

Question #1 of 52

Question ID: 1722827

The most common exit strategy for a build-operate-transfer (BOT) infrastructure projects involves:

- A) either liquidation of the assets, or an IPO.
 - B) transfer to a public authority at zero value.
 - C) a secondary sale to another private equity firm.
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Question #2 of 52

Question ID: 1722799

The most appropriate way for private equity firms to align the interests of general partners (GPs) with those of limited partners (LPs) is by:

- A) paying the GP both a management fee based on the amount of capital invested, plus a performance fee based on profits above a hurdle rate.
 - B) granting voting rights to LPs on all investment decisions made by the GP.
 - C) paying a fixed annual salary to the GP and a performance bonus to the LP.
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Question #3 of 52

Question ID: 1722781

An alternative investment vehicle that requires incentive fees to be calculated only on the portion of returns above a benchmark return is said to have a:

- A) hard hurdle rate.
 - B) high-water mark.
 - C) soft hurdle rate.
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Question #4 - 6 of 52

Question ID: 1722785

Lisa and Michael's first question centers on primary differences between public investments and private funds. Which of the following statements accurately reflects similarities and differences between these investments?

- A)** Public funds often require larger up-front capital commitments from investors.
 - B)** Both public and private funds have indefinite lives and are highly illiquid.
 - C)** Private funds lean toward being closed end, with fixed contractual terms.
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Question #5 - 6 of 52

Question ID: 1722786

To help illustrate the life cycle of a private asset investment, Jenkins shows Lisa and Michael a graph that plots expected inflows and outflows as well as reflecting a timeline for when the Stratfords can expect the investment to become profitable. Assuming this graph follows a traditional cash flow path for private investments, the Stratfords can expect:

- A)** no cash inflows during the capital commitment and deployment stages.
 - B)** profits only in the exit stage of the life cycle.
 - C)** cash outflows only during the capital deployment stage.
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Question #6 - 6 of 52

Question ID: 1722787

Having experience only with public equities and fixed-income instruments, Lisa and Michael are concerned about the limited partnership agreements that Jenkins mentions as an important part of an investment in private funds. Which of the following statements most accurately describes what is found with these agreements?

- A)** The terms and conditions are not impacted by the timing and size of commitments.
 - B)** The agreement is standardized across all limited partners to ensure consistency.
 - C)** The fees and rights are negotiable, and they will be outlined in the agreement.
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Question #7 of 52

Question ID: 1722824

The exit strategy that typically offers the most speed and least restrictions is a(n):

- A) private sale.
 - B) liquidation.
 - C) IPO.
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Question #8 of 52

Question ID: 1722825

When considering liquidation as an exit strategy for a private equity portfolio company, the general partner (GP) of the fund should primarily be concerned with:

- A) maintaining the portfolio company's brand reputation.
 - B) attracting new investors to the fund.
 - C) maximizing returns for investors.
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Question #9 - 12 of 52

Question ID: 1722829

Compared to a private sale, an IPO of MediQuick is most likely to offer:

- A) a guaranteed exit price.
 - B) broader access to capital.
 - C) a faster exit time frame.
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Question #10 - 12 of 52

Question ID: 1722830

Which of the following reasons least accurately describes a benefit of a private sale by SHL to a strategic buyer for MediQuick? Sale to a strategic buyer:

- A) generally results in a premium paid.
 - B) offers continuity of management and business strategy.
 - C) is more streamlined than an IPO.
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Question #11 - 12 of 52

Question ID: 1722831

A private sale by SHL to a financial buyer for MediQuick is most likely to be attractive because financial buyers:

- A) can access the widest possible pool of capital.
 - B) can complete the sale process relatively quickly.
 - C) are focused on maximizing long-term growth of the company.
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Question #12 - 12 of 52

Question ID: 1722832

When considering liquidation as an exit strategy for MediQuick, McKenzie as the general partner at SHL should primarily be concerned with:

- A) finding a suitable buyer as quickly as possible.
 - B) maintaining a positive relationship with MediQuick's management.
 - C) maximizing returns for investors, including himself.
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Question ID: 1722811

Suppose that you are a private equity analyst evaluating potential investment targets. Which of the following characteristics is least likely to represent a favorable characteristic of a target company?

- A) A need for operational improvements to achieve efficiencies.
 - B) A strong brand recognition in a growing market.
 - C) A new, young, energetic management team with fresh perspectives.
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Question ID: 1722798

In the context of a private equity fund, a hurdle rate is best described as the:

- A) minimum capital that must be invested in any single portfolio company.