UpperMark

Question 1 of 100

In the U.S., the short-termreal risk-free return is 1.9%, theshort-term nominalrisk-free return is 3.2%, and the expected inflation rate is 1.3%. If the risk premium for U.S. equities is 6%, which of the following corresponds to the expected return on U.S. equities?

- **A.** 6.6%
- **B.** 7.3%
- **C.** 9.2%
- **D.** 10.5%

Question 2 of 100

The Board of Trustees of The WildWood Foundation, a private foundation based in Chicago, is tasked with strategic planning and oversight of the Foundation. The Foundation's Investment Committee is responsible for overseeing the Foundation's investment activities and for ensuring that all investments are managed in a way that is consistent with the Foundation's policies and objectives. Which of the following statements would most likely be included as a spending policy in the WildWood Foundation's investment policy statement?

- **A.** The Investment Committee is responsible for maintaining the Foundation's intergenerational equity and balancing the needs of current and future beneficiaries.
- **B.** The spending policy will be reviewed at least monthly and modified based on evolving trends with respect to the portfolio's funding needs and other factors.
- **C.** The annual target spending rate must be 4% of the portfolio's trailing 2-year average market value at the end of the recent fiscal year.

Question 3 of 100

Which of the following best corresponds to Yale University's endowment model?

- **A.** concentrated in high-yielding alternative assets and no investments in traditional assets
- **B.** concentrated in high-liquidity alternative assets and few investments in traditional assets
- **C.** concentrated in high-yielding alternative assets, investments in some domestic sovereign bonds for liquidity, but typically no foreign bond investments
- **D.** concentrated in high-yielding alternative assets with investments in some domestic and foreign sovereign bonds for liquidity

Question 4 of 100

Which of the following apply to Swensen's endowment fund portfolio?

I. Implements a contrarian strategy.
II. Tilts toward overvalued assets.
III. Aggressively rebalances to long-term weights.
IV. Applies tactical asset allocations.

- **A.** I and III only
- **B.** II and IV only
- **C.** I, II, and III only
- **D.** I, III, and IV only

Question 5 of 100

Which of the following correspond to why the use of defined benefit pension plans has decreased in the recent past?

I. Regulatory change regarding disclosure
II. Concern about exposure to equity risk
III. Mandated higher employer contribution
IV. Required cost of living adjustments

- **A.** I only
- **B.** I and III only
- **C.** II and IV only
- **D.** I, II, and III only

Question 6 of 100

Alto Inc. offers its employees a defined contribution pension plan. Sienna Long has been working at Alto for over a decade. She is considering a change in careers. Which of the following LEAST likely applies to Alto's defined contribution plan?

- **A.** Sienna Long makes her own asset allocation decisions.
- **B.** The plan is more portable than a defined benefit plan.
- **C.** Sienna Long is not exposed to longevity risk.
- **D.** Alto Inc. does not bear any surplus risk.

Question 7 of 100

A small company in Boston offers its employees a defined benefit pension plan. The pension plan has assets of $150 million and the pension fund manager estimates that the fund's projected benefit obligation is $150 million. The duration of the pension fund's liabilities is 8 years and the fund's assets are invested in nine-year risk-free zero-coupon bonds. If interest rates increase by 1%, which of the following most accurately describes the pension plan's funded status?

- **A.** 1.1% overfunded
- **B.** 2.2% overfunded
- **C.** 1.1% underfunded
- **D.** 2.2% underfunded

Question 8 of 100

If a country's currency depreciates in value, which of the following is observed in the country relative to its trading partners?

- **A.** higher interest rates and faster income growth
- **B.** higher inflation rate and lower exports
- **C.** lower interest rates and higher exports
- **D.** lower inflation rate and slower income growth

Question 9 of 100

A country has experienced deindustrialization as a result of large foreign currency inflows. Which of the following terms best describes this situation?

- **A.** pump and dump
- **B.** Dutch disease
- **C.** sterilization
- **D.** surplus risk

Question 10 of 100

A family office has a portfolio with investments in Section 1256 contracts. Which of the following best describes the tax rates of these contracts?

- **A.** 40% is taxed at the long-term capital gains rate and 60% is taxed at the short-term rate.
- **B.** 60% is taxed at the long-term capital gains rate and 40% is taxed at the short-term rate.
- **C.** At the current lowest tax bracket, the blended tax rate on Section 1256 contracts is 28%.

Question 11 of 100

Which of the following are the three types of wealth identified in Chhabra's investor-centric wealth management framework?

- **A.** tangible, aspirational, and financial
- **B.** market, financial, and personal
- **C.** personal, tangible, and financial
- **D.** human, financial, and tangible

Question 12 of 100

According to Sinclair (2013), which of the following are observations regarding realized volatility?

I. Realized volatility clusters and slowly reverts to a long-term mean.
II. Equity market realized volatility increases when stock prices decline.
III. Realized volatility is always low over the short term.
IV. High volatility is negatively correlated with safe asset returns.

- **A.** I and II only
- **B.** I and IV only
- **C.** II and III only
- **D.** I, II, and IV only

