



CERTIFIED HEDGE FUND PROFESSIONAL

# CHP STUDY GUIDE

## Level 1 Study Guide



Sponsored by the Hedge Fund Group (HFG)

## **CERTIFIED HEDGE FUND PROFESSIONAL (CHP) STUDY GUIDE**

This study guide has been created for those individuals who are studying for the Level 1 CHP Designation Exam. Registration for the CHP program is open year round with examinations offered every month on the 1<sup>st</sup> Wednesday of the new month.

The CHP program is rigorous and continually improved to ensure that it is practical, current, and valuable to both participants and employers. Everyone gets lifetime access to the program upon registering for access.

The content of the CHP Study Guide as follows:

- I.** Hedge Fund Group (HFG) Overview
- II.** CHP Level 1 & Level 2 Details
- III.** CHP Level 1 Timeline
- IV.** CHP Level 1 Exam Preparation
- V.** Required Reading
- VI.** Keywords
- VII.** Chapter Tips and Focuses
- VIII.** Sample Exam Questions
- IX.** Frequently Asked Questions (FAQ)

## I. HEDGE FUND GROUP (HFG) OVERVIEW



The Certified Hedge Fund Professional (CHP) exam is sponsored by the Hedge Fund Group (HFG), the largest international hedge fund association in the world with 125,000+ members. Members include multi-billion dollar hedge funds, hedge fund analysts, professors, consultants, third party marketers, prime brokerage professionals, and some of the leading hedge fund service providers in the industry.

The HFG has over a dozen Hedge Funds and Fund of Hedge Funds professionals on its Advisory Board. The group continues to attract new members, some of whom will join the Board of Advisors who oversee the CHP Designation Program.

## II. CHP LEVEL 1 & LEVEL 2 DETAILS



The CHP Designation Program is a 100% online continuing education course. The CHP consists of two levels of testing, Level 1 and Level 2. Level 1 certifies that you have mastered a certain breadth and depth of hedge fund industry knowledge to help you excel within your current hedge fund position or enter the hedge fund industry.

Level 2, a more advanced certification, provides coursework and training in a specific area of the hedge fund industry such as due diligence, marketing/sales, investor relations, or analytics. While completing Levels 1 & 2 is not required to be considered a CHP Alumni, you must complete Level 1 before registering for or taking the exam for any Level 2 module.

### 4 STEP CERTIFICATION PROCESS



## III. CHP LEVEL 1 PROGRAM TIMELINE

Registration for the CHP program is open year round. You may start the program within 1 business day of registration or at your convenience. Examinations are held online on the 1<sup>st</sup> Wednesday of every new month.

After registering for the CHP, you are welcome to schedule your examination date. There is no deadline when the program must be completed; you can take as long as you need.

*Please note that when you are ready to take the exam the cut off to select your exam date is 2 weeks prior to the examination date you've chosen. For example, to schedule for the January 10<sup>th</sup> examination date, an email, phone call, or chat message must be received by December 27<sup>th</sup> with a request to sit for the January 10<sup>th</sup> exam.*

After the examination is completed, answers are graded and results are sent out approximately 2 weeks after your examination date.

#### **IV. CHP LEVEL 1 EXAM PREPARATION**



Candidates must purchase the required readings laid out here in the study guide. The keywords also provide some additional ideas on what to pay attention to within the readings but they don't cover everything that will be on the exam. The CHP exams are conceptual in nature and require more of an understanding than a great ability to memorize facts.

Preparation time for this exam depends greatly on each candidate's current knowledge, experience, reading speed and comprehension. It is impossible to calculate how much time a specific individual would need to prepare, but we suggest 75-100 hours of reading/study time.

Each exam (for Level 1 and Level 2) is a 2 hour exam administered online. In order to complete the exam in the allotted time, participants are required to gain a mastery of the core concepts covered in the required readings.

Those who have not read the material may have difficulty completing the exam within the 2 hour time limit.

#### **Additional Resources Policy**

You will not need a calculator, ruler, or any graphing device for the Level 1 CHP exam. The formula-based questions concentrate on identifying formulas and understanding their meaning, rather than performing calculations.

#### **The Level 2 Exam and Completion of the Certification**

All CHP candidates must hold the CHP Level 1 title before attempting the Level 2 exam. The Level 2 exam is administered on the same dates as the Level 1 exam. Upon successful completion of the Level 2 exam, the CHP Advisory Board confers the full CHP title upon the candidate.

For more information about the CHP exam and program please visit <http://HedgeFundCertification.com>

**LEVEL 1 EXAM COMPOSITION – 86 QUESTIONS**

<b>Introduction to Hedge Funds</b>	<b>14 questions</b>
<b>Fund of Funds</b>	<b>14 questions</b>
<b>Hedge Fund Strategies</b>	<b>14 questions</b>
<b>Due Diligence Tactics</b>	<b>14 questions</b>
<b>Portfolio Management Tactics</b>	<b>14 questions</b>
<b>Hedge Fund Trends</b>	<b>14 questions</b>
<b>2 Essay Questions</b>	<b>10 points each</b>

**V. CHP REQUIRED READING:**

**A. REQUIRED READINGS.** These texts can be found and purchased at Amazon.com or any other alternate book seller of your choice.

1. *The Hedge Fund Book: A Training Manual For Professionals & Capital Raising Executives* by Richard Wilson. ISBN: 0470520639
2. *Visual Guide to Hedge Funds* by Richard Wilson. ISBN: 978-1-118-27837-6

**B. SUPPLEMENTAL READING & VIDEO RESOURCES:**

1. *Hedge Fund Blog Book* by Richard Wilson – <http://HedgeFundsBook.com> (Free PDF E-Book)
2. *Hedge Fund Premium Membership (Lifetime Access for CHP Members)*. This is our video training platform which provides you with access to over 100 video training modules. Within this video training platform please make sure and focus on the following videos which cover critical concepts for the CHP Level 1 examination:

- a. Hedge Fund Career Catalyst (100 Minute Webinar)
- b. CHP Level 1 Study Guide Review
- c. Unique Selling Proposition (Determine what yours is to current or future hedge fund employers)
- d. Hedge Fund Startups
- e. Top 4 Hedge Fund Industry Trends
- f. Family Office Services
- g. Top 7 Hedge Fund Career Tips
- h. Liquidity & Lock-Up Periods
- i. Hurdle Rate
- j. Hedge Fund Cow Paths
- k. What is Holding Your Hedge Fund Back
- l. Public Relations for Hedge Fund Managers
- m. The Free Hedge Fund E-Book Overview
- n. Institutional Quality Improvement Opportunities
- o. Media Portrayal of Hedge Funds
- p. Hedge Fund Ecosystem
- q. Hedge Fund Careers
- r. High Water Mark Definition
- s. Institutionalization and the Importance of Transparency
- t. Importance of Service Providers
- u. SKAR Development Formula
- v. Importance of Copywriting
- w. Fund Marketing Careers
- x. What is a Family Office?
- y. Future of the Hedge Fund Industry
- z. Top 5 Hedge Fund Career Mistakes
- aa. How Successful Hedge Funds Raise More Capital
- bb. Hedge Fund Governance Best Practices
- cc. Hedge Fund Gating Clause Definition & Discussion
- dd. Importance of Hedge Fund Training
- ee. Authority Construction
- ff. Similar Others & Capital Raising Best Practices

## VI. KEYWORDS & SUBJECTS TO KNOW

- FINRA
- SEC
- Consumer Financial Protection Bureau
- Margin Groups
- Family Offices
- Ultra High Net Worth Individuals
- Pension Funds
- Sovereign Wealth Funds

- Single Family Offices
- Fee Structures
- Systemic Manager
- Discretionary Manager
- Leverage
- Currency Traders
- Capital-Structure Arbitrage
- Distressed Debt
- Convexity
- Convertible Bonds
- Quantitative Strategies
- Managed Futures Trading
- SPAN-Risk
- Funds of Hedge Funds
- Due Diligence
- Multi-Strategy Firms
- Distressed Debt
- Asset-Backed Lenders
- High-Water Mark
- MACD Indicator

## **VI. KEYWORDS & SUBJECTS TO KNOW CONT'D**

- Portfolio Theory
- Static Trading
- Global Macro Funds
- Mutual Funds
- Exchange -Traded Funds
- Third Party Marketing
- Start-Up Hedge Fund
- Hedge Fund Titans
- Shooting Star Hedge Funds
- Emerging Hedge Fund
- Asset Based Loan
- Hedge Fund Principal
- Hurdle Rate
- Hedge Fund Service Providers
- Portfolio Manager
- Marketers
- Copywriting
- Public Relations Tactics

- Risk Management
- Verification Points
- Long-Term Strategies
- Good Governance
- Fund Administration
- Lock-Up Period
- “Four Why Tool”
- Short Selling
- Capacity of a Fund
- Hedge Fund Regulations
- Sharpe Ratio
- Prime Brokerage Firms
- Managed Futures Fund
- Pension Funds
- Institutional Investors
- Market Directional Strategies
- Exemption
- Forward Contract
- Gating Clause
- Fund Performance

## VII. CHAPTER TIPS & FOCUSES

In addition to providing the above keywords we would also like to direct participants to the most vital chapters of the required readings. We would recommend that you cover the required readings by first reading “Visual Guide To Hedge Funds” followed by “The Hedge Fund Book: A Training Manual for Professionals and Capital-Raising Executives,” followed by the supplemental reading if you so choose. It is important to read each chapter of the two books required for CHP Level 1. However, this guide below will let you know which chapters you should read several times and take notes on before the exam:

### Visual Guide to Hedge Funds by Richard C. Wilson – Each Chapter in this Reading is Vital

- Chapter 1: Hedge Fund Daily Operations
- Chapter 2: The Hedge Fund Life Cycle
- Chapter 3: Hedge Fund Investors
- Chapter 4: Hedge Fund Capital Raising
- Chapter 5: Long Short Equity Strategies
- Chapter 6: Global Macro Strategies
- Chapter 7: Even-Driven Strategy
- Chapter 8: Fixed-Income Strategy
- Chapter 9: Convertible-Arbitrage Strategy
- Chapter 10: Quantitative and Algorithmic Trading Strategies
- Chapter 11: Managed Futures



- Chapter 12: Credit and Asset-Based Lending
- Chapter 13: Multi-Strategy Hedge Funds
- Chapter 14: Fund of Hedge Funds

The Hedge Fund Book: A Training Manual for Professionals and Capital-Raising Executives by Richard Wilson

- Chapter 1: Hedge Fund Fundamentals
- Chapter 2: Institutionalization & Operations
- Chapter 3: Hedge Fund Marketing Pro
- Chapter 4: The Shooting Star
- Chapter 5: Hedge Fund Start-Up Guru
- Chapter 7: Giant Hedge Funds
- Chapter 8: Governance Best Practices
- Chapter 9: Frequently Asked Hedge Fund Questions

### VIII. CHP DESIGNATION: SAMPLE QUESTIONS

**Sample Question #1:** Which two qualities does an individual accredited investor possess?

- i) \$1,000,000 net worth
- ii) In excess of \$150,000 individual income or \$175,000 joint income with spouse in the most recent two years
- iii) \$5,000,000 net worth
- iv) In excess of \$200,000 individual income or \$300,000 joint income with spouse in the most recent two years

- a) i & ii
- b) iii & ii
- c) i & iv
- d) iii & iv

**Sample Question #2:** What is the commonly used term in the hedge fund industry for sophisticated computer algorithms that lack transparency?

- a) Insider trading
- b) "Black box"
- c) Quantitative arbitrage
- d) Heteroscedasticity

**Sample Question #3:** Convertible bond arbitrage is to event driven as \_\_\_\_\_ is to corporate restructuring.

- a) Market neutral

- b) Short selling
- c) Distressed securities
- d) Market timers

**Sample Question #4:** What are the two strategies that have the broadest mandate across financial, commodity, and futures markets?

- i) Global macro
- ii) Distressed securities
- iii) Fund of funds
- iv) Equity long/short
- v) Market timers

- a) i & v
- b) ii & iv
- c) iv & v
- d) i & iii

#### **IX. CHP PROGRAM FREQUENTLY ASKED QUESTIONS (FAQ)**

Have more questions about the program? Please see our ever-expanding Frequently Asked Questions (FAQ) page of our website here: <http://HedgeFundCertification.com/FAQ>

**Need any other information on the CHP Program?** Please visit our website any time: <http://HedgeFundCertification.com>

**Want to contact our team? We would love to connect with you to discuss your hedge fund career and how we can be part of your success, you can reach us with our information below:**



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