Question #1 of 27

Question ID: 1574565

Which of the following pooled investment shares is *least likely* to trade at a price different from its NAV?

A) Exchange-traded fund shares.

B) Closed-end mutual fund shares.

C) Open-end mutual fund shares.

Question #2 of 27

Question ID: 1574557

Promised payments to pension beneficiaries are a responsibility of the plan sponsor in:

A) a defined benefit plan only.

B) both a defined benefit plan and a defined contribution plan.

C) a defined contribution plan only.

Question #3 of 27

Question ID: 1574560

Which of the following statements about active and passive asset management is *most accurate*?

A) Active management has been gaining market share over time versus passive management.

B) Passive management's share of industry revenues is smaller than its share of assets under management.

C) Active management may use fundamental analysis, technical analysis, or a "smart beta" approach to outperform a chosen benchmark.

Question #4 of 27

Question ID: 1574545

In the top-down approach to asset allocation, industry analysis should be conducted before company analysis because:

A) most valuation models recommend the use of industry-wide average required returns, rather than individual returns.

B) the goal of the top-down approach is to identify those companies in non-cyclical industries with the lowest P/E ratios.

C) an industry's prospects within the global business environment are a major determinant of how well individual firms in the industry perform.

Question #5 of 27

Question ID: 1574561

A pooled investment with a share price significantly different from its net asset value (NAV) per share is *most likely* a(n):

A) exchange-traded fund.

B) open-end fund.

C) closed-end fund.

Question #6 of 27

Question ID: 1574549

The execution step in the portfolio management process is *most likely* to include:

A) asset allocation and security analysis.

B) performance measurement and portfolio rebalancing.

C) preparation of an investment policy statement.

Question #7 of 27

Question ID: 1574551

Which of the following types of investors is likely to have the shortest investment horizon?

A) Foundation.

B) Life insurance company.

C) Property and casualty insurance company.

Question #8 of 27

Question ID: 1574555

In a defined contribution pension plan, investment risk is borne by the:

A) employee.

B) employer.

C) plan manager.

Question #9 of 27

Question ID: 1574541

The ratio of an equally weighted portfolio's standard deviation of return to the average standard deviation of the securities in the portfolio is known as the:

A) diversification ratio.

B) relative risk ratio.

C) Sharpe ratio.

Question #10 of 27

Question ID: 1574552

Which of the following institutional investors is *most likely* to have low liquidity needs?

A) Defined benefit pension plan.

B) Bank.

C) Property insurance company.

Question #11 of 27

Question ID: 1574546

Which of the following actions is *best* described as taking place in the execution step of the portfolio management process?

A) Rebalancing the portfolio.

B) Developing an investment policy statement.

C) Choosing a target asset allocation.

Question #12 of 27

Question ID: 1574554

The investment needs of a property and casualty insurance company are *most likely* different from the investment needs of a life insurance company with respect to:

A) risk tolerance.

B) time horizon.

C) liquidity needs.

Question #13 of 27

Question ID: 1574542

The portfolio approach to investing is *best* described as evaluating each potential investment based on its:

A) contribution to the investor’s overall risk and return.

B) potential to generate excess return for the investor.

C) fundamentals such as the financial performance of the security issuer.

Question #14 of 27

Question ID: 1574548

Identifying a benchmark for a client portfolio is *most likely* to be part of the:

A) execution step.

B) feedback step.

C) planning step.

Question #15 of 27

Question ID: 1574550

High risk tolerance, a long investment horizon, and low liquidity needs are *most likely* to characterize the investment needs of a(n):

A) defined benefit pension plan.

B) bank.

C) insurance company.

Question #16 of 27

Question ID: 1574564

Which of the following pooled investments is *least likely* to employ large amounts of leverage?

A) Global macro hedge fund.

B) Venture capital fund.

C) Private equity buyout fund.

Question #17 of 27

Question ID: 1574558

In a defined contribution pension plan, investment risk is borne by the:

A) employee.

B) plan sponsor.

C) fund manager.

Question #18 of 27

Question ID: 1574540

In the Markowitz framework, an investor should *most appropriately* evaluate a potential investment based on its:

A) effect on portfolio risk and return.

B) expected return.

C) intrinsic value compared to market value.

Question #19 of 27

Question ID: 1574553

Endowments and foundations typically have investment needs that can be characterized as:

A) long time horizon, high risk tolerance, and low liquidity needs.

B) long time horizon, low risk tolerance, and high liquidity needs.

C) short time horizon, low risk tolerance, and low liquidity needs.

Question #20 of 27

Question ID: 1574543

Which of the following is typically the *first general step* in the portfolio management process?

A) Specify capital market expectations.

B) Develop an investment strategy.

C) Write a policy statement.

Question #21 of 27

Question ID: 1574547

The top-down analysis approach is *most likely* to be employed in which step of the portfolio management process?

A) The feedback step.

B) The execution step.

C) The planning step.

Question #22 of 27

Question ID: 1574562

A pooled investment fund buys all the shares of a publicly traded company. The fund reorganizes the company and replaces its management team. Three years later, the fund exits the investment through an initial public offering of the company's shares. This pooled investment fund is *best* described as a(n):

A) event-driven fund.

B) private equity fund.

C) venture capital fund.

Question #23 of 27

Question ID: 1574563

A mutual fund that invests in short-term debt securities and maintains a net asset value of $1.00 per share is *best* described as a:

A) balanced fund.

B) bond mutual fund.

C) money market fund.

Question #24 of 27

Question ID: 1574566

Open-end mutual funds differ from closed-end funds in that:

A) open-end funds stand ready to redeem their shares, while closed-end funds do not.

B) closed-end funds require active management, while open-end funds do not.

C) open-end funds issue shares that are then traded in secondary markets, while closed-end funds do not.

Question #25 of 27

Question ID: 1574544

Which of the following would be assessed first in a top-down valuation approach?

A) Industry return on equity (ROE).

B) Industry risks.

C) Fiscal policy.

Question #26 of 27

Question ID: 1574556

In a defined benefit pension plan:

A) the employee is promised a periodic payment upon retirement.

B) the employee is responsible for making investment decisions.

C) the employer's pension expense is equal to its contributions to the plan.

Question #27 of 27

Question ID: 1574559

MAL Investments is an asset management company that consists of three subsidiaries: one that focuses on mid-cap value stocks, one that focuses on alternative assets, and one that focuses on long-term emerging market sovereign debt. MAL is *most accurately* described as a:

A) full-service asset manager.

B) multi-boutique firm.

C) specialist asset manager.