CredGuild

FORMULA SHEET

CFA® Program Level I

Alternative Investments Formula Sheet

2027 curriculum · 7 readings · 11 formulas

credguild.com

Version v2027.3 · October 2026

ABOUT THIS EDITION

CredGuild · CFA® Program Level I · Alternative Investments Formula Sheet
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USING THIS BOOK

This sheet is a revision aid. Use it alongside the notes and the CFA Institute curriculum. The latest version is free at credguild.com.

FOUND A MISTAKE?

Email hello@credguild.com, or use "Report an issue with this question" under any question on credguild.com.

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Every formula in the CredGuild notes for the 2027 CFA® Program Level I curriculum, Alternative Investments, reading by reading, each with what it is for. Worked numbers are left out. Use it for a last check of the equations; the notes explain where each one comes from.

To learn a reading in full, open its notes at credguild.com. This sheet is free to print and share: credguild.com/cfa/level-1/formula-sheet/

CFA® PROGRAM LEVEL I · FORMULA SHEET

Alternative Investments

Exam weight 6–9% · 4 readings · 11 formulas

80 Alternative Investment Features, Methods, and Structures

Calculating the performance fee

$$\text{Fee}_{\text{soft hurdle}} = p \times R$$

$$\text{Fee}_{\text{hard hurdle}} = p \times (R - h)$$

$$\text{full catch-up reached at } R = \frac{h}{1-p}$$

81 Alternative Investment Performance and Returns

Life cycle and the J-curve

$$\text{MOIC} = \frac{\text{total capital returned} + \text{value of remaining assets}}{\text{total capital paid in}}$$

Leverage

$$\text{leveraged return} = \frac{r(V_0 + V_B) - r_B V_B}{V_0}$$

$$\text{leveraged return} = r + \frac{V_B}{V_0}(r - r_B)$$

After-fee return mechanics

$$\text{total fees} = mV_1 + \max\left[0,\ p(V_1 - V_0)\right]$$

$$r_{\text{after fees}} = \frac{V_1 - V_0 - \text{total fees}}{V_0}$$

84 Natural Resources

Commodity valuation: cost of carry

$$\text{futures price} \approx \text{spot price} \times (1 + r_f) + \text{storage costs} - \text{convenience yield}$$

85 Hedge Funds

Where returns come from, index biases and diversification

$$R_{\text{fund}} = \underbrace{\text{market beta}}_{\text{broad market}} + \underbrace{\text{strategy beta}}_{\text{sector/strategy exposure}} + \underbrace{\alpha}_{\text{manager skill}}$$

$$CV = \frac{\sigma}{\bar{R}}$$

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The sheet is for revision. These are free on the site and do what a PDF cannot:

- **Diagnostic test:** 36 questions weighted like the exam, a score in each topic and the topics to start with. credguild.com/cfa/level-1/diagnostic/
- **Practice questions:** 398 free questions with full explanations, scored as you answer. A free account answers any question in the bank, up to 50 new questions a day. credguild.com/cfa/level-1/practice/
- **Notes:** every reading of the 2027 curriculum, with worked examples and exam traps, on the site and as a PDF. credguild.com/cfa/level-1/notes/
- **Study plan:** pick your exam window and weekly hours and get a week-by-week schedule. credguild.com/cfa/level-1/plan/
- **Mock exam:** 180 questions in two sessions, on the 2027 topic weights; the first one is free with an account. credguild.com/cfa/level-1/mock/
- **Cheat sheet and formula sheet:** every reading's bottom line and every formula, by topic. credguild.com/cfa/level-1/cheat-sheet/

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