

## 10.01 Portfolio Management - An Overview

### Question 1

Shares are *least likely* to be bought on margin for:

- A. exchange-traded funds.
- B. open-end mutual funds.
- C. closed-end mutual funds.

### Question 2

Which of the following *best describes* the roles of buy-side and sell-side firms?

- A. Sell-side firms sell asset management services to buy-side firms.
- B. Buy-side firms provide independent investment research to sell-side firms.
- C. Buy-side firms are asset managers that buy trading services from sell-side firms.

### Question 3

In its appeal to mass affluent investors, which of the following has been *most* disruptive to the wealth management industry?

- A. Hedge funds
- B. Robo-advisers
- C. Private equity funds

### Question 4

A manager is recommending portfolios to a \$20 billion endowment fund. The manager is considering using one of the following portfolios:

Portfolio Weights	Treasury Bills	Corporate Bonds	Common Stock	Venture Capital
Portfolio X	5%	10%	70%	15%
Portfolio Y	5%	70%	20%	5%
Portfolio Z	5%	50%	45%	0%

Based only on this information, which portfolio is *most appropriate* for the foundation?

- A. Portfolio X
- B. Portfolio Y
- C. Portfolio Z

### Question 5

A portfolio manager oversees performance monitoring, determines the client's needs, calculates asset allocations, and writes the investment policy statement. According to the portfolio management process, which task would *most likely* occur first?

- A. Determining client needs
- B. Calculating asset allocations
- C. Writing the investment policy statement

**Question 6**

A tax-sensitive investor would like to invest \$10 million in a portfolio of small-cap stocks. Which pooled investment vehicle would be *most appropriate* for this investor?

- A. An exchange-traded fund
- B. An open-ended mutual fund
- C. A separately managed account

**Question 7**

A pooled investment vehicle that trades in the secondary market and continuously issues and redeems shares is *best described* as a(n):

- A. Exchange-traded fund
- B. Open-end mutual fund
- C. Closed-end mutual fund

**Question 8**

An investment manager is explaining to a client why the firm uses the portfolio approach. The *best* explanation is that it provides:

- A. lower volatility.
- B. higher downside protection.
- C. lower portfolio impact from market catastrophes.

**Question 9**

Which of the following *best describes* the distribution of responsibilities in an employee's retirement plan?

- A. Employees are responsible for funding defined benefit plans.
- B. Employers accept investment risks in defined contribution plans.
- C. Employers ensure that assets meet liabilities in defined benefit plans.

**Question 10**

Which retirement plan *most likely* obligates the employer to provide future benefits?

- A. Defined benefit plan
- B. Defined contribution plan
- C. Individual retirement account