

Updating Your Study Manual Instructions for Inserting Version 1.2, 2003

The followings serve as the instructions for updating **Sample Examination Questions** of Study Manual 12 for the Licensing Examination for Securities and Futures Intermediaries. Please be reminded that only the updated sections are provided for downloading. You may replace the relevant sections with this updated version for the study manual you possess.

Instructions:

1. Download and print out the following pages.
 2. **Remove** pages S – 5 to S – 6 and **Insert** new pages S – 5 to S – 6.
 3. **Remove** pages S – 9 and **Insert** new pages S – 9.
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Question 10

The terms “passive”, “fundamental”, “technical” and “contrarian” are usually used to describe which of the following investment management styles?

- A Foreign Exchange investment management style.
- B Unit trust investment management style.
- C Equities investment management style.
- D Fixed income investment management style.

Question 11

What is the aim of investment managers who adopt a the matic management style?

- A To identify current factors which will have a strong influence on business profitability and on market values.
- B To arbitrage when the market temporarily misprices stocks.
- C To predict future price movements by analysing historical returns and volumes.
- D To capitalise on a herd mentality in the market and make investment decisions opposite to the general public.

Question 12

Compared to retail investors, wholesale clients:

- A invest smaller amounts, have a larger investment minimum and are charged a higher fee.
- B invest larger amounts, have a smaller investment minimum and are charged a lower fee.
- C invest smaller amounts, have a larger investment minimum and are charged a lower fee.
- D invest larger amounts, have a larger investment minimum and are charged a lower fee.

Question 13

Which of the following situations apply when markets are “strong form efficient”?

- A Knowledge of information cannot be used to “beat the market”. It follows that “insider information” is useless.
- B Knowledge of information cannot be used to “beat the market”. It follows that “insider information”, though illegal, may be helpful.
- C Knowledge of information can be used to “beat the market”. It follows that the use of “insider information” is useless.
- D Knowledge of information can be used to “beat the market”. It follows that the use of “insider information”, though illegal, may be helpful.

Question 14

A fund manager uses the following sequence to determine his stock selection:

- 1) Asset allocation
- 2) Industry allocation
- 3) Stock selection

Which investment management style is he applying?

- A Bottom-up investing.
- B Top-down investing.
- C Value investing.
- D Growth investing.

Question 15

Which of the following statements about the diversification and measurement of unsystemic risk in CAPM is TRUE?

- A It is diversifiable but is not measured.
- B It is not diversifiable and is not measured.
- C It is diversifiable and is measured.
- D It is not diversifiable but is measured.

Answers to Sample Examination Questions – Paper 12: Asset Management

Question	Correct Answer
1	C
2	B
3	A
4	D
5	D
6	B
7	B
8	D
9	A
10	C
11	A
12	D
13	A
14	B
15	A
16	B
17	B
18	B
19	A
20	C