

STUDY SESSION

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Alternative Investments

Investors are increasingly turning to alternative investments seeking diversification benefits and higher returns. This study session describes the common types of alternative investments, their valuation, their unique risks and opportunities, and their relation to traditional investments.

Although defining “alternative investments” is difficult, certain features (e.g., limited liquidity and specialized legal structures) are typically associated with alternative investments. This study session describes features of alternative investments and their effects on investment decisions. The study session provides an overview of major categories of alternative investments, including hedge funds, private equity, real estate, commodities, and infrastructure.

READING ASSIGNMENTS

Reading 60

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

LEARNING OUTCOMES

READING 60. 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.