Reading 39: Portfolio Management: An Overview

Question #1 of 21

Question ID: 434360

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

A) Bank.
B) Property insurance company.
C) Defined benefit pension plan.

Question #2 of 21

Question ID: 414940

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

A) fundamentals such as the financial performance of the issuer.
B) potential to generate excess return for the investor.
C) contribution to the portfolio's overall risk and return.

Question #3 of 21

Question ID: 414942

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

A) Foundation.
B) Property and casualty insurance company.
C) Life insurance company.

Question #4 of 21

Question ID: 414948

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

A) Industry return on equity (ROE).
B) Fiscal policy.
C) Industry risks.

Question #5 of 21

Question ID: 414943

A pool of investment assets owned by a government is *best* described as a(n):

A) sovereign wealth fund.

B) state managed fund.

C) official reserve fund.

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Question ID: 414945

In a defined benefit pension plan:

A) the employee is responsible for making investment decisions.

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

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

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Question ID: 414938

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

A) expected return.

B) intrinsic value compared to market value.

C) effect on portfolio risk and return.

Question #8 of 21

Question ID: 434361

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

A) The execution step.

B) The planning step.

C) The feedback step.

Question #9 of 21

Question ID: 414949

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

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

Question #10 of 21

Question ID: 414950

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

A) Choosing a target asset allocation.

B) Rebalancing the portfolio.

C) Developing an investment policy statement.

Question #11 of 21

Question ID: 414941

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

A) bank.

B) defined benefit pension plan.

C) insurance company.

Question #12 of 21

Question ID: 414951

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) closed-end fund.

C) open-end fund.

Question #13 of 21

Question ID: 414946

Which of the following statements about the steps in the portfolio management process is NOT correct?

A) Implementing the plan is based on an analysis of the current and future forecast of financial and economic conditions.

B) Developing an investment strategy is based on an analysis of historical performance in financial markets and economic conditions.

C) Rebalancing the investor's portfolio is done on an as-needed basis, and should be reviewed on a regular schedule.

Question #14 of 21

Question ID: 414953

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) bond mutual fund.

B) money market fund.

C) balanced fund.

Question #15 of 21

Question ID: 414952

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) private equity fund.

B) venture capital fund.

C) event-driven fund.

Question #16 of 21

Question ID: 498769

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

A) a defined contribution plan only.

B) a defined benefit plan only.

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

Question #17 of 21

Question ID: 710152

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 #18 of 21

Question ID: 485793

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 #19 of 21

Question ID: 434362

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

A) planning step.

B) feedback step.

C) execution step.

Question #20 of 21

Question ID: 414947

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

A) Develop an investment strategy.

B) Write a policy statement.

C) Specify capital market expectations.

Question #21 of 21

Question ID: 414944

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

A) employee.

B) plan manager.

C) employer.