

## 2025 Level II Topic Outlines

# Alternative Investments

### LEARNING OUTCOMES

#### Introduction to Commodities and Commodity Derivatives

*The candidate should be able to:*

- compare characteristics of commodity sectors
- compare the life cycle of commodity sectors from production through trading or consumption
- contrast the valuation of commodities with the valuation of equities and bonds
- describe types of participants in commodity futures markets
- analyze the relationship between spot prices and futures prices in markets in contango and markets in backwardation
- compare theories of commodity futures returns
- describe, calculate, and interpret the components of total return for a fully collateralized commodity futures contract
- contrast roll return in markets in contango and markets in backwardation
- describe how commodity swaps are used to obtain or modify exposure to commodities
- describe how the construction of commodity indexes affects index returns

#### Overview of Types of Real Estate Investment

*The candidate should be able to:*

- compare important real estate investment features for valuation purposes
- explain economic value drivers of real estate investments and their role in a portfolio
- discuss the distinctive investment characteristics of commercial property types

- explain the due diligence process and valuation approaches for real estate investments
- discuss real estate investment indexes, including their construction and potential biases

### **Investments in Real Estate through Publicly Traded Securities**

#### ***The candidate should be able to:***

- discuss types of publicly traded real estate securities
- justify the use of net asset value per share (NAVPS) in valuation of publicly traded real estate securities and estimate NAVPS based on forecasted cash net operating income
- describe the use of funds from operations (FFO) and adjusted funds from operations (AFFO) in REIT valuation
- calculate and interpret the value of a REIT share using the net asset value, relative value (price-to-FFO and price-to-AFFO), and discounted cash flow approaches
- explain advantages and disadvantages of investing in real estate through publicly traded securities compared to private vehicles

### **Hedge Fund Strategies**

#### ***The candidate should be able to:***

- discuss how hedge fund strategies may be classified
- discuss investment characteristics, strategy implementation, and role in a portfolio of equity-related hedge fund strategies
- discuss investment characteristics, strategy implementation, and role in a portfolio of event-driven hedge fund strategies
- discuss investment characteristics, strategy implementation, and role in a portfolio of relative value hedge fund strategies
- discuss investment characteristics, strategy implementation, and role in a portfolio of opportunistic hedge fund strategies
- discuss investment characteristics, strategy implementation, and role in a portfolio of specialist hedge fund strategies
- discuss investment characteristics, strategy implementation, and role in a portfolio of multi-manager hedge fund strategies
- describe how factor models may be used to understand hedge fund risk exposures
- evaluate the impact of an allocation to a hedge fund strategy in a traditional investment portfolio