

### Question #1 of 21

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 #2 of 21

In a defined benefit pension plan:

- A) the employee is promised a periodic payment upon retirement.
  - B) the employer's pension expense is equal to its contributions to the plan.
  - C) the employee is responsible for making investment decisions.
- 

### Question #3 of 21

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) insurance company.
  - C) defined benefit pension plan.
- 

### Question #4 of 21

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

- A) sovereign wealth fund.
  - B) official reserve fund.
  - C) state managed fund.
- 

### Question #5 of 21

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

- A) potential to generate excess return for the investor.

- B)** fundamentals such as the financial performance of the issuer.
  - C)** contribution to the portfolio's overall risk and return.
- 

### Question #6 of 21

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 planning step.
  - C)** The execution step.
- 

### Question #7 of 21

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

- A)** execution step.
  - B)** planning step.
  - C)** feedback step.
- 

### Question #8 of 21

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 #9 of 21

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

- A)** the goal of the top-down approach is to identify those companies in non-cyclical industries with the lowest P/E ratios.
- B)** an industry's prospects within the global business environment are a major determinant of how well individual firms in the industry perform.
- C)** most valuation models recommend the use of industry-wide average required returns, rather than individual returns.

---

### Question #10 of 21

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

- A) Developing an investment policy statement.
  - B) Choosing a target asset allocation.
  - C) Rebalancing the portfolio.
- 

### Question #11 of 21

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) money market fund.
  - B) balanced fund.
  - C) bond mutual fund.
- 

### Question #12 of 21

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 #13 of 21

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 #14 of 21

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 #15 of 21

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

- A) open-end fund.
  - B) exchange-traded fund.
  - C) closed-end fund.
- 

### Question #16 of 21

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

- A) Private equity buyout fund.
  - B) Global macro hedge fund.
  - C) Venture capital fund.
- 

### Question #17 of 21

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

- A) employee.
  - B) employer.
  - C) plan manager.
- 

### Question #18 of 21

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 #19 of 21

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) Sharpe ratio.
  - B) relative risk ratio.
  - C) diversification ratio.
- 

### Question #20 of 21

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) venture capital fund.
  - B) event-driven fund.
  - C) private equity fund.
- 

### Question #21 of 21

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

- A) both a defined benefit plan and a defined contribution plan.
- B) a defined contribution plan only.
- C) a defined benefit plan only.