Question #1 of 15

Question ID: 1576518

The typical trade used by a merger arbitrage fund is:

A) short position in acquirer, long position in firm being acquired.

B) long position in acquirer, short position in firm being acquired.

C) short positions in both the acquirer and the firm being acquired.

Question #2 of 15

Question ID: 1576520

An equity hedge fund strategy that focuses primarily on exploiting overvalued securities is *best* described as a(n):

A) fundamental value strategy.

B) event driven strategy.

C) short bias strategy.

Question #3 of 15

Question ID: 1577199

A hedge fund that employs a fundamental growth strategy using equity securities is *most likely* to seek out shares of companies that are:

A) either undervalued or overvalued.

B) growing revenues and earnings rapidly.

C) undervalued only.

Question #4 of 15

Question ID: 1578001

Which hedge fund strategy is *least likely* to have a long bias?

A) Convertible bond arbitrage.

B) Fundamental long/short.

C) Distressed event-driven.

Question #5 of 15

Question ID: 1577999

The performance of a hedge fund is *most* appropriately evaluated:

A) on a risk-adjusted return basis.

B) against an equity market index.

C) against a strategy-specific benchmark.

Question #6 of 15

Question ID: 1576521

An example of a relative value hedge fund strategy is:

A) merger arbitrage.

B) market neutral.

C) convertible arbitrage.

Question #7 of 15

Question ID: 1578004

What is the *least likely* reason an institutional investor would use a separately managed account for a hedge fund investment?

A) Efficient capital allocation.

B) Higher manager motivation.

C) Enhanced investor control.

Question #8 of 15

Question ID: 1576519

The period of time within which a hedge fund must fulfill a redemption request is the:

A) lockup period.

B) notice period.

C) withdrawal period.

Question #9 of 15

Question ID: 1578005

What is an example of selection bias when creating a hedge fund index?

A) A fund reporting for the first time because it performs well.

B) Inconsistent allocation of individual funds to a peer group.

C) A fund being removed from an index because they stopped reporting.

Question #10 of 15

Question ID: 1578002

A hedge fund is *most likely* to be structured as a:

A) corporation.

B) limited partnership.

C) trust.

Question #11 of 15

Question ID: 1578003

The terms of a hedge fund are *least likely* to be stated in a:

A) private placement memorandum.

B) partnership agreement.

C) side letter.

Question #12 of 15

Question ID: 1577200

The notice period for a hedge fund is *best* described as the period following:

A) a request for redemption of shares, within which the fund must fulfill the request.

B) an investment in the fund, during which the investor is not permitted to redeem shares.

C) the opening of the fund to investors, before the fund is closed to new investors.

Question #13 of 15

Question ID: 1578000

Which statement about hedge funds is the *most* accurate? Hedge funds are:

A) privately held and available to qualified or accredited investors.

B) highly regulated and limited in strategies they may pursue.

C) lower risk than private equity because they invest mostly in liquid assets.

Question #14 of 15

Question ID: 1578006

Which type of biases in a hedge fund index are *most likely* to overestimate performance?

A) Backfill bias and survivorship bias.

B) Selection bias and survivorship bias.

C) Backfill bias and selection bias.

Question #15 of 15

Question ID: 1578007

When comparing the performance of several hedge funds, the fund with the *best* risk-adjusted annual performance is the one with the:

A) highest alpha.

B) lowest standard deviation.

C) highest coefficient of variation.