# ALTERNATIVE INVESTMENT

# MOCK TEST

## WITH KAMESH BHATT


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1. The most likely perceived benefit of alternative investments is:
   (A) accessibility.
   (B) diversification.
   (C) liquidity.

2. Hedge fund management fees are most commonly structured as a percentage of:
   (A) invested capital.
   (B) assets under management.
   (C) committed capital.

3. An alternative investment fund generated an 18% return during 20X2. The manager has a 20% performance fee, subject to an 8% soft hurdle rate and a catch-up clause. What performance fee did the manager earn for 20X2?
   (A) 3.6%.
   (B) 3.2%.
   (C) 2.0%

4. What is another name for a performance fee paid by investors in alternative investment funds?
   (A) Preferred return.
   (B) Management fee.
   (C) Carried interest.

5. A private equity provision that requires managers to return any periodic incentive fees resulting in investors receiving less than 80% of profits is a:
   (A) high water mark.
   (B) drawdown.
   (C) clawback.

6. Which private capital fund waterfall structure involves distributing profits as each investment is sold and subsequently shared according to the partnership agreement?
   (A) Deal-by-deal waterfall.
   (B) European waterfall.
   (C) Whole-of-fund waterfall.

7. Carr Funds is a hedge fund with $125 million of assets under management at the end of the prior year. The fund has a "1 and 10" fee structure. Incentive fees are calculated on gains net of management fees at the end of the year. In the current year, Carr Funds had a 5% gross return. An investor's after-fee return for the year is closest to:
   (A) 3.6%.
   (B) 4.1%.
   (C) –6.0%.

8. With respect to venture capital, the term "mezzanine-stage financing" is used to describe the financing:
   (A) that supports product development and market research.
   (B) to initiate commercial manufacturing.
   (C) to prepare for an initial public offering.

9. The formative stage of venture capital investing when capital is furnished for market research and product development is best characterized as the:
   (A) angel investing stage.
   (B) seed stage.
   (C) early stage

10. The vintage year is the year in which a private equity fund:
    (A) makes its first investment.
    (B) receives its first capital commitment.
    (C) sells its first investment.

11. Investments in infrastructure assets that will be constructed in the future are most accurately described as:
    (A) brown field infrastructure investments.
    (B) green field infrastructure investments.
    (C) open field infrastructure investments.

12. Which of these is an example of a social infrastructure asset?
    (A) Railway systems.
    (B) Public hospitals.
    (C) Data centers.

13. During steep market downturns, the correlation between REITs and market equity returns tends to:
    (A) decrease.
    (B) increase.
    (C) stay the same.

14. Which of the following is least likely a unique risk of property development?
    (A) Regulatory issues.
    (B) Default risk.
    (C) Construction delays.

15. An additional risk of direct investment in real estate, which is not typically a significant risk in a portfolio of traditional investments, is:
    (A) liquidity risk.
    (B) market risk.
    (C) counterparty risk

16. Which of the following is most consistent with backwardation in a commodity market?
(A) The convenience yield is negative.
(B) The benefit of holding the physical commodity exceeds the cost of carry.
(C) The forward price is above the spot price.

17. Which of the following futures market price conditions would be most expected in a period of low commodity inventories?
(A) Backwardation.
(B) Falling prices.
(C) Contango.

18. Which of the following is least likely to be a benefit of investing in commodities?
(A) Current income.
(B) Diversification.
(C) Inflation hedge.

19. If a commodity's convenience yield is close to zero, the futures market for that commodity is most likely:
(A) in contango.
(B) in backwardation.
(C) at fair value.

20. Funds that invest in specific commodity sectors such as oil and gas or precious metals are best described as:
(A) managed futures funds.
(B) sector funds.
(C) specialized funds.

21. The typical trade used by a merger arbitrage fund is:
(A) short position in acquirer, long position in firm being acquired.
(B) long position in acquirer, short position in firm being acquired.
(C) short positions in both the acquirer and the firm being acquired.

22. An equity hedge fund strategy that focuses primarily on exploiting overvalued securities is best described as a(n):
    (A) fundamental value strategy.
    (B) event driven strategy.
    (C) short bias strategy.

23. Which hedge fund strategy is least likely to have a long bias?
    (A) Convertible bond arbitrage.
    (B) Fundamental long/short.
    (C) Distressed event-driven.

24. An example of a relative value hedge fund strategy is:
    (A) merger arbitrage.
    (B) market neutral.
    (C) convertible arbitrage.

25. What is the least likely reason an institutional investor would use a separately managed account for a hedge fund investment?
    (A) Efficient capital allocation.
    (B) Higher manager motivation.
    (C) Enhanced investor control.

26. The period of time within which a hedge fund must fulfill a redemption request is the:
    (A) lockup period.
    (B) notice period.
    (C) withdrawal period.

27. Which of the following best explains why it is unlikely a poor-performing hedge fund would be added to an index?
    (A) Survivorship bias.
    (B) Backfill bias.
    (C) Selection bias.

28. The inherent value of digital assets is least likely to be based on:
    (A) features on the blockchain.
    (B) future cash flow.
    (C) price appreciation.

29. Which distributed ledger technology element may include proof of work and proof of stake?
    (A) Participation network.
    (B) Consensus protocols.
    (C) Digital ledger.

30. Which of the following is not a potential benefit of distributed led ger technology?
    (A) Facilitation of smart contracts.
    (B) Energy-efficient way of record keeping.
    (C) Immutable and secure transaction records.