

CHP Study Guide



CERTIFIED HEDGE FUND PROFESSIONAL

Level 1 Study Guide



Sponsored by the Hedge Fund Group (HFG)

Certified Hedge Fund Professional (CHP) Study Guide

This study guide has been created for those individuals who are studying for the Level 1 CHP Designation Exam. Registration for the program opens twice a year, on the dates of January 15th and July 1st. The program is limited to just 300 participants per session so registration closes once the first 300 professionals have sign-up. The CHP program is rigorous and continually improved to ensure that it is practical, current, and valuable to both participants and employers. The content of the CHP Study Guide as follows:

- I. Hedge Fund Group (HFG) Overview
- II. CHP Level 1 & Level 2 Details
- III. CHP Level 1 Timeline
- IV. CHP Level 1 Exam Preparation
- V. Required Reading
- VI. Six Modules and Corresponding Keywords
- VII. Chapter Focus Tips
- VIII. Sample Exam Questions
- IX. 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 30,000 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. Level 2, a more advanced certification, provides coursework and training in a specific area of the hedge fund industry such as due diligence, marketing/sales, investor relations, or analytics. While earning both Levels 1 & 2 is not required to be considered a CHP Alumni, you must complete Level 1 before registering for any Level 2 module.

III. CHP Level 1 Timeline

Registration for the CHP Level 1 exam opens on January 15th, 2010. The exam date for these 300 participants is June 15th, 2010.

Spring 2010 Session

- | | |
|---|---|
| <ul style="list-style-type: none"> • January 15, 2010 • June 15, 2010 • July 15 2010 | <p><u>Registration Opens for Spring 2010 Session</u></p> <p>Examination Date</p> <p>Grades Received</p> |
|---|---|

Fall 2010 Session

- | | |
|---|--|
| <ul style="list-style-type: none"> • July 1, 2010 • December 1, 2010 • January 1, 2011 | <p>Registration Opens for Fall 2010 Session</p> <p>Examination Date</p> <p>Grades Received</p> |
|---|--|

Spring 2011 Session

- | | |
|---|---|
| <ul style="list-style-type: none"> • January 15, 2011 • June 15, 2011 • July 15 2011 | <p><u>Registration Opens for Spring 2011 Session</u></p> <p>Examination Date</p> <p>Grades Received</p> |
|---|---|

Fall 2011 Session

- | | |
|---|--|
| <ul style="list-style-type: none"> • July 1, 2011 • December 1, 2011 • January 1, 2011 | <p>Registration Opens for Fall 2011 Session</p> <p>Examination Date</p> <p>Grades Received</p> |
|---|--|

4 STEP CERTIFICATION PROCESS



IV. CHP Level 1 Exam Preparation



A. Candidates should purchase all the reading materials and follow the outline provided in this study guide. The keywords therein provide some additional ideas on what to pay attention to within the readings but they don't 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.

Preparation time for this exam depends greatly on each candidate's current knowledge, experience, reading speed and comprehension. It is impossible to calculate how much time a specific individual would need to prepare, but we suggest 75-100 hours of reading/study time.

The Level I exam is offered twice a year, it is a 2 hour exam administered online. To complete the exam in the allotted time requires mastery of the core concepts covered in the required readings. Those who have not read the material may have difficulty in completing the exam within the 2 hour time limit. Participants lose 1% off their grade for each minute which the exam is submitted late, past the two hour mark.

Level 1 Exam Composition

Topic	Number of Questions
Introduction to Hedge Funds	20 Multiple Choice Questions
Fund of Funds	15 Multiple Choice Questions
Hedge Fund Strategies	25 Multiple Choice Questions
Due Diligence Tactics	5 Multiple Choice Questions

Portfolio Management Analytics	10 Multiple Choice Questions
Hedge Fund Trends	5 Multiple Choice Questions
Variable	2 Essay Questions

Additional Resources Policy

You will not need a calculator, ruler, or any graphing device for the Level 1 CHP exam. The formula-based questions concentrate on identifying formulas and understanding their meaning, rather than performing calculations.

The Level 2 Exam and Completion of the Certification

All CHP candidates must hold the CHP Level 1 title 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.

For more information about the CHP exam and program please visit

<http://CHPDesignation.Org>

V. CHP Required Reading

A. Required Readings (can be purchased at <http://HedgeFundBookstore.com>)

1. Hedge Fund of Funds Investing: An Investor's Guide by Joseph G. Nicholas ISBN: 978-1576601242
2. All About Hedge Funds by Robert Jaeger, ISBN: 978-0071393935
3. Investment Strategies of Hedge Funds by Filippo Stefanini, ISBN: 978-0470026274

B. Supplemental Resources:

1. Hedge Fund Premium Membership (12 Months Free for CHP Members)
2. Handbook of Alternative Assets by Mark Anson ISBN: 978-0471980209
3. Hedge Fund Blog Book by Richard Wilson – <http://HedgeFundsBook.com> (Free PDF E-Book)

VI. Six Modules and the Corresponding Keywords

A. Introduction to Hedge Funds

Absolute Return
Accredited Investor
Alternative Investment(s)/Assets
Beta
Black Box
Correlation
Endowment
Free-Ride Syndrome
Hedge Fund Administrator
High Watermark
Inflation
Initial Public Offering
Institutional Investor
Jones Hedge Funds
Limited Liability Companies
Liquidation
Long-Term Capital Management
Manager Risk
Modern Portfolio Theory
Non-Systematic Risk
Over-the-Counter (OTC)
Pension Funds
Prime Broker
Private Equity
SEC
Systematic Risk

B. Hedge Fund Strategies

130/30 Funds
Convertible Bond Arbitrage
Credit Default Swaps
Derivatives
Distressed Debt
Distressed Securities
Equity Long/Short
Event Driven
Fund of Hedge Funds
Futures
Global Macro
Leveraged Buyouts (LBOs)
Long/Short
Market Neutral
Market Timers
Merger Arbitrage
Multi-Fund
Multi-Manager

Multi-Market
Multi-Strategy
Short Selling
Statistical Arbitrage
Top-Down Managers
Volatility Arbitrage

C. Hedge Fund Due Diligence

Auditing Firm
Bankruptcy
Counterparty Credit Risk
Custodian
Disclosure
Early Redemption Fee
Exposure Limits
Fraud
General Partner
Lock-Up
Prospectus
Public Records
Registrar
Sanctions
Self-Selection Bias
Stock Market Manipulation
Target Return
Tax Liens
Turnover

D. Fund of Hedge Funds

Convergent Strategy
Convertible Bond Arbitrage
Distressed Securities
Divergent Strategy
Double Layer of Fees
Equity Long/Short
Fund of Hedge Fund Industry, Growth
Fund of Hedge Fund Industry, Size
Fund of Hedge Funds
Global Macro
Individual Investors
Institutional Investors
Long/Short
Market Neutral
Market Timers
Minimum Investment
Multi-Strategy Fund of Hedge Funds

Opportunistic Investing
Policy Effect
Short Selling
Single Strategy Fund of Hedge Funds
Transparency

E. Hedge Fund Portfolio Analytics

Alpha
Appraisal Ratio
Basis Risk
Beta Drivers
Capital Asset Pricing Model
Covariance
Downside Risk
Drawdown
Hedge Fund Administrator
Hurdle rate
Information ratio
Kurtosis
Leptokurtosis
Leverage
Liquidity
Omega Ratio
Platykurtosis
Portable Alpha
R-Squared
Sharpe Ratio
Sortino Ratio
Treyner Ratio

VII. Chapter Focus Tips

In addition to providing the above keywords we would also like to also direct participants to the most vital chapters of the required readings. We would recommend that you cover the required readings by first reading “All About Hedge Funds” followed by “Hedge Fund of Funds Investing,” and then read the more in-depth “Investment Strategies of Hedge Funds” last.

It is important to read each chapter of the three books required for CHP Level 1. However, this guide below will let you know which chapters you should read several times and take notes on before the exam:

All About Hedge Funds by Robert Jaeger

- Chapter 1: The Historical Context
- Chapter 2: Hedge Fund Managers and Clients
- Chapter 3: Hedge Funds and the Brokerage Community
- Chapter 9: Leverage, Short Selling, and Hedging
- Chapter 10: Futures and Options
- Chapter 13: Performance Fees
- Chapter 15: An Overview of the Menu (Hedge Fund Strategies)
- Chapter 16: Equity Hedge Funds and Global Asset Allocators

Hedge Fund of Funds Investing: An Investor's Guide by Joseph G. Nicholas

- Chapter 1: Fund of Funds in the Hedge Fund Industry
- Chapter 2: Hedge Fund Investment Strategies
- Chapter 3: Fund of Funds Mechanics and the Two-Tiered Structure
- Chapter 4: Advantages and Disadvantages of Funds of Funds
- Chapter 9: Issues in Due Diligence: Portfolio Management
- Chapter 10: Issues in Due Diligence: Risk Management

Investment Strategies of Hedge Funds by Filippo Stefanini

- Chapter 1: A Few Initial Remarks
- Chapter 2: Arbitrage
- Chapter 3: Short Selling
- Chapter 4: Long/Short Equity
- Chapter 5: Merger Arbitrage
- Chapter 6: Convertible Bond Arbitrage
- Chapter 7: Fixed Income Arbitrage
- Chapter 10: Distressed Securities
- Chapter 11: Event Driven or Special Situations
- Chapter 12: Multi-Strategy
- Chapter 13: Managed Futures
- Chapter 14: Global Macro
- Chapter 17: Conclusion

VIII. CHP Designation: Sample Questions

Sample Question #1: Which two qualities does an individual accredited investor possess?

- i) \$1,000,000 net worth
- ii) in excess of \$150,000 individual income or \$175,000 joint income with spouse in the most recent two years
- iii) \$5,000,000 net worth
- iv) in excess of \$200,000 individual income or \$300,000 joint income with spouse in the most recent two years

- a) i & ii
- b) iii & ii
- c) i & iv
- d) iii & iv

Sample Question #2: What is the commonly used term in the hedge fund industry for sophisticated computer algorithms that lack transparency?

- a) Insider trading
- b) "Black box"
- c) Quantitative arbitrage
- d) Heteroscedasticity

Sample Question #3: Convertible bond arbitrage is to event driven as _____ is to corporate restructuring.

- a) Market neutral
- b) Short selling
- c) Distressed securities
- d) Market timers

Sample Question #4: What are the two strategies that have the broadest mandate across financial, commodity, and futures markets?

- i) Global macro
- ii) Distressed securities
- iii) Fund of funds
- iv) Equity long/short
- v) Market timers

- a) i & v
- b) ii & iv
- c) iv & v
- d) i & iii

Sample Question #5: The definition of a drawdown is

- a) A method to limit taxable gains for investors
- b) A decline in the net asset value of the hedge fund
- c) A year end management fee
- d) A withdrawal made while fully invested

Note: Once you have registered for the program you will be emailed a self-grading practice exam in Excel so you can test your knowledge before the real exam is offered. This is a free study resource that we offer to all participants.

IX. CHP Program Frequently Asked Questions (FAQ)



Below are some of the frequently asked questions regarding the Certified Hedge Fund Professional (CHP) designation and exams.

Question: What are the benefits of earning the Certified Hedge Fund Professional (CHP) designation?

Answer: For a list of the top benefits associated with the program please see the [Top 10 CHP Designation Program Benefits](#)

Question: What makes the CHP designation different from other professional designations?

Answer: There are three main differences which include focus, application, and price.

1. The CHP is focused exclusively on hedge funds and fund of hedge funds. It is in-depth and comprehensive coverage of this niche area.
2. The CHP Program offers practical knowledge that can easily be applied to a variety of hedge fund positions such as due diligence, compliance, analytics, consulting, or marketing and sales.
3. The CHP Level 1 Program costs just \$550 which is significantly less than other financial designations. We provide over 50 educational videos to participants for free, require no purchasing of expensive external study aides, and we complete all of our required testing 100% online so you avoid the hassle and costs of dealing with testing centers. Read more about how CHP Program participants have fit this designation into their overall career plans by clicking [here](#).

Question: How much will I have to study or prepare for the CHP before sitting for the exam?

Answer: This will depend on your previous exposure and work within the hedge fund industry but the typical amount of time expected is 75-100 hours.

Question: I live outside of the United States, can I still earn the CHP designation?

Answer: Yes, we have crafted the CHP designation program so that you may take the test online from anywhere in the world. By using a dual layered IP tracking and password system, and by making the exam timed we allow participants to complete the examination from their place of work or home anywhere in the world. In the past 18 months alone we have had participants complete our program from the UK, Switzerland, China, India, Australia, South Africa, Canada, Mexico, Brazil, Japan, and over 30 additional countries.

Question: I know that I want to earn the CHP designation, how do I register for the exam?

Answer: Registration for the Spring 2010 Program will begin at 2PM EST on January 15th, 2010. This class of CHP Program participants will be limited to the first 300 individuals to register on January 15th. To be alerted via email on upcoming registration dates please submit your contact details through our Email Alerts form [here](#). To register for the program, please click [here](#).

Question: I have read that the CHP is a rigorous and thorough course, what happens if I do not pass the exam? Can I take it again?

Answer: Yes, anyone who has failed one of the CHP exams may take it a second time. If you miss your scheduled exam date or fail the exam there is a \$127 fee to retake the exam.

Question: What if I register for the exam and then change my mind. Can I get a full refund for the cost of the program?

Answer: Yes, you may receive a full refund if you decide not to complete the CHP Program. We provide a 100% no questions asked refund within the first 3 weeks regardless of the reason, this allows you to evaluate our study guide, required readings, and the industry tools and educational video content provided to you within HedgeFundPremium.com as part of your membership within the CHP Program. To cancel your registration please send us your request in writing to this address within 3 weeks of registering to the following address: Hedge Fund Group (HFG) 3300 NW 185th Avenue Suite #108 Portland, OR 97229. To change your registration date from one period to another costs \$35 and this can be completed by completing the form found [here](#). If you do not change your exam date within 48 hours before your scheduled examination and you miss your exam you will have to pay the full \$127 re-take fee and complete the form found [here](#). This is the same fee paid by those who fail the exam.

Question: How much does the Certified Hedge Fund Professional (CHP) program cost?

Answer: The total program, including both levels of the designation program costs about the same as one university course. The CHP Level 1 program costs \$550 while CHA Level 2 costs \$650, if you pay the full tuition for both levels at one time the total cost is \$899 instead of \$1,200.

There are two levels of certification and two exams. Please see the following links for more details on program registration dates, fees and CHP Level 1 & 2 Program Details:

- [CHP Enrollment Dates](#)
- [CHP Program Fees](#)
- [CHP Level 1 Details](#)
- [CHP Level 2 Details](#)
- [CHP Program Email Alerts](#)

Question: Where can I buy the books that are required to study for the CHP designation exams?

Answer: Please visit <http://HedgeFundBookstore.com> to see the list of required books for Level 1 and Level 2 of the CHP Program.

Question: What makes the CHP program reputable? Who supports it? How well is the CHP known in the industry?

Answer: It is becoming very well known around the world and several companies have started requiring that their employees obtain the CHP Designation, or they prefer candidates applying to hold the certification. The CHP designation was created by the Advisory Board and members of the Hedge Fund Group (HFG), the largest and fastest growing professional networking group focused exclusively on the hedge fund industry. The Hedge Fund Group currently has over 30,000 members which include hedge fund managers, analysts, family office professionals, third party marketers, recruiters, prime brokerage firms, hedge fund administrators, hedge fund auditors, portfolio managers, and endowment and foundation directors. Currently there are over 50 hedge fund managers on the Board of Advisors for the CHP and more are being added each month. These hedge fund managers provide direct feedback and insight into what should be included in the designation. In addition to these credibility details we also like to remind participants that by joining the CHP Designation they gain access to the over 100 free exclusive resources within HedgeFundPremium.com, this includes over 60 educational video resources and it is free for all CHP members to access.

Question: What are the prerequisites for the CHP program?

Answer: There are no prior experience or educational requirements to enroll in the CHP Designation Program: This program is limited to just 300 participants for each Spring and Fall Session opening January 15th and July 1st each year and the exam is challenging.

Question: When should I expect to get my CHP exam results back?

Answer: You will receive your test results back within 4 weeks of taking the exam.

Question: What score do I need to pass the exam?

Answer: To pass you must earn a grade of 80% or higher. While the exam is designed to be rigorous and thorough most individuals who have read the required readings and invested a significant amount of time studying for the test should do well. The exam is offered 100% online so you may complete it from your place of work or from home if you wish. The exam uses a dual layered IP tracking and password system to prevent abuse and it has successfully been used with hundreds of program participants in the past.

Question: Do I need to pass each module of the test to pass the whole exam?

Answer: No, an overall grade of 80% is all that is required to pass.

Question: How many tests are required to hold the full designation? Are there three exams and levels within this designation?

Answer: There are two required exams, Level 1 and Level 2.

Question: When is the exam open for registration and when does testing occur?

Answer: The CHP Designation Program opens to 300 additional participants for both Spring and Fall sessions which open on January 15th and July 1st of each year. The exams for the Spring session takes place on June 15th, and for the Fall session the exam takes place on December 1st. Examination and enrollment dates are both detailed further [here](#) and our registration page is located [here](#).

Question: How do I receive the actual certificate upon program completion?

Answer: Everyone who completes the program is emailed their certificate upon passing the exam. If you are based in the United States you may provide us with your preferred mailing address and we will mail your certificate to you at no extra cost. If you are based outside the United States and you would like to be have a hard copy of your certificate please contact our team to review the costs of doing so.

Question: Is there a time requirement on completing both levels of the designation?

Answer: No, there is no time requirement. You may list the CHP Designation Charter Holder on your resume after passing the Level 1 exam but you must state that you are a CHP Level 1 Chartered Holder so there is no confusion with those who have completed both levels of the program..

Question: Is the CHP Designation Program available in Chinese?

Answer: Currently the CHP Program is only available in English.

Question: As an employer, why should I hire someone who has earned the CHP Designation?

Answer: The CHP Designation Program is designed to do two things. First it ensures that participants master a certain level of hedge fund knowledge across 6 learning modules throughout the CHP Level 1 exam. Second, it allows participants to choose an area of expertise where they will gain specialized knowledge through the Level 2 Exam. This dual level certification provides them with the necessary knowledge and skills to become an efficient and effective member of an alternative investment, hedge fund, fund of fund, or wealth management team.

Question: I am currently a student. What are the benefits of earning the CHP Designation for me?

Answer: The CHP Designation has been designed for experienced financial professionals and students alike. As a student you will gain critical knowledge



needed to identify the area of the hedge fund industry in which you prefer to work in. This program can also help you obtain internships because our team provides networking, resume construction, resume template, and internship video advice resources. Starting your career with this knowledge base can save you years of job experimentation within various roles. As a CHP Designation charter holder you have an advantage over others with the same degree, employers seek those who have taken the initiative to gain additional knowledge relevant to their career.

Question: What methods of payment are accepted for the CHP fees?

Answer: We accept web or fax-based credit card and debit card orders, payment by check, Western Union, or Paypal. To register for the program please click [here](#).

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