

Old Exam Questions
Hedge Funds

READ FIRST: The following questions are reproduced from my previous exams. Exam formats have differed over time, so you may notice some differences in formatting or question style. The intent is that these questions will help you to practice, but it is **NOT** intended to replace your own study habits.

1. [Quantitative] Pillow Investments has a 2 and 20 fee structure. The fund uses a high water mark in calculating its incentive fees. You initially invested \$200,000 in the fund. Through time, the value of your holdings has ranged from as low as \$180,000 to as high as \$320,000. At the start of this year, your position was worth \$300,000, and it is now up to \$350,000. What was your return after fees?
 - A. 2.55%
 - B. 6.54%
 - C. 9.89%
 - D. 12.8%
 - E. A different value

2. [Quantitative] A mutual fund must maintain “segregated funds” for what purpose?
 - A. Collateral for loans
 - B. Investing in other funds
 - C. Offsetting losses from derivative trading
 - D. Redeeming shares
 - E. Remaining diversified

3. [Quantitative] Pampers Capital has a 1 and 30 fee structure. The fund uses a soft hurdle rate of 8% in calculating its incentive fees. At the start of this year, your holdings in the fund were worth \$700,000. Now, your position is worth \$763,000 before fees. What is your return net of fees?
 - A. 5.54%
 - B. 6.23%
 - C. 6.89%
 - D. 7.91%
 - E. A different value

4. [Quantitative] G.O.T. Capital has a 3 and 40 fee structure. The fund uses a hard hurdle rate of 10% in calculating its incentive fees. As of the end of last year, your position in the fund net fees was valued at \$600,000. Now, it has risen to \$700,000 before fees. What is your return after fees are accounted for?
- A. 7.9%
 - B. 9.2%
 - C. 10.6%
 - D. 11.9%
 - E. A different value
5. [Conceptual] Which of the following is **NOT** legally considered an investment company?
- A. Closed-end fund
 - B. Exchange-traded fund
 - C. Hedge fund
 - D. Mutual fund
 - E. Unit investment trust
6. [Conceptual] Which of the following is a potential restriction on exiting a hedge fund?
- A. Fee that phases out over time
 - B. Fee on withdrawals above a certain amount
 - C. Lock-up period
 - D. Scheduled redemption periods
 - E. All of these
7. [Quantitative] Baelish Strategies has a 1 and 50 fee structure. The fund uses a 5% soft hurdle rate in order to calculate its incentive fees. The value of your holdings at the end of last year was \$400,000, and they reached \$425,000 at the end of this year. What is your return net of fees for this year?
- A. 2.59%
 - B. 2.71%
 - C. 2.84%
 - D. 2.97%
 - E. A different value