

## STUDY SESSION

# 16

## Alternative Investments

**T**his study session provides an overview of alternative investments, including hedge funds, private capital, real estate, natural resources, and infrastructure. Each is examined with emphasis on their distinguishing characteristics, potential benefits, and risks. Similarities and differences with traditional investments (stocks, bonds) are also considered.

### READING ASSIGNMENTS

**Reading 47**

Introduction to Alternative Investments  
by Steve Balaban, CFA, Steven G. Bloom, CFA, David  
Burkart, CFA, Nasir Hasan, and Barclay T. Leib, CFE,  
CAIA

### LEARNING OUTCOMES

#### READING 47. INTRODUCTION TO ALTERNATIVE INVESTMENTS

The candidate should be able to:

- a** describe types and categories of alternative investments;
- b** describe characteristics of direct investment, co-investment, and fund investment methods for alternative investments;
- c** describe investment and compensation structures commonly used in alternative investments;
- d** explain investment characteristics of hedge funds;
- e** explain investment characteristics of private capital;
- f** explain investment characteristics of natural resources;

- g** explain investment characteristics of real estate;
- h** explain investment characteristics of infrastructure;
- i** describe issues in performance appraisal of alternative investments;
- j** calculate and interpret returns of alternative investments on both before-fee and after-fee bases.