

CFA® SAMPLE QUESTION - LEVEL I

Alternative Investments

Q: Which class of hedge funds is least likely to use a short position in as a part of its strategy?

CORRECT ANSWER:

(b) Emerging-Market Funds

If you choose A, you are misled by the name. Market-Neutral Fund is an aggressive type of mutual fund that aims to deliver superior returns by balancing bullish stock picks with bearish ones.

They can also generate income from the interest proceeds of the sales of short securities. The objective of these funds is to generate consistent returns that are at least three to six percent above the T-bill rate.

Correct market is B. In Emerging-market, the fund managers may not able to perform Short-Sell so easily because of the government regulations.



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