



CAIA Level I

Curriculum
Companion

2026

TOPIC 1 CAIA Ethical Principles

1.1 Professional and Fiduciary Responsibilities

1.1.1 The Investment Industry

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of the purpose, role, and participants of the investment industry.

Including:

- Distinguish between the participants within the investment industry
- Justify the four facets of purpose of the investment industry
- Analyze the current investment industry relative to alternative systems
- Understand the four facets of purpose of the investment industry

Keywords

principal	agent	stakeholder
value chain		

1.1.2 Value Creation and the Investment Industry

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of *the purpose of the* investment industry and value creation within the industry.

Including:

- Assess how value is created in the investment industry
- Understand the role of sustainable finance
- Understand the role of capital allocation in the investment industry
- Describe how public and private markets create value
- Describe stewardship with respect to investment industry activity
- Understand different value models

Keywords

sustainability	social-license principle	capital allocation
stewardship	triple bottom line	

1.1.3 Fiduciary Duty and Professionalism

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of professionalism and fiduciary responsibility.

Including:

- Evaluate the purpose of fiduciary duty and the four areas of fiduciary obligations
- Understand the five values that support a true fiduciary and professional mindset
- Assess the role of culture on industry professionalism
- Understand the challenges that associate with the four areas of fiduciary obligations

Keywords

social license compact		
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1.1.4 The Client First Mindset

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of a client-first approach.

Including:

- Discuss the role of trust in client relationships
- Contrast the professional mindset with the characteristics and trademarks of our current system
- Recommend how investors can navigate instances when the “right” choice is not obvious
- Justify the role a professional mindset has in creating value for a client
- Describe the virtuous circle of positive forces with respect to the fiduciary and professional mindset

Keywords

misaligned industry	professional industry	unnecessary industry
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1.2 Ethics

1.2.1 An Introduction to the CAIA Ethical Principles

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of the relationship between professionalism and ethics.

Including:

- Understand the key elements of professionalism and fiduciary responsibility
- Identify the eight ethical principles
- Contrast the ethical principles that guide “doing the right things” with those that guide “doing things right”

1.2.2 Foundations for the CAIA Ethical Principles

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of foundational components of ethical principles.

Including:

- Understand the foundational ideas and concepts associated with the principles
- Analyze the value creation equation
- Support the role of professionalism in the organizational value chain
- Justify the four components of assurance of quality

Keywords

investment ecosystem	ethics	fiduciary duty
prudence and care	license to operate	conflict of interest
values	assurance of quality	loyalty
impartiality	trust	

1.2.3 Ethical Principles for Investment Professionals

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of CAIA Ethical Principles.

Including:

- Explain principle 1 and support its underlying components
- Explain principle 2 and support its underlying components
- Explain principle 3 and support its underlying components
- Explain principle 4 and support its underlying components
- Explain principle 5 and support its underlying components
- Explain principle 6 and support its underlying components
- Explain principle 7 and support its underlying components
- Explain principle 8 and support its underlying components
- Understand the benefits of a principle-based approach to ethics

Keywords

moral courage

accountability

integrity

1.2.4 Case Studies in Ethical Principles

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of historical ethical breaches in the finance industry.

Including:

- Ethical misconduct at MF Global
- Ethical misconduct at Archegos Capital Management
- Ethical misconduct at Bear Stearns
- Ethical misconduct at the New York State Common Retirement Fund
- Ethical misconduct at CalPERS

TOPIC 2 Introduction to Alternative Investments

2.1.1 Defining Alternative Investments

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of various alternative investment types.

Including:

- Identify characteristics of institutional-quality investments.
- Describe real assets (i.e., commodities, real estate, intellectual property, and infrastructure)
- Describe hedge funds
- Describe private equity (i.e., venture capital, growth equity, and leveraged buyouts)
- Describe private debt (e.g., direct lending, mezzanine debt, distressed debt, and collateralized debt obligations)

Keywords

alternative Investments	institutional-quality investment	traditional investments
real assets	commodities	real estate
land	timberland	farmland
natural Resources	infrastructure	hedge Fund

private Equity	venture capital	leveraged buyouts (LBOs)
direct lending	distressed debt	structured products
structuring	securitization	

2.1.2 The Blurred Lines Between Traditional and Alternative Investments

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of the defining characteristics of alternative investments.

Including:

- Understand that the lines between traditional and alternative investments are not distinct and universal
- Identify which categories of investments are generally qualified as traditional, generally qualified as alternative, and which can be placed under both

2.1.3 A History of Alternative Investing: The U.S. Case

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of the history of alternative investments in the United States

Including:

- Understand how assets typically held by institutional investors in the US have transformed over time

Keywords

prudent person standard

2.1.4 History of Alternative Investing in Asia

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of the history of alternative investment in Asia

Including:

- Understand the diversity, breadth and stages of evolution of markets in Asia

2.1.5 Distinguishing Investments by Risk and Return Characteristics

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of how alternative and traditional investments are distinguished by return characteristics.

Including:

- Understand the role of absolute return products as diversifiers
- Define illiquidity
- Discuss the advantages and risks of illiquid investments
- Define efficiency and inefficiency
- Understand the relationship of efficiency and inefficiency to competition and transaction costs
- Explain normal and non-normal distributions and the structures that cause non-normality of returns

Keywords

absolute return products	illiquidity	lumpy assets
inefficiency	efficiency	

2.1.6 Essential Goals of Alternative Investing

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of the goals of alternative investing.

Including:

- Define active management
- Contrast active management to passive investing
- Understand the role of benchmarks in managing investments
- Describe the absolute and relative standards for evaluating returns
- Describe the concept of arbitrage
- Contrast pure arbitrage with arbitrage as an active absolute return strategy
- Distinguish between the goal of return enhancement and return diversification in an investment program

Keywords

active management	passive investing	active return
pure arbitrage	benchmark	benchmark return
absolute return standard	relative return standard	

2.1.7 Buy Side and Sell Side Participants

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of the buy side and sell side participants in the alternative investing environment.

Including:

- Identify buy-side participants (e.g., plan sponsors and foundations)
- Describe the roles of buy-side participants in the alternative investing environment
- Identify sell-side participants (e.g., large dealer banks and brokers)
- Describe the roles of sell-side participants in the alternative investing environment

Keywords

buy side	endowment	foundation
sovereign wealth funds	master limited partnerships	mutual funds
'40 Act funds	large dealer banks	back office operations
middle office operations	plan sponsor	family office
private limited partnerships	separately managed accounts	sell side
proprietary trading	front office operations	

2.1.8 Outside Service Providers

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of the outside service providers in the alternative investing environment.

Including:

- Identify outside service providers (e.g., prime brokers and accountants)
- Describe the roles of outside service providers in the alternative investing environment

Keywords

systemic risk	fund administrator	financial platforms
commercial bank	depositories	prime broker
custodians	Depository Trust Company (DTC)	universal banking
investment bank		

2.2.1 Alternative Investment Legal Structures

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of the legal structures in alternative investing.

Including:

- Describe the role of limited liability in passive investments
- Explain the role of entities (i.e., limited liability companies, corporations), and their purposes in alternative investing
- Describe limited partnership structures
- Identify bankruptcy remote entities (e.g., special purpose vehicles, special purpose entities)
- Explain the difference in bankruptcy remote entities (e.g., special purpose vehicles, special purpose entities)
- Identify the structures of various entities (e.g., master-feeder funds, master trusts) that facilitate investor taxation differences

Keywords

special purpose entity (SPE)	special purpose vehicle (SPV)	feeder fund
master trust	master-feeder funds	

2.2.2 Types of Alternative Investment Funds

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of the two main fund structures used for alternative investment funds.

Including:

- Identify the primary characteristics of open-end (aka evergreen) fund structures
- Identify the primary characteristics of drawdown (aka PE-style, closed-end) fund structures
- Contrast open-end funds with drawdown funds
- Explain the role of a high-water mark in an open-end fund structure
- Identify the risks unique to PE and PE fund structures
- Identify the strategies to mitigate substantial risk in PE fund structures
- Discuss fee differences between PE and hedge funds

Keywords

gates	interval funds	blind pool equity fund
capital calls	committed capital	

2.2.3 Key Features of Fund Structures

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of the key features of fund structures.

Including:

- Identify the four key documents (i.e., private-placement memoranda, partnership agreement, subscription agreement, management company operating agreement) used in establishing and maintaining a hedge fund, private equity fund, or other private partnerships
- Explain the importance and components of a limited partners agreement
- Explain moral hazard and adverse selection
- Describe corporate governance in private funds
- State components of investments objectives, fund size, and fund terms within an LPA
- Explain the role of management fees and expenses in how investments are managed
- Discuss global regulations (e.g., MiFID, MiFID II, AIFMD)
- Identify global fund structures (e.g., FIFs, SICAV, SICAF, ICAV)

Keywords

private-placement memoranda	management company operating agreement	subscription agreement
adverse selection	qualified majority	limited partnership agreement (LPA)
limited partner advisory committee (LPAC)	partnership agreement	

2.2.4 Additional Private Fund Terms

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of private fund terms.

Including:

- Explain the GP's contribution to initial private fund investment
- Explain the key-person provision as part of the LP partnership clause
- Explain termination and divorce of PE-style funds
- Identify other covenants in PE-style funds

Keywords

bad-leaver clause	hurt money	key personnel clause
good-leaver clause		

2.2.5 Drawdown Fund Fees

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of PE-style fund fees.

Including:

- Calculate private fund management fees and carried interest
- Calculate carried interest and hurdle rates as part of a private markets deal
- Explain the distribution of cash waterfall provision of a limited partnership agreement
- Understand terminology associated with the cash waterfall provision (e.g., carried interest, hurdle rate, catch-up provision, vesting, clawback clause)

Keywords

waterfall	carried interest	incentive fee
catch-up provision	hurdle rate	performance-based fee
preferred return	vesting	clawback
catch-up rate	management fee offsets	management fees
fund-as-a-whole carried interest	deal-by-deal carried interest	

2.2.6 Drawdown Fund Waterfall Calculations

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of advanced calculations for private fund waterfalls.

Including:

- Calculate clawback provisions
- Analyze hard and soft hurdle rates and their sequences of distribution

Keywords

clawback escrow agreement	soft hurdle rate	hard hurdle rate
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2.2.7 Hedge Fund Fees

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of hedge fund fees.

Including:

- Understand typical hedge fund fee arrangements
- Calculate annual hedge fund fees
- Calculate hedge fund fees under different high-water marks (HWMs) and hurdle rates
- Discuss the potential effects of incentive fees on hedge fund manager behavior
- Apply the annuity view of hedge fund fees
- Contrast traditional highwater marks with modified highwater marks

Keywords

high-water mark	asymmetric incentive fees	excessive conservatism
perverse incentive	modified highwater mark	

2.2.8 Fees and Manager Behavior

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of manager behavior as it relates to fund fees.

Including:

- Explain perverse incentives that can originate from private fund hurdle rates
- Apply the option view of incentive fees and its implications on manager behavior
- Describe the empirical evidence regarding hedge fund fees and managerial behavior

Keywords

closet indexer	pure asset gatherer	lock-in effect
managing returns		

2.3.1 Return and Rate Mathematics

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of return and rate mathematics.

Including:

- Distinguish simple from compound interest
- Distinguish discrete from continuous compounding

Keywords

continuous compounding	discrete compounding	simple interest
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2.3.2 Internal Rate of Return

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of the internal rate of return (IRR) approach to alternative investment analysis

Including:

- Understand which alternative investments are likely to use IRR and why this approach may be more suitable than traditional performance metrics
- Solve for the IRR given a series of cash flows and valuation.

Keywords

internal rate of return (IRR)	interim IRR	since-inception IRR
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2.3.3 Problems with Internal Rate of Return

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of the problems associated with the internal rate of return (IRR).

Including:

- Discuss the effect of complex cash flow patterns on the computation and interpretation of IRRs
- Explain challenges of comparing investments based on IRRs
- Discuss the difficulties of aggregating IRRs
- Explain the relationship between IRR and the reinvestment rate assumption

Keywords

borrowing type cash flow pattern	complex cash flow pattern	aggregation of IRRs
multiple sign change cash flow pattern	reinvestment rate assumption	

2.3.4 Modified Internal Rate of Return

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of modified internal rate of return (IRR).

Including:

- Apply the modified internal rate of return approach
- Identify advantages and disadvantages of modified internal rate of return
- Evaluate time-weighted and dollar-weighted returns

Keywords

time-weighted returns

modified IRR

dollar-weighted returns

2.3.5 Other Performance Measures

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of other performance measures associated with illiquid investments.

Including:

- Apply three ratios that can be used as performance measures
- Explain the Public Market Equivalent (PME) method

Keywords

distribution to paid-in (DPI)
ratio

total value to paid-in (TVPI)
ratio

residual value to paid-in (RVPI)
ratio

Public Market Equivalent (PME)
Method

2.3.6 Illiquidity, Accounting Conservatism, IRR, and the J-Curve

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of illiquidity, accounting conservatism, IRR, and the J-Curve as they relate to the valuation of alternative investments.

Including:

- Identify how accounting conservatism relates to early fund losses
- Identify the implication of accounting conservatism on deferred recognition of gains
- Interpret the J-Curve

Keywords

Financial Accounting Standard (FAS) 157	J-Curve
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2.3.7 Returns Based on Notional Principal

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of returns based on notional principal.

Including:

- Understand the challenge of calculating returns on positions with zero value
- Define and apply the concepts of notional principal and full collateralization for forward contracts
- Calculate the log return on a fully collateralized derivatives position
- Calculate the log return on a partially collateralized derivatives position

Keywords

notional principal	return on notional principal	fully collateralized
partially collateralized		

2.4.1 Return Distributions

Learning Objectives

Upon completion of this lesson, candidates should be able to:

Demonstrate knowledge of the characteristics of return distributions.

Including:

- Contrast ex ante and ex post return distributions
- Understand the importance of the normal distribution in statistical analysis
- Describe the characteristics of lognormal distributions

Keywords