

Alternative Investment Certification Sees More Demand

Explosive growth in the use of alternative investments and calls for greater hedge fund regulation have heightened the need for standards within the industry. In *Amherst, Mass.*, a not-for-profit organisation known as the *Chartered Alternative Investment Analyst Association*, has taken steps to fill the need. Designed for alternative investment specialists, the two-level examination programme covers real estate, commodities, private equity, managed futures and hedge funds. Candidates for the CAIA designation are asked to analyse, differentiate and evaluate situations pertaining to the alternative investment markets, and to understand industry-accepted standards for professional conduct.

According to the organisation's Executive Director, Craig Asche, the programme has attracted over 1,000 registrants from more than 300 institutions since its inception in 2002. Participants range in experience from new entrants to seasoned professionals and include investment advisors, financial consultants, security analysts, fund managers and administrators, lawyers, accountants and academics. Initially, it was only individuals who signed up for the programme, Asche noted, but more recently financial institutions (including Citigroup, The Government of Singapore Investment Corporation and the Pacific Alternative Asset Management Company) have been registering teams of specialists en-masse.

To date, CAIA enrollees have come from 34 different countries: 60% are based in North America, 25% are in Europe, and the remainder resides in Asia, South Africa, The Middle East and South America. "But Asia alone will climb to 25% within one to two years," says Asche. "We're seeing a significant uptick in interest from the region."

In time, Asche believes that the CAIA designation will carry the same clout in the alternative investment space as a CFA carries in the traditional sector. "This designation is rapidly gaining credibility within the industry," says Asche, formerly of Salomon Brothers and Swiss Bank Corporation. "It gives advisors a leg up on the competition, and advises a higher comfort level knowing their advisor is qualified. In fact, we now have headhunters calling us for leads on qualified candidates."

The association was co-founded by Thomas Schneeweis (Director of CISDM, Editor of Institutional Investor's *Journal of Alternative Investments* and Board Member for the Managed Funds Association) and Florence Lombard (Executive Director of AIMA), both of whom serve on CAIA's Board of Directors. Alexander M. Ineichen, the other CAIA Board Member and Global Head of Alternative Investment Strategies (AIS) Research at UBS Investment Research, says that the course allows financial professionals with a broad array of educational backgrounds to move up the learning curve quickly and in a structured fashion. Ineichen is author of the book *Absolute Returns - Risk and Opportunities of Hedge Fund Investing* as well as numerous research publications including the two "In Search of Alpha" papers.

Other veterans on the CAIA team include Mark Anson, Chief Investment Officer of the California Public Employees' Retirement System (CalPERS) and Jane Buchan, Managing Director of the

Pacific Alternative Asset Management Company (PAAMCO). Anson is a CAIA Charterholder and a member of the Association's Curriculum and Examination Committee, while Buchan serves on the Association's Advisory Board

Developed over a four-year period, the programme covers a broad range of alternative investment issues. The Association recommends candidates spend a minimum of 120 hours per level in preparation. Level I culminates in a four-hour examination comprised of 200 multiple choice questions. Level II runs three and one-half hours and combines 100 multiple choice questions with three essay questions. The exams are administered throughout the world by Baltimore-based Thomson Prometric and are available every February and July. While the curriculum is designed for self-study through assigned reading and study guides, candidates wishing additional assistance can participate in CAIA preparatory courses offered by several independent organisations.

Information on the Chartered Alternative Investment Analysts Certification Programme:

	Fees Table
Registration	\$200 per level
Exam	\$1,000 per level
Annual Membership	\$250

** All fees are quoted in U.S. dollars and do not include cost of purchasing the required reading materials. For information on available discounts, please contact CAIA directly.*

Level I Sample Question

The hedge fund strategy that invests in spread trades (that is, the simultaneous purchase of one security and the sale of another when the economic relationship between the two securities has become mispriced) is known as:

- A. convertible bond arbitrage.
- B. relative value arbitrage.
- C. event driven.
- D. market neutral.
- E. equity long/short.

Answer = B: relative value arbitrage

Designation Requirements

- successfully complete the CAIA Level II exam within three years of passing Level I;
- hold a U.S. Bachelor's degree (or equivalent) and possess more than one year of acceptable professional experience in the financial industry; alternatively, possess a minimum of four years' acceptable professional experience in the financial industry;
- agree to abide by the Member Agreement of the CAIA Association;
- and establish and maintain membership in the CAIA Association.

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