

Alternative Investments (“AI”)

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The AI section (Study Session 18) contributes approximately 3.3 marks (out of 100 marks) of the Level 1 CFA examination. In terms of marks awarded, AI awards the least marks out of all the subject areas in the Level 1 CFA syllabus.

Notwithstanding the foregoing, candidates should not ‘skip’ this subject area due to the low marks awarded, as it normally offers some of the easiest to answer exam questions (relative to other study sessions) in the CFA syllabus.

In order to perform well in AI, candidates should study broadly all of the AI readings in Study Session 18, which include mutual funds, hedge funds, ETFs, real estate, venture capital, commodities and distressed investing. The readings that normally carry higher weights in the Level 1 CFA exams are mutual funds, hedge funds, ETFs and real estate. An attempt to ‘spot’ exam questions in AI will be fruitless and disastrous as past exam diets appear to test all the readings, as evidenced in the sample CFA questions released in the CFA Level 1 Curriculum readings.

Last but not least, a substantial portion of the AI questions may be qualitative in nature, as opposed to quantitative. Therefore, candidates should attempt to understand in detail the rationale behind AI investing and the investment principles for each AI instrument, instead of just focussing on the calculation areas.