

CHA Study Guide



Level 1 Study Guide



Sponsored by the Hedge Fund Group (HFG)

Chartered Hedge Fund Associate (CHA) Study Guide



This study guide has been created for those individuals who are studying for the Spring 2009 Level 1 CHA Designation Exam. Registration for the program opens twice a year, for Fall 2009 it will begin on July 15th and end once 200 professionals have registered for the program. The CHA program is rigorous and continually improved to ensure that it is practical, current, and valuable to both participants and employers. The content of the CHA Study Guide includes:

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

I. Hedge Fund Group (HFG) Overview



The Chartered Hedge Fund Associate (CHA) exam is sponsored by the Hedge Fund Group (HFG), the largest international hedge fund association in the world with over 15,000 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 which oversees the CHA Designation Program.

II. CHA Level 1 & Level 2 Details



The CHA 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, to be released in late 2009; is a more advanced certification providing coursework and training within 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 CHA Charter Alumni, you must complete Level 1 before registering for any Level 2 module.

III. CHA Level 1 Timeline

Registration for the CHA Level 1 exam opens on July 15th, 2009. The exam date for these 200 participants is November 15, 2009.

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|---------------------|---|
| • July 15, 2009 | <u>Registration Opens for Fall 2009</u> |
| • November 15, 2009 | Examination Date |
| • December 15 2009 | Grades Received |
| | |
| • January 15, 2010 | <u>Registration Opens for Spring 2010</u> |
| • June 15, 2010 | Examination Date |
| • July 15 2010 | Grades Received |

IV. CHA Level 1 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 don't cover everything which will be on the exam. The CHA exams are conceptual in nature and require more of an understanding than a great ability to memorize facts.



Preparation time required for this exam depends 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.

Level 1 Exam Composition

Topic	Number of Questions
Introduction to Hedge Funds	15 Multiple Choice Questions
Fund of Funds	15 Multiple Choice Questions
Hedge Fund Strategies	20 Multiple Choice Questions
Due Diligence Tactics	7 Multiple Choice Questions
Portfolio Management Analytics	8 Multiple Choice Questions
Hedge Fund Careers	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 CHA exam. The formula-based questions concentrate on identifying formulas and understanding their meaning, not on actual calculations.

The Level II Exam and Completion of the Certification

All CHA candidates must pass the Level 1 exam before attempting the Level 2 exam, but 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 CHA Advisory Board confers the CHA title upon the candidate.

For more information about the CHA exam and program please visit

<http://CHADesignation.Org>

V. CHA Required Reading

A. Required Reading List (can be purchased at <http://CHABookStore.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. Handbook of Alternative Assets by Mark Anson ISBN: 978-0471980209
2. Hedge Fund Blog Book by Richard Wilson – <http://HedgeFundsBook.com>
(Supplemental & Free)

VI. Six Modules and the Corresponding Keywords

A. Module 1 - 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. Module 2 - 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. Module 3 - 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. Module 4 - 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. Module 5 - Hedge Fund Portfolios

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
Treydor Ratio

F. Module 6- Hedge Fund Careers

Analyst Positions

Buy-Side
Career Progression
Daily Responsibilities
Hedge Fund Jobs, Entry Level
Hedge Fund Jobs, Types
MBA
Resumes
Salary Levels
Sell-Side

VII. CHA 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

VIII. CHA Program Frequently Asked Questions (FAQ)



Below are some of the frequently asked questions regarding the Chartered Hedge Fund Associate (CHA) designation and exams. If you are interested in the CHA, you may download the [CHA Study Guide](#). Feel free to email us additional questions using our [Contact Us Form](#).

Question: *What are the benefits of earning the Chartered Hedge Fund Associate (CHA) designation?*

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

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

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

- The CHA is focused exclusively on hedge funds and fund of hedge funds. It is in-depth and relatively comprehensive coverage of this niche area.
- The CHA Program offers practical knowledge which can easily be applied to a variety of hedge fund positions such as due diligence, compliance, analytics or marketing and sales.
- The third and final difference is that the CHA will cost slightly less than other financial designations as our online testing system allows us to operate without cost costs of physical testing centers.
- Read more about how CHA 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 CHA 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 CHA designation?*

Answer: Yes, we have crafted the CHA designation program so that you may take the test online from anywhere in the world.

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

Answer: Registration for the program opens to a limited class of 200 participants starting on January 15th and July 15th of each year. Once 200 professionals have registered for the program it will close to new participants until the next registration date arrives. 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 now please click [here](#).

Question: *I have read that the CHA 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 CHA exams may take it a second time, after a 3 month waiting period. There is a \$199 fee to retake the exam a second time.

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 to move forward with the program, send us your request in writing to this address within 3 weeks of registering: Hedge Fund Group (HFG) 3300 NW 185th Avenue Suite #108 Portland, OR 97229. To change your registration date from one period of another costs \$49 and can be done at any time by emailing us at Team@CHADesignation.org.

Question: *How much does the Chartered Hedge Fund Associate (CHA) program cost?*

Answer: CHA Level 1 costs \$500 and CHA Level 2 costs \$600. Those who register for CHA Level 1 & 2 at the same time may save \$150 and register for just \$950.

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

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

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

Answer: Please visit CHABookStore.com

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

Answer: The CHA 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 HFG currently has over 25,000 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. So far there are over 50 hedge fund managers on the Board of Advisors for the CHA and more are being added each month. These hedge fund managers provide direct feedback and insight into what exactly should be included in the designation.

Question: *What are the prerequisites for the CHA program?*

Answer: There are no prior experience or educational requirements to enroll in the CHA Designation Program, however this program is limited to just 200 participants for each Spring and Fall Session opening January 15th and July 15th each year.

Question: *When should I expect to get my CHA 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 CHA Designation Program opens to 200 additional participants for both Spring and Fall sessions which open on January 15th and July 15th of each year. Exams for Spring session are on June 15th and for Fall session they are on November 15th. 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: You provide us with your preferred mailing address and we will send it to you via traditional mail or email.

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

Answer: No, there is no time requirement. You may list the CHA Designation Charter Holder on your resume after passing the Level 1 exam, but you must state that you are a CHA Level 1 Chartered Holder so there is no confusion.

Question: *Is the CHA Designation Program available in Spanish or Chinese?*

Answer: At this point the CHA Program is only available in English.

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

Answer: The CHA 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 CHA Level 1 exam. Second, it allows them to choose an area of expertise where they 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 CHA Designation for me?*

Answer: The CHA Designation has been designed for experienced financial professionals and students alike. As a student you will gain critical knowledge needed to identify which area of the hedge fund industry you prefer to work in. This program can also help you obtain internships. Starting your career with this knowledge base can save you years of job experimentation. As a CHA Designation charter holder you have an advantage over others with your 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 CHA fees?*

Answer: Our website accepts web or fax-based credit card and debit card orders, payment by check, Western Union or Paypal are also accepted. To register now please click [here](#).

Want to learn more about the CHA Program? Please visit <http://ChaDesignation.org>