

Final EXAM (2)

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This exam not for the public domain, as stipulated in the University status. **You are free to use any reference material you would like**, but your final solution needs to be your **own text without directly copying** (e.g., copy and paste) from reference material. By returning your answer, you certify that it is your work and fulfills [The full documentation of Aalto University Code of Academic Integrity](#).

Maximum is 40 points.

You can use any text editor, like MS Word, to answer this exam. Provide your report with standard formatting: A4 paper size, normal margins (2.5cm top and bottom, 2cm left and right), font size 11 (Times New Roman), line spacing 1.5. **Maximum length is 5 pages.**

Upload your answers to MyCourses as single pdf-file that contains your answers.

Question: The Chief Investment Officer (CIO) of a mid-sized Pension Finnish Fund has hired you as a consultant to write a report how:

- (1) Do alternative investment funds outperform public markets? Explain how this question can be addressed for private equity (buyout / VC funds) and hedge funds? Explain also shortly the main findings of most recent studies reviewed during the lectures.
- (2) Are alternative investment fees justified? Are fees / compensation structure related to performance?
- (3) What kind of risks alternative investment funds are exposed? How are those risks related to potential diversification benefits?

Guidelines:

- You are brought in as an external Alternative Investments specialist, so **you do NOT need to make practical investment decisions, for example: the exact allocations to alternatives, organizational structure and/or specific investment strategies or timelines.** (Note the difference to PE case.)
- **You should include in your report graphs and tables that you think support your case.** Provided that you give correct reference, you are free to use any of the academic studies, like the ones presented on the course.
- **There is no need for Appendices**, if something is important, include it in your report and otherwise leave it out. The main references could be included but **maximum length is 5 pages.**
- The question is very broad. **There is no one right answer**, but I would like to see you correctly and clearly presenting the material covered in the course.
- **Please do not directly use materials from your group works.**

Grading: The best answers are delivered in a **coherent package with a clear scientifically justified recommendation**. The best answers that show mastery of the topics covered during the course will likely get a full score.

Good Luck!