9.14/周六

1 With respect to capital market theory, an investor's optimal portfolio is the combination of a risk-free asset and a risky asset with the highest:

A. expected return.

B. indifference curve.

C. capital allocation line slope.

2 An analyst uses a multifactor model to estimate the expected returns of various securities. The model analyzes historical and cross-sectional return data to identify factors that explain the variance or covariance in the securities' observed returns. This model is most likely a:

A. statistical factor model.

B. macroeconomic factor model.

C. fundamental factor model.

3 An analyst gathered the following information about the stock of UG and the market.

Expected Return of UG's stock $E(R_{UG})$	11%
Expected Return of market R_M	8%
Standard deviation of market return σ_M	13%
Covariance between UG's stock and market Cov(UG,M)	0.035

If the risk-free rate is 3.5%, is UG's stock overvalued?

A. Yes.

B. No, it is fairly valued.

C. No, it is undervalued.

4 Risk Management and Risk Management Framework:

4.1 Which of the following is not a goal of risk management?

A. Measuring risk exposures

B. Minimizing exposure to risk

C. Defining the level of risk appetite

4.2 Which element of a risk management framework sets the overall context for risk management in an organization?

A. Governance

B. Risk infrastructure

C. Policies and processes

4.3 Which element of risk management makes up the analytical component of the process?

A. Communication

B. Risk governance

C. Risk identification and measurement

4.4 Which element of risk management involves action when risk exposures are found to be out of line with risk tolerance?

A. Risk governance

B. Risk identification and measurement

C. Risk monitoring, mitigation, and management