

9.05 Natural Resources

Question 1

In commodity futures markets, futures prices are *more likely* to be in contango when:

- A. storage costs are positive.
- B. the forward curve is downward sloping.
- C. convenience yields are greater than storage costs.

Question 2

Commodity indexes are *most likely*:

- A. subject to backfill and survivorship bias.
- B. directly comparable since weighting methods are standardized.
- C. to have performance differences versus the underlying commodities.

Question 3

Generally, the investment characteristic that best distinguishes farmland from timberland is that farmland:

- A. can be hedged using futures.
- B. has a role as an inflation hedge.
- C. lacks the production flexibility of timberland.

Question 4

An analyst observes that a commodity's forward curve is in backwardation. This situation *most likely* implies:

- A. negative roll yield.
- B. negative collateral yield.
- C. convenience yield exceeds storage costs.

Question 5

A portfolio manager is seeking an alternative investment to diversify a pension portfolio. If the investment is actively managed, liquid, and a variant of a global macro strategy, it is *most likely* a:

- A. market-neutral fund.
- B. merger arbitrage fund.
- C. managed futures fund.

Question 6

When a commodity's futures prices are in contango, its forward price curve *most likely* has:

- A. a negative slope.
- B. a positive roll yield.
- C. little to no convenience yield.

Question 7

A hedge fund that concentrates on midstream oil and gas investments is *most likely* to invest in:

- A. gasoline refineries.
- B. drilling companies.
- C. plastics manufacturers.

Question 8

Historical monthly changes in a country's consumer price index (CPI) have been negatively correlated with both global equity and global bond returns. To capture the potential benefits of these correlations in a diversified portfolio, an investor would *most appropriately* invest in which of the following?

- A. Greenfield infrastructure project
- B. Fixed-income convertible arbitrage
- C. Broad-based commodity index fund

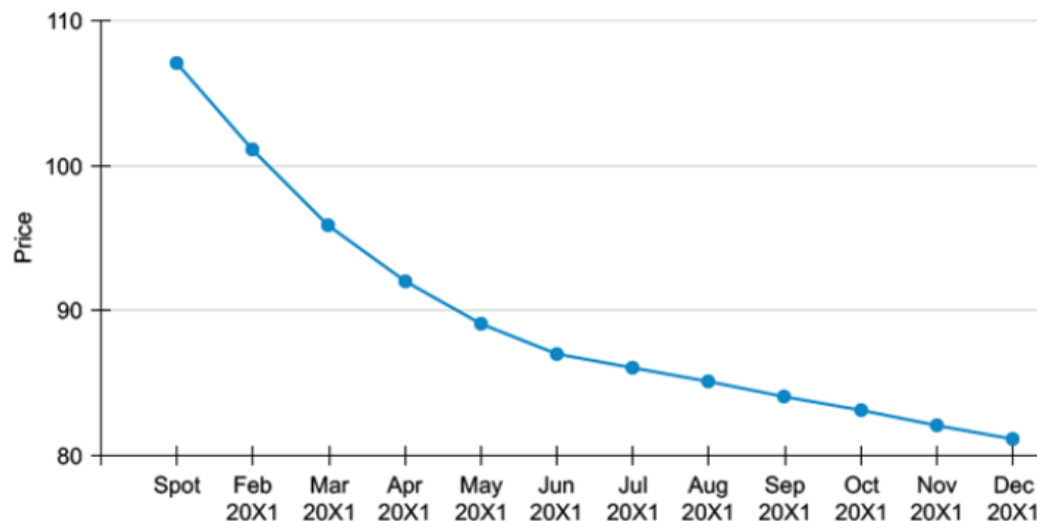
Question 9

Which of the following alternative investments is the *least likely* candidate to meet environmental, social, and governance (ESG) investing criteria?

- A. Timberland
- B. Managed futures
- C. Greenfield renewables utility project

Question 10

An analyst has compiled the following spot and futures pricing data for a commodity:



Which of the following *best describes* the commodity's spot and futures prices?

- A. In contango
- B. In backwardation
- C. Having zero convenience yield

Question 11

An investor wishes to enhance the return from a series of long-only investments in commodity futures contracts by rolling each contract upon expiration. All else equal, the investor's *best* choice is a market where:

- A. storage costs for the commodity are at historical peaks.
- B. sellers are paying buyers to take on exposure to the commodity.
- C. low inventories are causing market participants to hold the physical commodity.