

CHA Study Guide

***Chartered Hedge Fund Associate (CHA)
Level 1 Study Guide for Fall 2008***

Sponsored by the Hedge Fund Group (HFG)



CHA Study Guide

This study guide has been created for those individuals who are studying for the Level 1 CHA Exam for Fall 2008. The CHA program is rigorous and being continually improved to ensure that it is practical, current and valuable to both participants and employers who seek to hire hedge fund professionals.

The Chartered Hedge Fund Associate (CHA) exam is sponsored by the Hedge Fund Group (HFG). The Hedge Fund Group (HFG) is an 8,000 member plus organization which is the largest hedge fund association in the world. Hedge fund members include multi-billion dollar hedge funds, hedge fund analyst, professors, consultants, third party marketers, prime brokerage professionals and some of the leading hedge fund service providers in the industry. Every quarter the Hedge Fund Group (HFG) gains hundreds of new members who will all be asked to contribute to the rigor and professional value of the CHA designation.

CHA Level 1 & Level 2

The CHA program will consist of two levels of testing. Level 1 will certify 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 will not be released until 2009, it will be a more advanced certification which specializes individuals within a specific area of the hedge fund industry such as due diligence, marketing sales and investor relations or prime brokerage. To sit for the Level 2 certification exam you must first pass the Level 1 exam.

CHA Level 1 Timeline

The CHA Level 1 exam will be open for registration to a limited group of 100 participants and then closed to new entrants for some time as we further develop the supporting website for the program. The exam period for these first 100 participants will start on October 1st and ends on October 10th. During this window of time each participant must take the online CHA examination.

July 17 th , 2008	Open Registration to first 100 registrants
October 1 st through October 10 th	Examination Period
November 15 th	Grades Received

Preparing for the CHA Level 1 Exam

Candidates should purchase all the reading materials and follow the outline provided within this study guide. The best way to organize one's study is around the keywords but be aware that they are in no way all encompassing for this

exam. The keywords should indicate a specific area of interest that a candidate should concentrate on. Keywords should be research from each reading because exam questions draw on multiple resources.

Regarding preparation time required for this exam, each candidate's current knowledge base, experience and speed of reading and comprehension is unique. 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 because the exam topics covers many topics.

The Level I exam is administered quarterly and is a 2 hour exam administered online. The timeframe allotted for the exam requires superior knowledge of the material to complete the exam but the highest level of honor is expected from each candidate taking the examination.

Level I Exam Topic Weights

Topic	Number of Questions
Introduction to Hedge Funds	10 Multiple Choice Questions
Fund of Funds	10 Multiple Choice Questions
Hedge Fund Strategies	15 Multiple Choice Questions
Due Diligence Tactics	10 Multiple Choice Questions
Portfolio Management Analytics	15 Multiple Choice Questions
Hedge Fund Careers	10 Multiple Choice Questions
Essay	2 Essay Questions

Additional Resources Policy

You will not need a calculator, ruler or other graphing resources for the Level I CHA exam. The formula based questions concentrate on identification of Formulas and understanding of meaning: not calculations.

The Level II Exam and Completion of the Certification

All CHA candidates must pass the Level I exam before attempting the Level II exam. The Level II Exam is administered on the same four dates as the Level I

exam. Upon successful completion of the Level II exam, the CHA Advisory board will confer the CHA title upon the candidate.

More Information

For more information about the CHA exam and program please visit <http://HedgeFundGroup.Org>

CHA Required Reading & Keyword Guide

Required Reading List

1. **Funds of Hedge Funds** *Performance, Assessment, Diversification, and Statistical Properties* by Greg N. Gregoriou (great reviews \$75)
2. **Hedge Funds for Dummies?** – by Ann C. Logue ISBN: 978-0470049273
3. **Hedge ME** by Claude Schwab ISBN: 978-0974418858
4. **All About Hedge Funds** by Robert Jaeger ISBN: 978-0071393935
5. **Investment Strategies of Hedge Funds** by Filippo Stefanini ISBN: 978-0470026274 (Strength: Strategies Weakness: small focus)
6. **Hedge Fund of Funds Investing** An Investors Guide by Joseph Nicholas ISBN: 978-1576601242 (great reviews - \$50)

Supplemental Resources:

1. **Hedge Fund Blog Book** by Richard Wilson – <http://HedgeFundsBook.com> (Supplemental & Free)
2. **Handbook of Alternative Assets** by Mark Anson ISBN: 978-0471980209

Module 1 - Introduction to Hedge Funds

Keywords

Jones Hedge Funds
High Watermark
Inflation
Private Equity
Limited Liability Companies
Venture Capital
Over-the-Counter (OTC)
Pension Funds
Alternative Investment(s)/assets

Long-term Capital Management
Prime Broker
Hedge Fund administrator
SEC
Free-Ride Syndrome
Absolute Return
Accredited Investor
Public Offering
Institutional Investor
Endowment
Beta
"Black Box"
Correlation
liquidation
Systematic Risk
Non-systematic Risk
Modern Portfolio Theory
Manager Risk

Module 2 - Hedge Fund Strategies

KeyWords

Long/Short
Credit Default Swaps
130/30 Funds
Global Macro
convertible bond arbitrage
equity long/short
market neutral
short selling
distressed securities
Distressed Debt
market timers
Fund of Funds
Event Driven
Leveraged Buyouts (LBOs)
Top-Down Managers
Futures
Derivatives
Swaps
Multi-manager
Multi-fund
Multi-strategy
Multi-market
Merger arbitrage

Statistical Arbitrage
Volatility arbitrage

Module 3 - Hedge Fund Due Diligence

Keywords

Registrar
Turnover
Error of Commission
Error of Omission
Disclosure
Bankruptcy
Credentials
Bayou Wood River
Whistleblower(s)
Stock Market Manipulation
Sanctions
Public records
General partner
Fraud
Self-selection bias
Counterparty credit risk
Custodian
Prospectus
Litigation
Tax liens
Key contact person
Target return
Auditing firm
Lock-up
Exposure limits
Early redemption fee

Module 4 - Fund of Hedge Funds

Keywords

Double Layer of Fees
Transparency
Opportunistic Investing
Institutional Investors
Individual Investors
Long/Short

Global Macro
convertible bond arbitrage
equity long/short
market neutral
short selling
distressed securities
market timers
Fund of Funds
Convergent Strategy
Divergent Strategy
Minimum investment
Policy Effect
Multi-strategy fund of hedge funds
Single Strategy fund of hedge funds
Size of Fund of Hedge Fund Industry
Growth of Fund of Hedge Fund Industry

Module 5 - Hedge Fund Portfolios

Keywords

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

Module 6- Hedge Fund Careers

Keywords

Buy-side
Sell-side
Top Hedge Fund Managers
Analyst Positions
MBA
Resumes
Salary levels
Career progression
Interviewing Tips
Entry level hedge fund jobs
Daily Responsibilities
Types of hedge fund jobs

Chartered Hedge Fund Associate (CHA) Program Frequently Asked Questions (FAQ)

- Question: *Can I get a refund for the program if I register and then later decide to not take the exam?* Answer: The program fee of \$199 cannot be refunded but we can refund you the full cost of registering for the exam.
- Question: *How much does the Chartered Hedge Fund Associate (CHA) program cost?* Answer: The CHA program costs \$199 to join and \$499 for each exam. There will be two levels of certification and two exams. Level 1 certification will be released in 2008 and Level 2 certification will be available in 2009.
- Question: *What are the benefits of earning the Chartered Hedge Fund Associate (CHA) designation?* Answer: The benefits of earning the Chartered Hedge Fund Associate (CHA) include a broad thorough base of hedge fund focused knowledge, a demonstration to those within the hedge fund industry of your commitment and relevant knowledge and access to a password protected hedge fund job board available only to CHA program members. While you can already network with the more than 8,000 members of the Hedge Fund Group (HFG), starting in 2009 we will be

holding annual Hedge Fund Group (HFG) and CHA networking events in New York City.

- 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 within this niche area of focus
 - The CHA is aiming to be very applicable and practical in the knowledge gained, including hedge fund career, due diligence and strategy related information.
 - The third and final difference is that the CHA will cost \$499/exam, we are aiming to make this certification worth many times the cost by only charging what we need to keep building the designation and the benefits of earning it.
- 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 in 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 exam will begin on July 17th. On this date at 2PM EST a link will be placed on the HedgeFundGroup.org homepage and the first 100 individuals who apply for the program will be admitted. We are going to limit this first set of participants to 100 individuals and then close the program for some time while we improve the website, send out a press release, and create more tangible benefits for everyone involved in the Hedge Fund Group (HFG) and CHA designation program. Please come back and visit HedgeFundGroup.org on July 17th to register for the CHA.
- Question: I have read that the CHA is being designed to be very rigorous and thorough, 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 as needed after a 3 month waiting period.
- Question: Where can I buy the books that are required to study for the CHA designation? Answer: To buy these books please visit CHABookStore.com or visit HedgeFundBookStore.com and click on the "Required Reading for the CHA Designation" link.

- Question: What makes the CHA program reputable? Who supports it? How well is it known in the industry? Answer: The CHA designation is being created by members of the Hedge Fund Group (HFG). The HFG is the largest and quickest growing professional networking group focused exclusively on the hedge fund industry. The HFG currently has over 8,000 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 two 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: Each CHA candidate must apply for inclusion within the program; at this point all applicants who have not violated any ethical codes in the past will be accepted into the program. These requirements will be adjusted in the future as needed and are subject to change.
- Question: When should I expect to get my CHA exam results back? Answer: You should expect to get your test results back within 6 weeks of taking the exam. Those who register on July 17th for the CHA designation will take the exam between October 1st and October 10th. They will receive their grades by November 15th.
- 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 each piece of required readings and invested a significant amount of time studying for the test should do well.
- 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.