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Subject: Portfolio Theory & Security Analysis

Chapter: 4,5 (Unit 2)

Category: Practice Question

1. The goal of an efficient portfolio is to ________.

   a. achieve a predetermined rate of return for a given level of risk
   b. maximize risk in order to maximize profit
   c. minimize profit in order to minimize risk
   d. minimize risk for a given level of return

2. Perfectly ________ correlated series move exactly together and have a correlation coefficient of ________, while perfectly ________ correlated series move exactly in opposite directions and have a correlation coefficient of ________.
   a. negatively; -1; positively; +1
   b. negatively; +1; positively; -1
   c. positively; -1; negatively; +1
   d. positively; +1; negatively; -1

3. Combining negatively correlated assets having the same expected return results in a portfolio with ________ level of expected return and ________ level of risk.
   a. a higher; a lower
   b. the same; a higher
   c. the same; a lower
   d. a lower; a higher

4. Year Return Asset A Return Asset B
   a. 6% 8%
   b. 7% 7%
   c. 8% 6%

5. The correlation of returns between Asset A and Asset B can be characterized as ________.
   a. perfectly positively correlated
   b. perfectly negatively correlated
   c. uncorrelated
   d. partially correlated

6. Which of the following investment products is *most likely* to trade at their net asset value per share?
   a. Exchange traded funds.
   b. Open-end mutual funds.
   c. Closed-end mutual funds.
7. 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.
8. Which of the following forms of pooled investments is subject to the *least* amount of regulation?
   a. Hedge funds.
   b. Exchange traded funds.
   c. Closed-end mutual funds.
9. Which of the following pooled investments is *most likely* characterized by a few large investments?
   a. Hedge funds.
   b. Buyout funds.
   c. Venture capital funds.