

2026 CFA® Exam Prep

IFT Mock Exams

Level III

Mock Exam 1: Session 2

PRIVATE MARKETS PATHWAY

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Errata information can be found at <https://goo.gl/UVXdAv>

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Exam 1 Session 2

Question Set	Topic	Minutes
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11	Ethical and Professional Standards	12
	Total	132

Start time: 2:00 PM

End time: 4:12 PM

QUESTION 1**TOPIC: PRIVATE MARKETS PATHWAY****THE TOTAL POINT VALUE OF THIS QUESTION SET IS 12 POINTS**

The Parak River Bridge project of an emerging market country costs USD 2.5 billion. The Public Works Department – PWD, of the federal government under the Ministry of Works has completed a successful RFP process for the design, construction, financing, and operation of the new bridge, and it was awarded the contract. The project is co-sponsored by the IFC as a provider of both technical support and debt financing and EDCon as a private investor, manager, and equity provider. Parak Bridge Limited (PBL) was established as the project company and concessionaire, with PWD serving as grantor over the 20 years, with ownership and control transferred to PWD at the end.

PBL will hold a 20-year concession under which it will receive periodic toll payments upon completion. PBL Project Financing Plan is shown in Exhibit 1 and Exhibit 2.

Exhibit 1

Equity Financing is 45% of cost	USD 1,125,000,000
40% from EDCon, and the remaining 60% from other equity investors drawn in three stages.	
Equity drawdown:	
Initial:	USD 562,500,000
One year:	USD 281,250,000
Two years:	USD 281,250,000
GP performance fees upon completion are 10% of returns above a 14% hurdle.	

Exhibit 2

Debt Financing is 55% of cost	USD 1,375,000,000
International Finance Corporation (IFC) senior secured loan	USD 350,000,000 <ul style="list-style-type: none"> ● 6% annual interest ● Fully disbursed at the end of Year 2 linked to project milestones ● Accrued interest is capitalized in Year 3 and paid in Year 4 on full balance outstanding. ● Loan is repaid in 12 equal annual installments comprising principal and interest payments starting in Year 5
Senior syndicated secured bank loan—Term Loan A	USD 600,000,000 <ul style="list-style-type: none"> 8% annual interest paid annually on the balance outstanding ● Fully disbursed at the end of Year 3

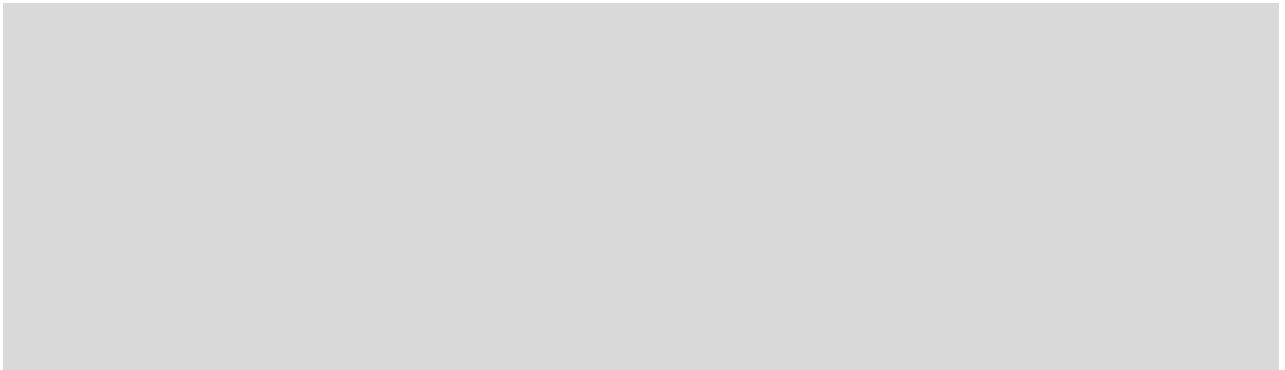
	<ul style="list-style-type: none"> ● Full balance outstanding for three years, with principal amortization in four equal annual tranches thereafter
Secured Bank loan ECA guaranteed	<p>USD200,000,000</p> <ul style="list-style-type: none"> ● 7% annual interest paid annually on outstanding balance ● Fully disbursed at the end of Year 3 ● Interest is paid on full balance outstanding for 10 years, with full (bullet) loan repayment at maturity. ● Insured by developed market ECA against political and commercial risks; secured by equipment financed under loan agreement
Junior construction and development loan	<p>USD 225,000,000</p> <ul style="list-style-type: none"> ● 10% annual interest accrued on outstanding balance ● Immediate disbursement upon project initiation and equity drawdown ● Capitalized interest and principal are paid in four equal installments starting at the end of Year 14.

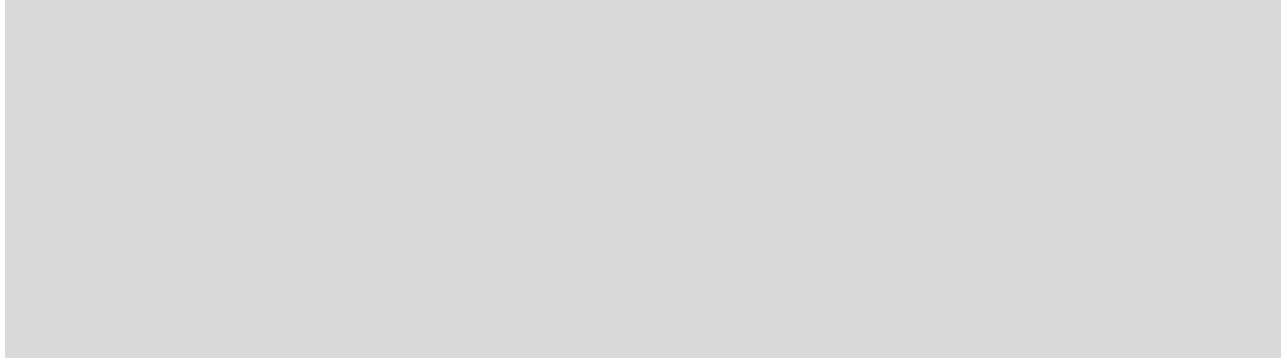
*Senior loans are secured by PBL project assets

**Junior loan has subordinated claims to PBL project assets.

In its first full year of operation, Parak Bridge Limited, based on varying proportions of multi class commercial vehicles, freight traffic, passenger cars, and vans, expects to earn an average net cash flow from operations of 252,500,000.

1.1. Calculate the outstanding debt and the DSCR for the first full year of operation (Year 4) of the PBL project.





1.2 Determine whether the GP will be paid the performance fee equal to 10% of the equity dividend rate in excess of the 14% hurdle rate based on the first full year of PBL's operation. (Ignore management fees.) **Justify** your response.

