

## Session 41

### Revisiting Alternative Investments

#### *Test*

1. The payoff in practice, from adding alternatives to a stock and bond portfolio, seems to be far less than promised. Which of the following is not a good reason for why?
  - a. The actual correlation, for many alternative investment classes, has been far more than the low or negative correlations that were promised
  - b. The capacity to generate alpha from superior performance has decreased, especially in private equity and hedge funds.
  - c. The fee structure for alternative investments is high, eating into client returns
  - d. All of the above
  - e. None of the above
2. On the correlation front, the lower-than-promised correlations for alternative investments can be attributed to which of the following:
  - a. The illiquidity of alternative investments can create stale prices
  - b. Absent market prices, many alternative investment classes are built around appraising value, which lags real world price changes
  - c. As alternative investments have been sold to investors in stocks and bonds, they are now subject to the moods and momentum in the stock and bond markets.
  - d. All of the above
  - e. None of the above
3. On the disappearing alphas in alternative investments, which of the following can explain that phenomenon?
  - a. As alternative investments have scaled up, the opportunities for excess returns
  - b. The new entrants (PE & VC) offering alternative investments are not bringing in less skilled players, with lower alpha potential
  - c. Increased liquidity in alternative investment markets
  - d. Stubbornly high cost structures in alternative investments
  - e. All of the above
4. Given the changing alternative investment landscape, as an investor in public equity and bonds, which of the following would you look to add alternative investments in your portfolio?
  - a. High return, high volatility alternative investment classes
  - b. Low correlation (actual, not measured) alternative investments with high cost structures

- c. High correlation (actual, not measured) alternative investments with high cost structures
- d. Low correlation (actual, not measured) alternative investments with lowcost structures
- e. High correlation (actual, not measured) alternative investments with low cost structures