9.13/周五

1. Which of the following financial products is least likely to have a capital gain distribution?
A. Exchange traded funds.
B. Open-end mutual funds.
C. Closed-end mutual funds.

2. An analyst observes the following historic geometric returns:

Asset Class	Geometric Return (%)
Equities	8.0
Corporate Bonds	6.5
Treasury bills	2.5
Inflation	2.1

The risk premium for equities is closest to:
A. 5.4%.
B. 5.5%.
C. 5.6%.

3. An analyst has made the following return projections for each of three possible outcomes with an equal likelihood of occurrence:

Asset	Outcome 1(%)	Outcome 2(%)	Outcome 3(%)
1	12	0	6
2	12	6	0
3	0	6	12
Asset	Outcome 1(%)	Outcome 2(%)	Outcome 3(%)

If the analyst constructs two-asset portfolios that are equally weighted, which pair of assets provides the least amount of risk reduction?
A. Asset 1 and Asset 2.
B. Asset 1 and Asset 3.
C. Asset 2 and Asset 3.

4. A portfolio on the capital market line with the returns greater than the returns on the market portfolio represents a(n):
A. lending portfolio.
B. borrowing portfolio.
C. unachievable portfolio.

5. With respect to the mean-variance portfolio theory, compared to investors who borrow money with risk free rate to invest the market portfolio, the slope of CML for investors borrowing at a higher rate will be?
A. Greater.
B. Smaller.
C. The same.