

STUDY SESSION

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Alternative Investments

This study session provides an overview of the more widely used alternative investments, including hedge funds, private equity, real estate, commodities, and infrastructure investment. Each is examined with emphasis on their distinguishing characteristics, considerations for valuation, and potential benefits and risks. Similarities and differences with traditional investments (stocks, bonds) are also considered.

READING ASSIGNMENTS

Reading 58

Introduction to Alternative Investments
by Terri Duhon, George Spentzos, CFA, FSIP, and
Scott D. Stewart, CFA

LEARNING OUTCOMES

READING 58. INTRODUCTION TO ALTERNATIVE INVESTMENTS

The candidate should be able to:

- a** compare alternative investments with traditional investments;
- b** describe categories of alternative investments;
- c** describe potential benefits of alternative investments in the context of portfolio management;
- d** describe hedge funds, private equity, real estate, commodities, infrastructure, and other alternative investments, including, as applicable, strategies, sub-categories, potential benefits and risks, fee structures, and due diligence;
- e** describe, calculate, and interpret management and incentive fees and net-of-fees returns to hedge funds;

- f** describe issues in valuing and calculating returns on hedge funds, private equity, real estate, commodities, and infrastructure;
- g** describe risk management of alternative investments.