**Alternative Investments – I**

**June 2023 Examination**

**1. ABC Capital is a hedge fund with an initial investment capital of $100 million. Over three years, the fund earns a return of 40%, -10%, and 30% respectively. The fund charges a 2% management fee based on assets under management at the end of the year and a 20% incentive fee against the return remaining after subtracting the management**

**Fee and a 5% soft hurdle rate calculated on beginning capital for the year. Also, there is a high-water mark for the fund. For the three years, find:**

**i. Beginning value of the fund**

**ii. Incentive Fees**

**iii. Management Fees**

**iv. Ending Value of fund**

**v. Investor’s effective Return. (10 Marks)**

**Ans:**

**Introduction:**

Hedge price ranges are alternative funding motors that employ diverse investment strategies to generate returns for traders. They may be usually constrained to high net well worth individuals and institutional traders because of their complex structures and regulatory necessities. Hedge price range fees for their services could include control and incentive charges. In this state of affairs, we can discover the calculation of these expenses for ABC Capital over three-12 months and the mighty return for buyers. It is only half solved

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**2. According to a news article on Financial Express:**

**“Real estate sector in India may scale new heights in 2022**

**The resilience of the realty sector from the last two waves of the pandemic makes one hopeful that the sector will tide over the latest Omicron variant threatening the world now.”**

**Allena is working as an intern at NMS Fund. She has been asked by her manager to prepare a report listing advantages of the investments in the real estate, forms of real estate investments and due diligence required for investments in real estate. Prepare a report on behalf of Allena.** **(10 Marks)**

**Ans:**

**Introduction:**

The real estate sector in India has witnessed regular growth over the years, with the pandemic failing to dampen its spirit. Despite the demanding situations posed by COVID-19, the world has remained resilient and has persevered to draw investment from various quarters. In 2022, the sector was expected to reach new heights, pushed by different factors, including government reforms, infrastructure improvement, and increased demand for housing and

**3. According to a news article on CNBC:**

**“Younger, wealthy investors are looking beyond the stock market for higher returns. Some 75% of high-net-worth investors between the ages of 21 and 42, compared to 32% of investors over 43-years-old, don’t expect “above-average returns” solely from traditional stocks and bonds, according to a Bank of America Private Bank study released Tuesday. The firm polled 1,052 high-net-worth investors with at least $3 million in investable assets from May to June 2022.**

**What’s more, 80% of those young investors are turning to so-called alternative investments, which fall outside of traditional asset classes, the study found. Younger investors are allocating three times more to alternative assets and half as much to stocks than other generations.”**

**a. Based upon above, explain what are the benefits offered by alternative investments which are attracting interest from these younger investors.**

**Ans:**

**Introduction:**

The investment landscape has been evolving rapidly, and traditional investments such as shares and bonds now are not enough to satisfy the desires of traders, mainly younger ones. According to a Bank of the united states personal bank study, younger investors are turning to opportunity investments to achieve higher returns. In this essay, we will explore the concept

**b. Explain what the different types of alternative investments are. (5 Marks)**

**Ans:**

**Introduction:**

Alternative investments are becoming increasingly famous among buyers, especially among more youthful, high-internet-well-worth traders. Alternative investments refer to funding that isn't a traditional inventory, bond, or cash holding. These types of investments have been gaining popularity