

# 2026



# CFA LEVEL I



## Premium Practice Pack

Alternative Investments and  
Corporate Issuers

Book 1

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# **CFA Level 1 - Premium Practice Pack - 2026**

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# **Alternative Investment Questions**

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### Question 1

Venture capital is best classified as a sub-category of:

- A. real estate.
- B. hedge funds.
- C. private equity.

### Question 2

Management fees are most likely based on assets under management for:

- A. hedge funds only.
- B. private equity funds only.
- C. both hedge funds and private equity funds.

### Question 3

A feature that protects hedge fund clients from paying twice for the same performance is most likely a:

- A. discount.
- B. hurdle rate.
- C. high-water mark.

### Question 4

In co-investing, the investor invests in alternative assets indirectly through a fund but also has the:

**Correct answer:**

- A. right to invest directly in the same assets alongside the fund.
- B. obligation to invest directly in the same assets alongside the fund.
- C. right to invest in the general partner's fund management company.

### Question 5

Which of the following methods of investing in alternative investments provides the most flexibility to the investor?

- A. Co-investing
- B. Fund investing
- C. Direct investing

### Question 6

Compared with fund investing in alternative investments, the co-investing method most likely has:

- A. lower management fees.
- B. the same level of management fees.

C. higher management fees.

### Question 7

Compared with co-investing, direct investing in alternative investments most likely offers:

- A. reduced control over the investment selection process.
- B. the same level of control over the investment selection process.
- C. higher control over the investment selection process.

### Question 8

- A. include tangible assets only.
- B. include intangible assets only.
- C. may include both tangible and intangible assets.

### Question 9

Which of the following is most appropriately categorized as a traditional investment?

- A. Gold
- B. Cash
- C. Real estate

### Question 10

Which of the following statements is most accurate? Alternative investments:

- A. tend to be more efficiently priced than traditional investments.
- B. fall outside of the definition of long-only positions in stocks, bonds, and cash.
- C. have relatively high correlation of returns with those of traditional investments.

### Question 11

Institutional investors typically begin investing in alternative investments via:

- A. co-investing.
- B. fund investing.
- C. direct investing.

### Question 12

Investors in alternative assets who seek liquidity are most likely to invest in:

- A. hedge funds.
- B. private equity.
- C. real estate investment trusts.

### Question 13

Within a limited partnership structure, the limited partner is most likely to: