li>– Environmental, Social and Governance considerations</li> <li>– Investing in turbulent markets</li> <li>– The end of LIBOR</li> <li>– Why working in credit is a great career</li> </ul>	Countrywide case study	Countrywide case study	

\*Subject to change

## Required Reading

- High Yield Debt: An Insider's Guide to the Marketplace (Wiley Finance) Hardcover – 12 Feb. 2016 by [Rajay Bagaria](#) (Author)

## Recommended Reading

- Acquisition Finance Chapter, Private Capital, Volume II, January 2020, by Eli Talmor and Florin Vasvari
- Distressed Debt Analysis – Strategies for Speculative Investors, by Stephen Moyer
- The Handbook of Loan Syndications and Trading Hardcover – Illustrated, August 18, 2006, Allison Taylor and Alicia Sansone

## For Further Interest

### Read

- Liar's poker – Michael Lewis

### Listen

- <https://www.npr.org/2020/09/09/911162693/we-buy-a-junk-bond>
- <https://www.npr.org/2020/02/19/807544557/meet-our-junk-bond> (follow up to we buy a junk bond)
- <https://www.npr.org/2020/02/05/803201941/triple-a-ratings-are-so-yesterday>

### Watch

- The Big Short (2015)
- Barbarians at the gate - <https://guides.net4tv.com/videos/feature-film/barbarians-gate>