



Project Study

Designing Optimal Fee Structure Models for Energy Hedge Funds

Background

Setting up fee structures for hedge fund managers that align the interests of hedge fund manager and the investor and are acceptable for both parties is a challenging task. Energy hedge funds trading power, oil, gas, and coal operate in a volatile environment and are often classified highly risky assets. Interesting questions in this regard are whether the subset of energy trading firms differ from the general multi-strategy hedge funds and whether there is an optimal fee structure for energy hedge funds?

Research Tasks

1. Gather information on results in contracting theory for different compensation structures.
2. Compare different fee structures for the management of volatile assets theoretically as well as in an empirical study.
3. Create a benchmark to separate managerial skills from sheer luck in the performance generated by the hedge fund.
4. Create an model based on reasonable assumptions including hedge fund and investor goal that identifies optimal fee structures.
5. Empirically test the outcomes.

This project study is co-supervised by the *Bayrische Versorgungskammer*. The selection of a suitable candidate and the detailed specification of the project will take place in close cooperation with the *Versorgungskammer*. The team will be provided a small remuneration for the work on the project study.

Literature

- AIMA, *In Concert - Exploring the alignment of interests between hedge fund managers and investors*
- *The Price in Economic Sciences 2016: Contract Theory*.

Qualified applicants are invited to send their electronic application to cem@wi.tum.de.