Question #1 of 7

Question ID: 1458804

Return and risk data on alternative investments may be affected by backfill bias if:

A) a firm’s historical returns are included when it is added to an index.

B) data only include currently existing firms.

C) the incorrect distribution is used to model volatility.

Question #2 of 7

Question ID: 1462953

Indexes for alternative investments are *least likely* to exhibit:

A) backfill bias.

B) time-period bias.

C) survivorship bias.

Question #3 of 7

Question ID: 1458809

Jem Capital is a hedge fund with $150 million of initial investment capital. The fund charges a 2% management fee based on assets under management at the end of the year and a 20% incentive fee. Incentive fees and management fees are calculated independently. In the first year, Jem Capital has a 25% return. What is an investor's after-fee return for the year?

A) 3.0%.

B) 17.5%.

C) 22.5%.

Question #4 of 7

Question ID: 1458807

Which of the following risk measures is based on downside deviation?

A) Sortino ratio.

B) Sharpe ratio.

C) Treynor ratio.

Question #5 of 7

Question ID: 1463677

A hedge fund has a 2-and-20 fee structure with a soft hurdle rate of 5% and a high water mark. Incentive fees are calculated net of management fees. The fund's gross return is 15% in Year 1, −10% in Year 2, and 30% in Year 3. Incentive fees for Year 3 will be:

A) less than 20% of the increase in value in Year 3 after management fees.

B) equal to 20% of the increase in value in Year 3 after management fees.

C) greater than 20% of the increase in value in Year 3 after management fees.

Question #6 of 7

Question ID: 1458806

Relatively infrequent valuations of private equity portfolio companies *most likely* cause:

A) average fund returns to be biased upward.

B) standard deviations of fund returns to be biased upward.

C) correlations of fund returns with equity returns to be biased downward.

Question #7 of 7

Question ID: 1458810

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) –6.0%.

C) 4.1%.