



CHP LEVEL 2 –PORTFOLIO ANALYTICS STUDY GUIDE



Sponsored by the Hedge Fund Group (HFG)

CERTIFIED HEDGE FUND PROFESSIONAL (CHP) STUDY GUIDE

Please use study guide to assist in preparation for the CHP Level 2 – Portfolio Analytics designation exam. The CHP program is rigorous and continually improved to ensure that it is practical, current, and valuable to both participants and employers.

Registration for the CHP program is open year round with examinations offered every month.

The content of the CHP Level 2 – Portfolio Analytics Study Guide as follows:

- I** Hedge Fund Group (HFG) Overview
- II** CHP Level 1 & Level 2 Details
- III** CHP Level 2 Portfolio Analytics Timeline
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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 125,000+ 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 a dozen 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 is a 100% online continuing education course. The CHP consists of two levels of testing, Level 1 and Level 2. 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. You must complete Level 1 before registering for or taking the exam for any Level 2 module.

4 STEP CERTIFICATION PROCESS



III. CHP LEVEL 2 PROGRAM TIMELINE

Registration for the CHP program is open year round, and examinations are held on the 1st Wednesday of the new month

After passing the examination for CHP Level 1, you are welcome to schedule your examination date. There is no deadline to schedule your examination, and you can take as long as you need. Simply reply to the examination results email from Level 1, or the Welcome email for Level 2 to select your examination date.

Please note that, as with Level 1, the deadline to select your exam date is the 2 weeks before the examination date. For example, to schedule yourself for the January 10th date, an email, phone call, or chat message must be received by December 27th with a request to sit for the January 10th exam.

After the examination is completed, answers are graded and results are sent out within one month.

IV. CHP LEVEL 2 – PORTFOLIO ANALYTICS: EXAM PREPARATION



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.

ADDITIONAL RESOURCES

A BA II Plus Professional Financial Calculator is suggested.

CHP 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, however, to be a CHP Level 1 Designation holder.

LEVEL 2 PORTFOLIO 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
Variable	2 Short Essay Questions

V. CHP LEVEL 2 PORTFOLIO ANALYTICS REQUIRED READING

A. REQUIRED READING LIST. Texts can be purchased on Amazon.com. If you live somewhere that makes it very hard to purchase books from websites such as Amazon.com please contact our team at Team@HedgeFundCertification.com for help with getting the required books to you.

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	Hurst Portfolio
Kurtosis	Treynor Ratio
Covariance	Calmar Ratio
Correlation	Information Ratio
Diversification	Liquidity Risk
Systematic Risk	Currency Risk
Sharp Ratio	Reinvestment risk
Standard deviation	Leverage risk
Value at risk	Parity
Returns	Delta Hedging
Annual returns	Call Protection
Static returns	Conversion Price
Expected returns	Carry Trade
Holding period	Forward Premium
Risk Premium	Top Down Approach
Risk Budgeting	Bottom Up Approach
Capital Asset Pricing Model	Growth Investing
Efficient Frontier	Value Investing
Risk Free Rate	Momentum
Capital Market line	130/30 Funds
Security Market line	Z-score
Purchasing Power Parity	Gross exposure
Arbitrage	Net exposure
Portfolio Optimization	Short selling
Maximum Drawdown	Naked Short Selling
Initial Margin	Covered Short Selling
Alpha	Stop loss
Beta	Manager Selection
Gamma	Strategy Selection
Omega	Buy-Hold
Sortino Ratio	

VII. SAMPLE QUESTIONS

1.) Slope of capital allocation line is

- a. Treynor ratio and Sharp Ratio
- b. Beta
- c. Sharp Ratio**
- d. 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

- a. Positive gamma**
- b. Positive delta
- c. Duration risk
- d. Volatility risk

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

- a. Inter market spread trading
- b. Gamma trading
- c. Break-even Inflation Trade
- d. Both A & C**

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

- a. Equity Market risk
- b. Short squeeze**
- c. Liquidity risk
- d. None of the above

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

- A. Portfolio moves in line with the market
- B. Portfolio deviates from the index
- C. Beta measured for portfolio is useful
- D. Beta measured for portfolio is not useful

Which of the following above statements are correct?

- a. A & D
- b. B & C
- c. B & D



- d. A&C
- e. None of the above

VIII. CHP PROGRAM FREQUENTLY ASKED QUESTIONS(FAQ)

Have more questions about the program? Please see our ever-expanding Frequently Asked Questions (FAQ) page of our website here: <http://HedgeFundCertification.com/FAQ>

Want to contact our team? You can reach us with our information below:

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