

# ***CHP Level 2 Study Guide: Portfolio Analytics***



***Sponsored by the Hedge Fund Group (HFG)***

## **Certified Hedge Fund Professional (CHP) Study Guide**

This study guide has been created for individuals studying for the Hedge Fund Portfolio Analytics module of the CHP Level 2 Designation Program. Registration for the program opens twice a year, on January 15<sup>th</sup> for the Spring Session and July 1st for the Fall Session, Limited classes of 200 professionals are admitted into the program during each session. The CHP program is rigorous and continually improved to ensure that it is practical, current, and valuable to both participants and employers. The contents of the CHP Study Guide are as follows:

- I. Hedge Fund Group (HFG) Overview
- II. CHP Level 1 & Level 2 Details
- III. CHP Level 2 Analytics Timeline
- IV. CHP Level 2 Analytics Exam Preparation
- V. Required Reading
- VI. Keywords
- VII. Sample Questions
- VIII. Frequently Asked Questions (FAQ)

### **I. Hedge Fund Group (HFG) Overview**



The Certified Hedge Fund Professional (CHP) exam is sponsored by the Hedge Fund Group (HFG), the largest international hedge fund association in the world with over 55,000 members. Members include multi-billion dollar hedge funds, hedge fund analysts, professors, consultants, third party marketers, prime brokerage professionals, and some of the leading hedge fund service providers in the industry.

The HFG has over 50 Hedge Funds and Fund of Hedge Funds professionals on its Advisory Board. The group continues to attract new members, some of whom will join the Board of Advisors who oversee the CHP Designation Program.

## II. CHP Level 1 & Level 2 Details



The CHP Designation Program consists of two levels of testing. Level 1 certifies that you have mastered a certain breadth and depth of hedge fund industry knowledge to help you excel within your current hedge fund position or enter the hedge fund industry. The Level 2 exam, is a more advanced certification providing coursework and training in a specific area of the hedge fund industry such as due diligence, Fund Marketing & Sales, or Portfolio Analytics. While earning both Level 1 & 2 is not required to be considered a CHP Charter Alumni, you must complete Level 1 before registering for any Level 2 module.

## III. CHP Level 1 & 2 Registration & Examination Timeline

The CHP Level 1 and Level 2 Programs open for registration on January 15<sup>th</sup> and July 1st of each year.

### Spring 2012 Session

- January 15, 2012      Registration Opens for Spring 2012 Session
- June 15, 2012      Examination Date
- July 15, 2012      Grades Received

### Fall 2012 Session

- July 1, 2012      Registration Opens for Fall 2012 Session
- December 1, 2012      Examination Date
- January 1, 2012      Grades Received

Note: Registration for the CHP Designation Program is limited to just 200 professionals per session.

## IV. CHP Level 2 Analytics Exam Preparation

A. Candidates should purchase all the reading materials and follow the outline provided within this study guide. The keywords provide some additional ideas on what to pay attention to within the readings, but they do not cover everything that will be on the exam. The CHP exams are conceptual in nature and require more of an understanding than a great ability to memorize facts, figures or calculations.



Preparation time required for this exam depends on each candidate's current knowledge, experience, reading speed and comprehension. We suggest 75-100 hours of reading /study time to prepare for the exam.

The Level 2 Analytics exam is offered 100% online, allowing you to complete the exam from your place of work or from home as long as you have a reliable internet connection. To complete the exam in the allotted two hour time frame requires mastery of the core concepts covered in the required readings as well as mastery of main ideas which are tested within an essay format. Those who have not read the required material may have difficulty in completing the exam within the 2 hour time limit and achieving a score of 80% or better on the test.

### Level 2 Analytics Exam Composition

Topic	Number of Questions
Portfolio Characteristics of Various Hedge Fund Investment Strategies	20 Multiple Choice Questions
Risk Adjusted Performance Measures	20 Multiple Choice Questions
Asset Allocation	20 Multiple Choice Questions
Investment Risk Management	20 Multiple Choice Questions

#### Additional Resources Policy

BA II Plus Professional Financial Calculator Suggested

#### The Level 2 Exam and Completion of the Certification

All CHP candidates must pass the Level 1 exam before attempting the Level 2 exam. Completion of both Level 1 and Level 2 is not required. The Level 2 exam is administered on the same dates as the Level 1 exam. Upon successful completion of the Level 2 exam, the CHP Advisory Board confers the full CHP title upon the candidate.

### V. CHP Level 2 Analytics Required Reading

A. Required Reading List (may be found at [HedgeFundBookstore.com](http://HedgeFundBookstore.com))

1. Hedge Funds: Quantitative Insights by Francois-Serge Lhabitant, ISBN: 978-0470856673
2. Hedge Funds: An Analytical Perspective by Andrew W. Lo, ISBN: 978-0691132945
3. Investment Strategies of Hedge Funds by Filippo Stefanini, ISBN: 978-0470026274 (Already Purchased for CHP Level 1)
4. Free Supplemental Hedge fund Portfolio Analytics Notes provided by the Hedge Fund Group Upon Registration

## VI. Keywords

Skewness  
Kurtosis  
Covariance  
Correlation  
Diversification  
Systematic Risk  
Sharp Ratio  
Standard deviation  
Value at risk  
Returns  
Annual returns  
Static returns  
Expected returns  
Holding period  
Risk Premium  
Risk Budgeting  
Capital Asset Pricing Model  
Efficient Frontier  
Risk Free Rate  
Capital Market line  
Security Market line  
Purchasing Power Parity  
Arbitrage  
Portfolio Optimization  
Maximum Drawdown  
Initial Margin  
Alpha  
Beta  
Gamma  
Omega  
Sortino Ratio  
Hurst Portfolio  
Treynor Ratio  
Calmar Ratio  
Information Ratio

Liquidity Risk  
Currency Risk  
Reinvestment risk  
Leverage risk  
Parity  
Delta Hedging  
Call Protection  
Conversion Price  
Carry Trade  
Forward Premium  
Top Down Approach  
Bottom Up Approach  
Growth Investing  
Value Investing  
Momentum  
130/30 Funds  
Z-score  
Gross exposure  
Net exposure  
Short selling  
Naked Short Selling  
Covered Short Selling  
Stop loss  
Manager Selection  
Strategy Selection  
Buy-Hold

## VII. Sample Questions

1.) Slope of capital allocation line is

Treynor ratio and Sharp Ratio

Beta

**Sharp Ratio**

Alpha

2. The risk associated when an investment manager takes a long position in convertible bonds hedged with an equivalent short position in risk free securities

**Positive gamma**

Positive delta

Duration risk

Volatility risk

3.) Which of the following are related to fixed income arbitrage trading strategies?

Inter market spread trading

Gamma trading

Break-even Inflation Trade

**Both A & C**

4.) A portfolio manager is short selling a stock what kind of risks he is exposed too?

Equity Market risk

**Short squeeze**

Liquidity risk

None of the above

5.) R-Square of a portfolio is 90%. This indicates

Portfolio moves in line with the market

Portfolio deviates from the index

Beta measured for portfolio is useful

Beta measured for portfolio is not useful

Which of the following statements are correct?

A & D

B & C

B & D

**A & C**

None of the above

## **VII. CHP Program Frequently Asked Questions (FAQ)**

Please see our ever-expanding Frequently Asked Questions (FAQ) page of our website here: <http://hedgefundcertification.com/FAQ.html>

**Want to learn more about the CHP Program? Please visit**  
<http://HedgeFundCertification.com>