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University Examinations 2023/2024

FOURTH YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE OF
BACHELOR OF FINANCE

BFS 3451: ALTERNATIVE INVESTMENT

DATE: APRIL 2024

TIME: 2 HOURS

INSTRUCTIONS: Answer question *one* and any other *two* questions

QUESTION ONE (30 MARKS)

- a) Explain the following categories of alternative investment (8 marks)
- i. Hedge funds
 - ii. Private equity
 - iii. Real assets
 - iv. Structures products
- b) Highlight the purposes of investing in alternative investments (6 marks)
- c) Briefly explain the following four categories of hedge funds (8 marks)
- i. Macro and managed futures funds
 - ii. Event-driven hedge funds
 - iii. Relative-value funds
 - iv. Equity hedge funds
- d) Discuss three real estate duration approaches (8 marks)

QUESTION TWO (20 MARKS)

- a) Explain the treatment of tax in real estate investment trusts (5 marks)
- b) Discuss the factors that affect real estate prices (10 marks)
- c) Describe the characteristics of commercial real estate sectors (5 marks)

QUESTION THREE (20 MARKS)

- a) Discuss the motivation for using derivatives as they relate to alternative investing (10 marks)
- b) Commodities represent a substantial portion of invested assets among institution. Discuss the potential benefits of commodities (10 marks)

QUESTION FOUR (20 MARKS)

- a) With regard to financial derivatives, discuss the following important risk measures
 - i. Delta
 - ii. Vega
 - iii. Gamma
 - iv. Theta (10 marks)
- b) Explain the justification for “fund of funds” (10 marks)

QUESTION FIVE (20 MARKS)

- a) Private equity firms generally receive a return on their investments through three avenues. Identify and explain each of them (4 marks)
- b) Discuss the following two theories to financial market regulation
 - i. Public interest theory (8 marks)
 - ii. Public choice theory (8 marks)