

Question #1 of 27

Question ID: 1716270

Shauna Gebay manages the investments of a large family office and several individually managed accounts, and is considering changing their asset mixes to include a considerable portion in alternative investments. However, she believes that alternative investments are not appropriate for the family office, and only liquid, public alternative investments are appropriate for individually managed accounts. She is correct with respect to:

- A)** individually managed accounts only.
 - B)** neither the family office nor individually managed accounts.
 - C)** both the family office and individually managed accounts.
 - D)** the family office only.
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Question #2 of 27

Question ID: 1716273

Which of the following factors is the least likely consideration in determining asset allocation percentages?

- A)** Absolute allocation size.
 - B)** Relative allocation size.
 - C)** Time horizon.
 - D)** Liquidity.
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Question #3 of 27

Question ID: 1716264

Andrea Kim is a pension fund consultant who provides expert advice to a wide range of pension funds. For which of these pension funds is she least likely to recommend privately placed alternative investments?

- A)** Private defined contribution fund.
- B)** Private defined benefit fund.
- C)** Individually managed account.

D) National pension fund.

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Question ID: 1716283

Voting proxies that are related to commingled vehicles such as mutual funds are typically the responsibility of:

- A) clients.
 - B) the discretionary adviser.
 - C) the investment manager.
 - D) the custodian.
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Question #5 of 27

Question ID: 1716268

Which of the following statements regarding family offices is most accurate?

- A) Family offices are established to serve a single family.
 - B) Family offices have similar overall goals.
 - C) Wealth management is the most common goal of family offices.
 - D) The main source of capital for a family office is legacy wealth.
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Question #6 of 27

Question ID: 1716262

Which of the following statements about individually managed accounts is the least accurate?

- A) They are subject to regulations that limit the available set of investments.
 - B) Available assets typically include private alternative investments.
 - C) Employees are in full control of the asset allocation.
 - D) Individually managed accounts benefit from tax advantages.
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Question #7 of 27

Question ID: 1716282

A primary function of an outsourced chief investment officer (OCIO) is to:

- A) provide security safekeeping.
 - B) proactively recommend investment strategies.
 - C) be responsible for hiring and firing of managers.
 - D) make recommendations on areas delegated by the board.
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Question #8 of 27

Question ID: 1716272

When establishing the strategic asset allocation, the expected return on asset classes is calculated as:

- A) short-term real riskless rate + expected inflation + risk premium.
 - B) real GDP growth rate + expected inflation + asset correlation.
 - C) short-term real riskless rate + asset correlation.
 - D) real GDP growth rate + risk premium.
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Question #9 of 27

Question ID: 1716277

Mary Parks is an individual investor who works for a credit rating agency analyzing financial institutions, primarily banks. Because of her access to confidential and sensitive information, she is prohibited from investing in bank stocks. In addition, Parks is unable to invest in several private equity (PE) securities given their very high due diligence costs. These two constraints would most appropriately be classified as:

Prohibition Against Bank Stock Investing

High Due Diligence Costs of PE

- | | |
|------------------------|---------------------|
| A) Internal constraint | Internal constraint |
| B) External constraint | Internal constraint |
| C) Internal constraint | External constraint |
| D) External constraint | External constraint |

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Question ID: 1716266

Which of the following statements about sovereign wealth funds (SWFs) is most accurate?

- A) SWFs can be financed by available foreign currency reserves.
 - B) Because of investment restrictions facing national governments, SWFs typically invest the majority of their assets in domestic securities.
 - C) SWFs are set up to provide future income to a country's current citizens.
 - D) SWFs typically have short or medium time horizons given their focus on liquid securities to generate ongoing income for a country's citizens.
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Question #11 of 27

Question ID: 1716271

Which of the following statements about asset class allocations is least accurate?

- A) Very large allocations may hinder finding other suitable investment opportunities.
 - B) More established private equity programs tend to generate more liquidity.
 - C) Achieving above-average performance requires a large allocation to a particular asset class.
 - D) Allocations to a specific asset class that are too small will leave the investor underdiversified.
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Question #12 of 27

Question ID: 1716261

Which of the following types of pension funds is most likely to have the narrowest range of investment opportunities?

- A) National pension funds.
 - B) Private defined contribution plans.
 - C) Private defined benefit plans.
 - D) Individually managed accounts.
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Question #13 of 27

Question ID: 1716285

During a discussion with colleagues, an analyst makes these statements regarding the investment management process:

- I. The investment committee is responsible for approving the investment policy statement (IPS) and the target asset allocation strategy.
- II. The IPS should not only describe the asset owner, but also include a reference to the relevant fiduciary standards.

The analyst is correct with respect to:

- A)** II only.
 - B)** I and II.
 - C)** I only.
 - D)** neither I nor II.
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Question #14 of 27

Question ID: 1716263

Which of the following investment vehicles is best categorized under pension funds?

- A)** Charitable foundations.
 - B)** Individually managed accounts.
 - C)** Sovereign wealth funds.
 - D)** Family offices.
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Question #15 of 27

Question ID: 1716260

Which of the following types of pension funds is most likely to have the widest range of investment opportunities?

- A)** National pension funds.
- B)** Private defined contribution plans.
- C)** Private defined benefit plans.
- D)** Individually managed accounts.

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Question ID: 1716281

The longest time horizon and lowest liquidity needs would best characterize:

- A)** an individually managed account.
 - B)** an endowment.
 - C)** a defined benefit pension plan.
 - D)** a family office.
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Question ID: 1716284

Which of the following objectives would be least common for an endowment or foundation?

- A)** Maintain purchasing power.
 - B)** Achieve a specific performance target above inflation.
 - C)** Support spending needs.
 - D)** Establish reserves.
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Question #18 of 27

Question ID: 1716279

Which of the following factors is least likely an example of a portfolio constraint?

- A)** An investor's preference to avoid utility stocks.
 - B)** Significant upcoming spending needs in five years.
 - C)** Lower tax rate on dividend income than on capital gains.
 - D)** Minimum return requirement of 7%.
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Question ID: 1716280

With respect to investment objectives stated in an investment policy statement, a common investment objective of a pension fund is:

- A)** to perform in line with inflation.
 - B)** to focus on long-term spending needs.
 - C)** a return target percentage above the liability discount rate.
 - D)** to generate a real rate of return percentage above the appropriate inflation rate.
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Question ID: 1716265

The primary difference between sovereign wealth funds (SWFs) and national pension funds is that:

- A)** national pension funds invest for the benefit of future generations.
 - B)** SWFs do not aim to provide retirement income to citizens.
 - C)** national pension funds are much larger and have longer time horizons.
 - D)** only SWFs are owned by sovereign governments.
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Question #21 of 27

Question ID: 1716269

A family with \$50 million in investable assets would like to set up a family office. Which of these statements is least accurate regarding this structure?

- A)** The scope of the investments typically excludes alternative investments.
 - B)** It may be funded with old money or entrepreneurship.
 - C)** Time horizons are generally long.
 - D)** Funds can be used to support current living needs.
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Question #22 of 27

Question ID: 1716276

Which of the following constraints is least appropriately classified as an external constraint?

- A) Asset concentration limit.
 - B) Country limit.
 - C) Tax-exempt status.
 - D) Pension legislation.
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Question #23 of 27

Question ID: 1716274

A bond trader gathers the following economic and asset class data:

- Real growth rate in the economy: 2.5%
- Inflation: 1.5%
- Bond risk premium: 4%

Based on the trader's expectations, the short-term real riskless rate and bond return, respectively, are which of these?

<u>Short-Term Real Riskless Rate</u>	<u>Bond Return</u>
A) Less than 2%	Less than 8%
B) 2.5%	8%
C) More than 2.5%	More than 8%
D) Less than 2.5%	8%

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Question ID: 1716275

The managers of the Melies family office use standard risk-return optimization models in establishing the appropriate asset allocations for the family's investment portfolio. The primary shortfall of this approach is that it ignores the difficulty in estimating:

- A) asset correlations and economic fundamentals.
- B) return standard deviation and risk premiums.
- C) economic fundamentals and betas.

D) risk premiums and asset correlations.

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Question ID: 1716259

Which of the following forms of investment is least likely to be considered a major class of asset owners?

- A) Foundation.
 - B) Family office.
 - C) Individually managed account.
 - D) Sovereign wealth fund.
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Question #26 of 27

Question ID: 1716267

Which of the following items is least likely to be a source of capital for sovereign wealth funds?

- A) Natural resources.
 - B) Foreign aid receipts.
 - C) Trade surpluses.
 - D) Debt issuances.
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Question #27 of 27

Question ID: 1716278

An investor wishes to invest in commodities because of their potential mean-reverting properties. Within an investment policy statement, which of these descriptions of the type and classification of the investor's constraint is most accurate?

- A) Time horizon constraint, and it is an internal constraint.
- B) Liquidity constraint, and it is an internal constraint.
- C) Time horizon constraint, and it is an external constraint.
- D) Liquidity constraint, and it is an external constraint.