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NEW QUESTION: 1
An emerging Canadian company is exploring the possibility of using hot water springs to produce clear energy for remote rural communities. The company has strong human resource capital and few assets, and raised SI 20,000 through the Capital Pool Company program. Which option is best for this company to continue maximizing public exposure and raising capital?
A. Crowfunding
B. Escrowing shares
C. offering a greenshee option
D. Filling disclosure documents with SEDAR+.
Answer: (SHOW ANSWER)
For an emerging company with limited assets and innovative goals,crowdfundingis an excellent option to maximize public exposure and raise capital. Crowdfunding involves soliciting small investments from a large number of people, typically through online platforms, making it ideal for startups or innovative ventures like the use of hot water springs for clean energy.
Other options:
* Escrowing shares: Typically used to restrict the sale of shares for a certain period, not for raising capital.
* Offering a greenshoe option: Applies to stabilizing stock prices in an IPO or follow-on offering, not raising initial capital.
* Filing disclosure documents with SEDAR+: Necessary for public companies but does not directly raise capital or increase exposure.
References:
* Volume 1, Chapter 12:Financing and Listing Securities, section on "Capital Raising Options" covers crowdfunding as a method for startups to raise funds.

NEW QUESTION: 2

A young couple is looking to buy a house in the near future with a down payment. What type of investment should they consider for their portfolio?

A. Corporate bonds

B. Stable bank Stocks

C. Diversified balanced portfolio.

D. Government Treasury bills

Answer: (SHOW ANSWER)

For a young couple planning to buy a house in the near future, the primary investment consideration is safety and liquidity. Government Treasury bills (T-bills) are most suitable for the following reasons:

* Safety:

* T-bills are backed by the government and are considered virtually risk-free investments. For individuals seeking to preserve capital for a short-term goal like a home down payment, this feature is critical.

* Liquidity:

* T-bills are highly liquid instruments, allowing the couple to access their funds quickly if needed. They trade in active secondary markets, ensuring that they can sell their holdings with minimal price impact.

* Short-Term Nature:

* T-bills have maturities ranging from a few days to a year, making them ideal for short-term investment horizons like a pending house purchase.

* Avoiding Risk:

* Investments like corporate bonds, bank stocks, or balanced portfolios carry higher risk due to potential market volatility or credit issues, which are unsuitable for a short-term goal.

References to Study Documents:

* Volume 1, Chapter 6, "Fixed-Income Securities: Features and Types," details the safety and liquidity of Treasury bills.

* Volume 2, Chapter 16, "The Portfolio Management Process," emphasizes aligning investment objectives with time horizons and risk tolerance.

NEW QUESTION: 3

TRU Fund portfolio manager decided to deviate from the portfolio long-term target asset mix in order to capitalize on investment opportunities in the domestic bond market. What type of asset allocation is the TRU Fund portfolio manager using?

A. Dynamic.

B. Tactical.

C. Strategic.

D. Timing.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 4

During which step of the financial planning process should an engagement be formalized with a professional service contract?
A. Collect data and information.
B. Establish the client-advisor relationship.
C. Recommend strategies to meet goals.
D. Implement recommendations.
Answer: (SHOW ANSWER)

NEW QUESTION: 5
According to the life-cycle hypothesis, what is the single most important determinant of a client's asset allocation, regardless of stage?
A. Anticipating remaining life expectancy.
B. Market expectations.
C. Current financial burdens.
D. Psychological willingness to bear risk.
Answer: (SHOW ANSWER)

NEW QUESTION: 6
A firm implements a comprehensive due diligence process before allowing their firm to sell a few funds. The fund's high-water mark falls within what primary area of inquiry?
A. Fund structure.
B. Fees.
C. Risk analysis.
D. Operations.
Answer: (SHOW ANSWER)
A high-water mark is tied to performance fee arrangements, especially in hedge funds and alternative investment funds. It prevents the fund manager from earning performance fees on the same gains more than once. If a fund loses value, the manager must first recover the losses and bring the fund above its previous highest value before charging a new performance fee. Because this feature directly affects how the manager is compensated, it falls under the fees area of due diligence. Fund structure deals with legal organization and terms. Risk analysis examines exposures, volatility, leverage, and strategy risk.
Operations focus on processes, controls, valuation, custody, and administration. The high-water mark is primarily a fee-related inquiry.

NEW QUESTION: 7
What is a disadvantage of fee-based accounts when compared to commission-based accounts?
A. There may be a limit to the number of trades permitted.
B. The advisor may be more inclined to do more frequent trading.
C. The advisor may be unable to provide a broad range of services to clients.
D. There is a more restricted selection of investment opportunities.

Answer: (SHOW ANSWER)
Fee-based accounts charge clients a fixed percentage of assets under management rather than commissions on individual trades. While these accounts offer benefits like cost transparency and reduced incentive for excessive trading, they may also impose restrictions on the number of trades allowed without incurring additional fees.
* Disadvantages of Fee-Based Accounts:
* Trade Limits: Some fee-based accounts cap the number of trades to ensure trading costs remain within the agreed fee structure.
* Higher Fixed Costs: These accounts can be more expensive for clients who trade infrequently or have smaller portfolios.
* Why Other Options Are Incorrect:
* B: Fee-based accounts reduce the advisor's incentive for frequent trading as they are not commission-based.
* C: Fee-based accounts typically allow access to a broad range of advisory services.
* D: Investment opportunities are not restricted in fee-based accounts.
:
CSC Volume 2, Chapter 25: Advantages and Disadvantages of Fee-Based Accounts.

NEW QUESTION: 8
What is an example of a KYC requirement?
A. KYC information can be shared between accounts for clients with multiple accounts.
B. KYC information is limited to the main accountholder if account is joint.
C. KYC information is discretionary when the client is not acting on the advisor's recommendation.
D. KYC information should include the customer's personal circumstances.
Answer: (SHOW ANSWER)
Know Your Client requirements require the advisor and firm to collect and maintain sufficient information about the client to assess suitability. This includes personal circumstances, financial circumstances, investment knowledge, risk tolerance, risk capacity, time horizon, investment objectives, liquidity needs, and other relevant constraints. Option A is incorrect because each account may have different objectives, ownership, risk profile, or restrictions, so information cannot simply be assumed across accounts without proper review. Option B is incorrect because joint accounts require relevant information for the account holders. Option C is wrong because KYC obligations still matter even when the client initiates a transaction. The advisor must understand the client well enough to identify suitability concerns. Therefore, personal circumstances are a core KYC requirement.

NEW QUESTION: 9
What investment becomes liquid when securitized?
A. Airport.
B. Real estate.

C. Fine art.
D. Gold.
Answer: (SHOW ANSWER)
Securitization converts pools of illiquid assets into marketable securities that can be sold to investors.
Real estate is a classic example because mortgages or real estate-related cash flows can be pooled and transformed into securities, such as mortgage-backed securities. This process improves liquidity because investors can buy and sell claims on the asset pool rather than directly owning the underlying property. Gold is already a highly liquid commodity and does not need securitization to become liquid.
Fine art is illiquid, but it is not the standard example in Canadian securities course material for securitization. An airport may be an infrastructure asset, but it is not the best answer in this context.
Real estate is the correct securitized asset.

NEW QUESTION: 10
Maya invested $5,000 in a three-year ABC market-linked GIC for her non-registered account. Her GIC just matured and the return was based on the performance of the S & P/TSX Composite Index, with a 70% participation rate. Initial and ending reference index levels were 13,600 and 19,000, respectively. What amount of GIC return will be taxable for Maya in the year of maturity?
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A. $1,985.00.
B. $694.75.
C. $992.50.
D. $1,389.71.
Answer: (SHOW ANSWER)
A market-linked GIC pays a return based on a formula tied to an index, but the return is still treated as interest income for tax purposes in a non-registered account. First calculate the index gain: 19,000 minus 13,600 equals 5,400. Divide 5,400 by 13,600 to get 39.7059%. Apply the 70% participation rate:
39.7059% × 70% = 27.7941%. Apply that return to Maya's $5,000 investment: $5,000 × 27.7941% =
$1,389.71. Because the GIC matured in the current year, that full GIC return is taxable in the year of maturity. Therefore, the correct taxable amount is $1,389.71.

NEW QUESTION: 11
What is the difference between sinking funds and purchase funds concerning the redemption of bonds poor to maturity?
A. Sinking funds have mandated redemptions while purchase funds can redeem only upon certain market conditions.
B. Sinking funds can redeem bonds only if they trade below a stipulated price while purchase runes do not have such a requirement.

C. Sinking funds involve the issuer determining when bonds are redeemed while purchase funds Involve the investor determining when the bonds are redeemed.
D. Sinking funds can redeem fie bones any time while purchase funds follow a prearranged schedule.
Answer: (SHOW ANSWER)
* Sinking funds require the issuer to redeem a specified portion of the bond issue at regular intervals. This ensures systematic debt reduction and is mandated regardless of market conditions.
* Purchase funds, however, allow the issuer to buy back bonds only if they are available in the market at or below a stipulated price, making redemption conditional on market conditions.
* B. Sinking funds can redeem bonds only if they trade below a stipulated price: This applies to purchase funds, not sinking funds.
* C. Sinking funds involve the issuer determining when bonds are redeemed while purchase funds involve the investor determining when the bonds are redeemed: Investors have no role in determining bond redemption under either method.
* D. Sinking funds can redeem the bonds any time while purchase funds follow a prearranged schedule:
Sinking funds follow a schedule, and purchase funds rely on market conditions.
Reference:CSC Volume 1, Chapter 6, "Bond Features - Sinking Funds and Purchase Funds" explains these mechanisms for bond redemption.

NEW QUESTION: 12
What does historical evidence suggest about the performance of hedge funds when compared to traditional markets?
A. Hedge funds have underperformed traditional markets during periods of mild stress.
B. Hedge funds have outperformed traditional markets during periods of stable growth.
C. Hedge funds have mirrored traditional markets during periods of aggressive growth.
D. Hedge funds have outperformed traditional markets during periods of extreme stress.
Answer: (SHOW ANSWER)
Hedge funds are designed to pursue absolute or risk-adjusted returns using strategies such as short selling, leverage, derivatives, arbitrage, long-short positions, and market-neutral methods. Because these strategies are not always fully dependent on rising equity markets, hedge funds may provide downside protection during severe market stress. Historical evidence commonly shows that hedge funds can outperform traditional long-only markets during extreme stress because they have more tools to reduce exposure, hedge risk, or profit from falling prices. They do not necessarily outperform during stable growth periods because traditional equity markets may rise strongly while hedge funds maintain hedged or conservative exposures. Therefore, the strongest statement is that hedge funds have outperformed traditional markets during extreme stress.

NEW QUESTION: 13

Kenji is ready to place a large trade in a European small-cap ETF, traded on the TSX. It is 10 a.m. in Toronto, where Kenji is located. What trading tip can Kenji use to protect his trade from sudden price movements?
A. Place his trade by using a limit order.
B. Place his trade when a trading halt is issued for any underlying ETF holding.
C. Place his trade by executing it in small portions at a time.
D. Place his trade close to the end of the TSX's regular trading hours.
Answer: (SHOW ANSWER)

NEW QUESTION: 14
For buy-side institutional investors, what is the purpose of algorithmic trading?
A. To consolidate a large number of individual trades into a single trade to reduce the market impact.
B. To optimize the order execution of a large block of shares by breaking it up into smaller trades.
C. To reduce overall trading order execution costs.
D. To optimize the order execution of small trades.
Answer: (SHOW ANSWER)

NEW QUESTION: 15
An investor wants to gain exposure to the Canadian stock market with minimal risk exposure. What is the test financial instrument for this investor?
A. Canadian bank preferred shares.
B. Index exchange-trace fund.
C. Call option.
D. Index-linked guaranteed investment certificate.
Answer: (SHOW ANSWER)
The investor's goal is to gain exposure to the Canadian stock market while maintaining minimal risk exposure. Among the provided options, an index-linked guaranteed investment certificate (GIC) is the most suitable choice.
Key Characteristics of an Index-Linked GIC:
* Capital Protection:
* Index-linked GICs guarantee the principal investment amount, offering the security of a GIC while tying returns to the performance of a stock index (e.g., the S&P/TSX Composite Index).
* This ensures no loss of capital regardless of market performance.
* Market Exposure:
* The return on an index-linked GIC is linked to the performance of the underlying index, providing exposure to the stock market. However, this comes without the downside risk associated with direct stock or fund investments.
* Low Risk:
* The combination of principal protection and market exposure makes it ideal for risk-averse investors seeking growth potential.

Review of Other Options:
* A. Canadian Bank Preferred Shares:
* While preferred shares provide stable dividends and relatively low volatility compared to common shares, they still carry market risk and are not as secure as GICs.
* B. Index Exchange-Traded Fund (ETF):
* ETFs track stock indices and offer diversification, but they expose investors to the full market risk of the underlying index, making them unsuitable for those seeking minimal risk exposure.
* C. Call Option:
* Call options are speculative derivatives that provide leverage for market exposure but carry significant risk of loss, making them inappropriate for a low-risk investor.
Why D is Correct:
An index-linked GIC balances the investor's objective of gaining exposure to the Canadian stock market with the need for minimal risk by guaranteeing principal protection while offering potential returns tied to market performance.
References:
Canadian Securities Course (CSC), Volume 1, Chapter 6: Fixed-Income Securities - Features and Types.
Discussion on index-linked GICs and their suitability for risk-averse investors.
Explanation of risk characteristics of preferred shares, ETFs, and derivatives in Chapter 8 and 10 of Volume 1.

NEW QUESTION: 16
What is the primary difference between industry standards and industry ratios?
A. Industry standards change each year, while industry ratios remain relatively static.
B. Industry standards provide a consistent benchmark over time, while industry ratios change each year.
C. Industry standards are presented as specific numbers, while industry ratios are presented as a range.
D. Comparing against industry standards provides more fair and thorough analysis results rather than comparing against the average of the industry.
Answer: (SHOW ANSWER)

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NEW QUESTION: 17
In a multi-mandate managed account, who sets the overall optimal asset mix?
A. Client
B. Sub-advisor
C. Investment advisor
D. Overlay manager
Answer: (SHOW ANSWER)

NEW QUESTION: 18
If the manager believes the market is efficient, what investment strategy should they employ for a portfolio?
A. Growth investing
B. Buy-and-hold strategy
C. Momentum investing
D. Sector rotation
Answer: (SHOW ANSWER)

NEW QUESTION: 19
A portfolio manager at an investment firm is analyzing the behavior of stocks in various market conditions.
They believe markets are efficient and that all public and non-public and non-public available information is fully reflected in current process. How should the construct their investment portfolio?
A. Create a passive investment portfolio with exchange- traded funds.
B. Use both fundamental and technical analysis to add value to the portfolio.
C. Use technical analysis to review all past price movements and trends.
D. Actively buy and sell stocks in an attempt to beat the stock market's average returns.
Answer: (SHOW ANSWER)
When an investor or portfolio manager adheres to the belief in market efficiency-specifically the strong form of the Efficient Market Hypothesis (EMH)-it implies that all information (public and non-public) is fully reflected in security prices. This belief diminishes the value of active investment strategies, such as fundamental or technical analysis, as these approaches presume the possibility of identifying undervalued or overvalued securities.
As such, the logical approach in this scenario would be to adopt a passive investment strategy. This includes constructing a portfolio of exchange-traded funds (ETFs) or index funds that replicate the performance of a broad market index, such as the S&P/TSX Composite Index. A passive approach aligns with the principle of market efficiency, as it avoids attempts to outperform the market, which are considered futile under the EMH.
:
Volume 2, Chapter 13: Fundamental and Technical Analysis, Efficient Market Hypothesis, Canadian Securities Course.

NEW QUESTION: 20

What item compares the expected return of the market portfolio to the riskless rate?

A. Alpha

B. Variance

C. Beta

D. Risk premium

Answer: (SHOW ANSWER)

NEW QUESTION: 21

A client recently sold her holdings in JKL Equity Fund. The client ' s transactions in the fund are Summarized below:

Year	Description	Amount ($)
1	Bought 500 JKL Equity Fund @ $10.50 per unit (no load)	5,250.00
2	Reinvested distribution (75% capital gains; 25% Canadian dividends) Bought 20.5 JKL Equity Fund @ $11.50 per unit	235.75
3	Reinvested distribution (80% capital gains; 20% Canadian dividends) Bought 35.5 JKL Equity Fund @ $12.25 per unit	434.88
4	Sold 556 JKL Equity Fund @ $12.75 per unit	7,089.00

What is the client ' s capital gain from the sale of the fund in Year 47?

A. $2,509.63

B. $1,168.37

C. $1,155.25

D. $1,839.00

Answer: (SHOW ANSWER)

NEW QUESTION: 22

What must happen for a redemption to be processed from a mutual fund?

A. Payment for redeemed securities must be within two business days after the NAVPS is determined.

B. Mutual funds representatives must submit the order within two business days of when the order is received from the client.

C. The offering price of the mutual fund must be calculated.

D. The client redeeming the mutual fund must receive a Fund facts document.

Answer: (SHOW ANSWER)

When a mutual fund redemption is processed, the fund must calculate the Net Asset Value per Share (NAVPS) to determine the redemption price. The Canadian Securities Administrators (CSA) regulations mandate that payment for redeemed securities be made within two business days following the calculation of NAVPS, ensuring prompt transactions while protecting investor interests.

References:

* CSC Volume 2, Chapter 17: "Mutual Funds: Structure and Regulation," details the process and timing for mutual fund redemptions, including regulatory requirements.

NEW QUESTION: 23
If the government wants to stimulate the economy through fiscal policy, what action should it take?
A. Decrease interest rates and increase money supply
B. Increase spending and money supply
C. Decrease taxes and increase spending
D. Decrease taxes and interest rates
Answer: (SHOW ANSWER)

NEW QUESTION: 24
In Canada, which industries are categorized as defensive?
A. Baking and materials
B. Energy and materials.
C. Energy and utilities.
D. Banking and utilities.
Answer: (SHOW ANSWER)
Defensive industries are less sensitive to economic cycles. They tend to perform consistently regardless of economic conditions because they provide essential goods and services that consumers require regardless of their financial situation. Banking and utilities fall under this category as:
* Bankingensures essential financial services.
* Utilities(e.g., electricity, water) provide necessary services.
Industries like energy and materials are morecyclical, reacting strongly to economic fluctuations.
Hence,D.
Banking and Utilitiesis the correct choice.
References:
* Volume 2, Chapter 13, "Classifying Industries by Reaction to the Economic Cycle".

NEW QUESTION: 25
What do a hedge fund's liquidity dates indicate?
A. The period that the hedge fund manager is forced to unwind all its investment positions.
B. The period that existing investors in the hedge fund can redeem their shares.
C. The period that non-accredited investors can enter a hedge fund by purchasing newly issued shares.
D. The period that a hedge fund is expected to cover its short positions.
Answer: B (LEAVE A REPLY)
Hedge funds often have restricted liquidity compared with mutual funds. Investors usually cannot redeem units every business day. Instead, the fund sets specific liquidity dates, such as monthly,

quarterly, semi-annual, or annual redemption dates. These dates tell existing investors when they are allowed to redeem their units or shares, subject to notice periods, lock-up provisions, gates, or other fund terms. Option A is incorrect because liquidity dates do not force the manager to unwind all positions. Option C is wrong because hedge funds are generally not designed for non-accredited investors unless offered through permitted structures. Option D confuses liquidity dates with short- covering obligations. The correct meaning is the redemption window available to existing investors.

NEW QUESTION: 26
What is the next step after designing an investment policy statement?
A. Determining investment constraints
B. Developing the asset mix
C. Outlining a list of acceptable and prohibited investments
D. Determining investment objectives
Answer: (SHOW ANSWER)

NEW QUESTION: 27
What must be included in the relationship disclosure information provided to the mutual fund client?
A. A general explanation of how the investment performance of fund managers might be used against a benchmark.
B. A definition of the various terms of Know Your Product information collection and how the information will be used.
C. A description of the general impact on the client's return from management expense fees and other ongoing fees.
D. A description of any benefits received by the client related to the client's purchase or ownership of an investment through the dealer.
Answer: (SHOW ANSWER)
Relationship disclosure information is intended to help clients understand the nature of their relationship with the dealer, including account services, costs, charges, compensation, conflicts, and how fees affect investment returns. For a mutual fund client, disclosure of the general impact of management expense fees and other ongoing fund costs is essential because these charges reduce the investor's return over time. Option A relates more to performance reporting or benchmarking discussion. Option B incorrectly focuses on internal Know Your Product collection terminology rather than client disclosure. Option D is incorrectly phrased because the relevant disclosure concerns charges, compensation, and benefits received by the dealer or related parties, not benefits received by the client. Therefore, Option C is correct.

NEW QUESTION: 28
Which is a typical feature of investing in a listed private equity company?
A. Average levels of liquidity.

B. Access to a wide range of skills and large number of personnel.
C. Controls and limits on private equity management to protect existing investors.
D. Ability to act on legitimate insider information.
Answer: (SHOW ANSWER)
Investing in a listed private equity company offers the benefit of access to a broad array of skills and a large talent pool. Unlike traditional private equity investments, these entities are publicly traded and often operate with extensive resources and expertise to evaluate and manage investment opportunities.
* Key Features of Listed Private Equity Companies
* They provide liquidity compared to traditional private equity, as shares can be traded on public exchanges.
* They leverage a diverse team of analysts, strategists, and operational experts to identify and optimize investment opportunities.
* Evaluating Other Options:
* Average levels of liquidity (A): Listed private equity companies are considered to have higher liquidity relative to traditional private equity funds.
* Controls and Limits (C): These companies may not necessarily impose stricter controls than traditional private equity.
* Ability to act on legitimate insider information (D): Insider trading is strictly regulated and prohibited by law.
* Risk and Return Trade-Off: While providing advantages like transparency and liquidity, listed private equity investments may be subject to market volatility akin to other publicly traded equities.
References:Volume 2, Chapter 22: Alternative Investments - Section on Listed Private Equity.
Volume 2, Chapter 20: Investment Structures and Risks - Private Equity Analysis.

NEW QUESTION: 29
If an advisor is interested in a top-down, active equity management approach that is more aggressive and likely to be successful, which type of fund manager should he choose?
A. Sector rotation.
B. Buy and hold.
C. Value oriented.
D. Market timing.
Answer: (SHOW ANSWER)
Sector rotation is a top-down active equity strategy. The manager begins with macroeconomic and industry analysis, then shifts portfolio exposure toward sectors expected to outperform at a particular stage of the business cycle. This approach is more active and aggressive than buy-and-hold investing, but it is generally more practical than pure market timing because the manager remains invested while changing sector weights. Market timing attempts to move in and out of the market altogether, which is highly difficult and often unreliable. Value-oriented management is

usually bottom-up because it focuses on individual undervalued securities. Buy and hold is passive or low-turnover. Therefore, sector rotation best matches a top-down active approach.

NEW QUESTION: 30

Which ratio gauges a company's ability to repay its debts using funds generated from operating activities?

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A. Cash flow-to-total debt

B. Interest coverage.

C. Asset coverage.

D. Debt-to-equity

Answer: (SHOW ANSWER)

Thecash flow-to-total debt ratioassesses a company's ability to repay its debts using cash generated from its operating activities. It is calculated by dividing operating cash flow by total debt. A higher ratio indicates better capacity to cover debts. This metric is crucial for evaluating financial health and understanding a firm's liquidity position. Other ratios listed have different focuses:

* Interest coverage(B) measures a company's ability to pay interest with operating income.
* Asset coverage(C) measures the protection provided to creditors.
* Debt-to-equity(D) evaluates capital structure but not immediate debt repayment ability.

References

* CSC Volume 2, Chapter 14:Company Analysis - Risk Analysis Ratios, p. 14-12 to 14-16.

NEW QUESTION: 31

What do the returns on treasury bills often represent?

A. Bank prime rate.

B. Inflation rate

C. Risk-free rate

D. Federal funds rate

Answer: (SHOW ANSWER)

Detailed Explanation: Treasury bills (T-bills) are short-term government debt instruments with minimal risk of default. Their returns are often used as a proxy for the risk-free rate in financial analysis, as they represent the theoretical return on an investment with zero credit risk. The risk-free rate is critical for discounting cash flows and comparing returns on various investments.

Other options:

* A. Bank prime rate is the interest rate commercial banks charge their most creditworthy customers.
* B. Inflation rate is unrelated to the direct return on T-bills, though it impacts real returns.
* D. Federal funds rate applies in the U.S. to interbank lending, not directly to T-bills.

References: CSC Volume 1 (2023 Edition): Chapter on the financial markets, inflation, and trade settlement.

CSC Volume 2 (2024 Edition): Sections on portfolio analysis and risk-free securities.

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NEW QUESTION: 32
Which funds have a similar objective to those of balanced funds?
A. Target-date funds
B. Dividend funds
C. Asset allocation funds
D. Fixed-income funds
Answer: (SHOW ANSWER)

NEW QUESTION: 33
What type of return is calculated for a security held for 18 months if no adjustments to the return are made?
A. Effective rate of return.
B. Nominal rate of return.
C. Annualized total return.
D. Holding period return.
Answer: (SHOW ANSWER)
The return on a security held for a specific period, such as 18 months, without adjusting for time or compounding, is referred to as the holding period return (HPR) . This straightforward calculation assesses total returns over the period of ownership.
1. Definition of Holding Period Return:
The HPR is calculated as:
HPR=(Ending Value - Initial Value) + Dividends ReceivedInitial ValueHPR = \frac{{\text{(Ending Value - Initial Value) + Dividends Received}}}{{\text{Initial Value}}}HPR=Initial Value (Ending Value - Initial Value) + Dividends Received This measure evaluates total growth, disregarding compounding or annualization.
2. Other Return Types (Incorrect Answers):
* Effective Rate of Return: Reflects annualized returns considering compounding within a year. It is not applicable to non-annualized periods like 18 months.
* Nominal Rate of Return: The unadjusted rate of return without accounting for inflation. While related, it does not specifically refer to the holding period concept.

* Annualized Total Return: This adjusts returns to reflect an annual basis, assuming constant performance throughout the period. It is unsuitable for raw, unadjusted returns like the HPR.
References from CSC Study Documents:
* Chapter 15, Volume 2: Covers the calculation of different return metrics, with detailed examples of HPR and its application.
* Portfolio Return Analysis in Section 15 explains the non-compounded nature of holding period calculations.
Let me know if further details or clarifications are needed!

NEW QUESTION: 34
If a mutual fund is set up as a corporation, how much of income generated by the fund flows through directly to the shareholders?
A. None
B. 100% of dividends
C. 50% of capital gain
D. 100% of interest
Answer: (SHOW ANSWER)

NEW QUESTION: 35
What is the reason for an individual to use an estate freeze?
A. Eliminate probate fees
B. Reduces asset price volatility
C. Transfer control of the assets.
D. Limit the tax liability for future growth
Answer: (SHOW ANSWER)
An estate freeze is a strategy used to minimize future tax liability by freezing the value of an individual's assets at their current level and transferring future growth to others (e.g., family members). This helps lock in the current value for taxation purposes while passing on potential growth to the next generation without incurring immediate taxes.
* Key Benefits of an Estate Freeze:
* Ensures that future appreciation in asset value is taxed in the hands of beneficiaries rather than the original owner, typically at lower tax rates.
* Facilitates succession planning by transferring control of assets to heirs.
* Limits tax exposure while maintaining flexibility in estate planning.
* Why Other Options Are Incorrect:
* A: An estate freeze does not eliminate probate fees, though it may reduce taxable estate value.
* B: Asset price volatility is unrelated to the purpose of an estate freeze.
* C: While asset control may change, this is not the primary reason for an estate freeze.
:
CSC Volume 2, Chapter 24: Estate Planning and Tax Strategies.

NEW QUESTION: 36
What is margin in an equity transaction?
A. Loan that a dealer extends to a client to buy securities.
B. Amount paid by a client when he uses credit to buy securities
C. Good-faith deposit to ensure the client will make future financial obligations
D. interest paid by the client to borrows securities.
Answer: (SHOW ANSWER)
In an equity transaction,marginrefers to the loan that a dealer extends to a client to facilitate the purchase of securities. The client pays a portion of the purchase price (the margin requirement), while the dealer provides the remainder as a loan. This enables clients to leverage their investments and potentially enhance returns, albeit with increased risk.
Other options:
* Amount paid by a client when using credit to buy securities: Describes the margin requirement but does not fully define margin.
* Good-faith deposit to ensure future financial obligations: Refers to initial margin in derivatives trading, not equity transactions.
* Interest paid by the client to borrow securities: Refers to short-selling, not buying on margin.
References:
* Volume 1, Chapter 9:Equity Transactions, section on "Margin Accounts" explains the mechanics of margin trading and loans.

NEW QUESTION: 37
When a company issues a number of common shares, some of which are held by institutional investors, what are the institutional investors' shares known as?
A. Market capitalization shares.
B. Outstanding shares.
C. issued shares
D. Public float shares.
Answer: (SHOW ANSWER)
The shares held by institutional investors, along with other shares available for trading by the public, are referred to as thepublic float shares. These are the issued shares of a company that are actively traded in the market, excluding restricted shares held by insiders or strategic investors.
Other options:
* Issued shares: Includes all shares a company has issued, including restricted shares.
* Outstanding shares: Includes all shares held by all shareholders, including restricted shares and shares not available for trading.
* Market capitalization shares: Not a term used to describe shares; market capitalization is a measure of a company's total value based on its stock price and outstanding shares.
References:

* Volume 1, Chapter 8:Equity Securities, section on "Public Float and Market Capitalization" explains the concept of public float shares.

NEW QUESTION: 38
How do index-tracking ETFs differ from index mutual funds?
A. ETFs have higher administrative costs of record-keeping
B. ETFs have higher tracking errors
C. Index mutual funds have higher implicit trading costs
D. Index mutual funds only have initial investment and trading fees
Answer: C (LEAVE A REPLY)

NEW QUESTION: 39
What is an important consideration when developing an investment policy statement?
A. Is the result of a few simple inputs in the KYC process.
B. Follows a standardized list of components.
C. Only lists prohibited investments, as the portfolio manager has discretionary authority for acceptable investments.
D. Includes operating rules and guidelines.
Answer: (SHOW ANSWER)
An investment policy statement is a formal document that translates the client's circumstances, goals, constraints, and risk profile into operating rules and portfolio guidelines. It should define objectives, asset allocation parameters, liquidity needs, time horizon, tax considerations, permitted investments, restrictions, rebalancing procedures, and review standards. It is not merely the result of a few simple KYC inputs; it is a structured planning and governance document. It also does not simply follow one rigid standardized list, because it must be tailored to the client. Option C is too narrow because the IPS must identify acceptable investments and portfolio rules, not only prohibited investments. The best answer is that it includes operating rules and guidelines.

NEW QUESTION: 40
The following table presents annual returns on TUV common stock and the S&P/TSX Composite Index over a three-year period.
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What is TUV's beta relative to the S&P/TSX Composite Index over this three-year period?
A. Greater than 1.
B. Exactly 1.
C. Between 0 and 1.
D. Less than 0.
Answer: (SHOW ANSWER)

NEW QUESTION: 41
Why is liquidity important when analyzing the shares of a public company?

A. Trading should be sufficient to absorb transactions without undue distortion in the market price.
B. It affects the company's ability to raise additional capital.
C. Too much liquidity causes excessive buying or selling in the market.
D. It affects the trading cost and volume of the stock for retail investors.
Answer: (SHOW ANSWER)
Liquidity is important because investors must be able to buy or sell shares without causing a significant movement in the market price. A liquid security has enough trading volume, market depth, and active participation to absorb transactions efficiently. This is especially important for institutional investors, but it also matters for retail investors because illiquid shares can have wider bid-ask spreads and greater price impact. Option D is partly related, but it is narrower and focuses only on retail trading costs rather than the broader market-quality issue. Option B may be indirectly affected by investor confidence, but it is not the main liquidity-analysis point. Option C is incorrect because high liquidity generally improves market efficiency. Option A best captures the concept.

NEW QUESTION: 42
Which primary value is violated if an advisor places an unsuitable order requested by a client?
A. Compliance.
B. Integrity.
C. Duty of care.
D. Professionalism.
Answer: (SHOW ANSWER)
An advisor's duty of care requires recommendations and accepted orders to be suitable for the client based on know-your-client information, investment objectives, time horizon, risk tolerance, financial circumstances, and investment knowledge. Even when a client requests a trade, the advisor cannot ignore suitability obligations. If the order is unsuitable, the advisor must warn the client, document the concern, and may be required to refuse or escalate the transaction depending on firm policy and regulatory obligations. Compliance refers to following laws and internal rules, but the core ethical breach in this scenario is failing to protect the client's interests. Integrity involves honesty, and professionalism involves proper conduct. The direct violation is the advisor's duty of care.

NEW QUESTION: 43
What information is an investor unable to retrieve through the SEDAR+ website?
A. Interim financial statements.
B. Registration information for dealers.
C. Annual report.
D. Annual information form.
Answer: (SHOW ANSWER)

NEW QUESTION: 44

An investor has earned additional Income and is looking to invest in a security that guarantees returns over.
The next seven years. What is the Best option for purchase?
A. Proffered shares
B. Provincial saving bond
C. Common shares
D. Exchange-traded fund.
Answer: (SHOW ANSWER)
Provincial savings bonds are a suitable option for an investor seeking a guaranteed return over a fixed period, such as seven years. These bonds are backed by the credit of the issuing provincial government and provide a stable and secure investment, ensuring predictable returns. They are often issued during specific sales campaigns and offer safety comparable to federal bonds but tailored to provincial residents.
Other options:
* Preferred shares: Provide fixed dividends but do not guarantee returns.
* Common shares: Subject to market risk and do not offer guaranteed returns.
* Exchange-traded funds (ETFs): Can track bonds or equities but are subject to market fluctuations and do not guarantee returns.
References:
* Volume 1, Chapter 6:Fixed-Income Securities, section on "Provincial and Municipal Bonds" explains the features and security of provincial savings bonds.

NEW QUESTION: 45
Which derivatives transaction has the greatest default risk?
A. Individual investor buying shares on an exchange during the ex-rights period.
B. Interest rate forward agreement between an investment dealer and a corporation.
C. Exchange-traded equity option contract between an individual investor and a dealer.
D. Individual investor entering future contract with an institutional investor.
Answer: (SHOW ANSWER)
An interest rate forward agreement (FRA) is an over-the-counter (OTC) derivative contract. Unlike exchange- traded derivatives, OTC contracts are not centrally cleared, meaning there is no intermediary to guarantee performance. This increases counterparty (default) risk, making FRAs inherently riskier than exchange-traded contracts.
* A. Individual investor buying shares on an exchange during the ex-rights period: This is a standard transaction involving equity securities, not derivatives, and carries no default risk.
* C. Exchange-traded equity option contract between an individual investor and a dealer: Exchange- traded derivatives are backed by a clearinghouse, which mitigates default risk.
* D. Individual investor entering a futures contract with an institutional investor: Futures contracts are also exchange-traded and centrally cleared, reducing default risk.
Reference:CSC Volume 1, Chapter 10, "The Role of Derivatives - Counterparty Risks in OTC Contracts" explains the higher default risk associated with OTC derivatives like FRAs.

NEW QUESTION: 46
What is most likely true of a portfolio that is managed from a value basis?
A. The portfolio will realize higher dividend yields than a growth equity portfolio
B. Portfolio turnover is high, so investors can expect to incur frequent capital gains
C. This portfolio style tends to perform best in up markets, with minimal gains in down markets
D. Stock selections tend to have a higher beta than those chosen by a growth manager
Answer: (SHOW ANSWER)

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NEW QUESTION: 47
What is the measure of risk commonly applied to portfolio and to individual securities within that portfolio?
A. Beta
B. Standard Deviation.
C. Correlation.
D. Alpha
Answer: (SHOW ANSWER)
Standard deviation measures the dispersion or variability of returns around the mean of a portfolio or security
' s historical performance. It is a widely used statistical metric in finance to assess risk, as it captures the degree to which returns can deviate from their expected value. A high standard deviation indicates higher risk, reflecting greater volatility in returns, while a low standard deviation suggests more stable performance.
Beta measures market risk relative to a benchmark, correlation measures the relationship between securities, and alpha represents excess return above a benchmark. However, standard deviation is the most common measure of total risk applicable to portfolios and individual securities.
References:
CSC Volume 2 , Chapter 15: Introduction to the Portfolio Approach - Measuring Risk.
CSC Volume 2 , Chapter 16: The Portfolio Management Process - Risk Metrics.

NEW QUESTION: 48

Franco purchased an ETF in his non-registered account, and his total adjusted cost base in year 1 was
$30,000. The ETF distributes income each year. And this reinvested distribution total was $1,750. The ETF also distributes a return of capital of $850. What would Franco's total capital gain be if the sold the ETF for
$39,000?

A. $,250
B. $8,100
C. $6,400
D. $9,000

Answer: B (LEAVE A REPLY)

To calculate Franco's total capital gain, we adjust the adjusted cost base (ACB) for reinvested distributions and return of capital (ROC).

* Initial ACB: $30,000.
* Add Reinvested Distributions: Reinvested distributions increase the ACB.
30,000+1,750=31,75030,000
+ 1,750 = 31,750 30 , 000 + 1 , 750 = 31 , 750
* Subtract Return of Capital: ROC reduces the ACB. 31,750#850=30,90031,750 - 850 = 30,900
31 , 750
850 = 30 , 900
* Calculate the Capital Gain: Subtract the adjusted ACB from the sale price.
39,000#30,900=8,10039,000
- 30,900 = 8,100 39 , 000 # 30 , 900 = 8 , 100
* A. $1,250: Incorrect, likely a miscalculation of adjusted ACB.
* B. $8,100: Correct, based on accurate ACB adjustments and sale price.
* C. $6,400: Incorrect, ignores reinvested distributions.
* D. $9,000: Incorrect, ignores the impact of ROC adjustments on ACB.

References:
CSC Volume 2, Chapter 19: Adjusted Cost Base Calculations, which explains the impact of reinvested distributions and ROC on capital gains.

NEW QUESTION: 49

Who generally executes portfolio strategy within a buy-side firm?

A. Portfolio manager.
B. Head of fixed income
C. Investment advisor.
D. Trader

Answer: (SHOW ANSWER)

Within a buy-side firm, the portfolio manager is responsible for executing the portfolio strategy. They oversee investment decisions, asset allocation, and security selection based on the investment mandate and client objectives. Other roles:

* Head of fixed income (B) specializes in fixed-income securities rather than overall strategy.
* Investment advisor (C) interacts with clients, focusing on advice rather than execution.
* Trader (D) carries out transactions but does not set the portfolio strategy.
References
* CSC Volume 2 , Chapter 27: Working with the Institutional Client - The Buy-Side Portfolio Manager , p. 27-8.

NEW QUESTION: 50
How does diversification work?
A. It shows that the risk continues to fall proportionally as the number of stocks in the portfolio increases.
B. It can reduce the risk that the price of a specific security will change in a different direction from the market.
C. It can eliminate systematic risk from a portfolio.
D. It is built on the concept of risk reduction by adding securities with perfect positive correlation to a portfolio.
Answer: (SHOW ANSWER)

NEW QUESTION: 51
What investment option is classified as a fixed-income asset?
A. Preferred share.
B. Rental property.
C. Real estate investment trust security.
D. Hedge fund.
Answer: (SHOW ANSWER)
Preferred shares are often treated as fixed-income-type investments because they usually pay a fixed dividend and rank ahead of common shares in claims on corporate assets and income. Although preferred shares are legally equity, their income characteristics and sensitivity to interest rates make them closer to fixed-income securities for many portfolio management purposes. Rental property and real estate investment trust securities are real estate-related investments, not fixed-income assets. A hedge fund is an alternative investment vehicle that may use many different strategies, including leverage, short selling, derivatives, or arbitrage, but it is not classified as a fixed-income asset by default. Among the choices, preferred shares are the only investment option with fixed-income characteristics.

NEW QUESTION: 52
What is the bottom price of a security's trading range at which most investors would sense value and be willing to buy it?
A. Support level.
B. Reversal pattern.
C. Sentiment indicator.

D. Moving average.
Answer: (SHOW ANSWER)

NEW QUESTION: 53
Max bought $7,000 of fund units. Two years later, the total value of his portfolio went up to $10,000 and he decided to sell the fund. Max had received a total of $1,000 in reinvested dividends over the course of the holding period. What is the adjusted cost base of his investment?
A. $8,000.
B. $2,000.
C. $7,000.
D. $3,000.
Answer: (SHOW ANSWER)
The adjusted cost base of a mutual fund investment includes the original purchase cost plus reinvested distributions. Reinvested dividends are treated as if the investor received the distribution and then used it to buy additional units. Because those dividends are taxable when distributed in a non-registered account, adding them to ACB prevents double taxation when the fund is later sold. Max's original investment was $7,000. He also received $1,000 of reinvested dividends, so the adjusted cost base becomes $8,000. The current market value of $10,000 is not the ACB; it is the proceeds or value before disposition. Option C ignores the reinvested dividends, while Option D reflects the unrealized gain. The correct ACB is $8,000.

NEW QUESTION: 54
What client's characteristics and investment priorities would lead an advisor to recognize that liquid alternatives are unsuitable for this client?
A. Short-term time horizon.
B. Focused on specific outcomes.
C. Good understanding of portfolio theory.
D. Short-term liquidity needs.
Answer: (SHOW ANSWER)
Liquid alternatives may offer retail investors access to hedge-fund-like strategies such as short selling, leverage, derivatives, market-neutral approaches, or alternative sources of return. However, these strategies are more complex and are generally better suited to investors with a longer time horizon, appropriate risk tolerance, and a clear understanding of portfolio diversification. A short-term time horizon makes liquid alternatives unsuitable because strategy results may require a full market cycle to become effective, and short-term volatility can be difficult to manage. Being focused on specific outcomes may actually support the use of liquid alternatives. A good understanding of portfolio theory is also a positive suitability factor. Short-term liquidity needs matter, but the clearest unsuitability factor here is a short-term time horizon.

NEW QUESTION: 55
What action must an investment advisor take when submitting a trade ticket for a short sale?

A. Verify the client can borrow the shares.
B. Mark the sell-order ticket as a short sate
C. Obtain minimum margin amount from client
D. Mark it as a margin order
Answer: (SHOW ANSWER)
When submitting a trade ticket for a short sale, an investment advisor must mark the sell-order ticket as a short sale. This ensures compliance with regulatory requirements and informs the broker and exchange that the sale involves borrowed shares. Marking the order appropriately helps maintain transparency and enables monitoring for potential market manipulation.
* A. Verify the client can borrow the shares: The responsibility for ensuring share availability lies with the broker, not the advisor.
* C. Obtain minimum margin amount from client: This is done separately as part of the account setup and transaction process, not when submitting the trade ticket.
* D. Mark it as a margin order: Short sales involve margin, but the ticket must specifically indicate "short sale" rather than just "margin." Reference:CSC Volume 1, Chapter 9, "Short Selling - Trade Requirements" details the process and importance of marking short-sale tickets.

NEW QUESTION: 56
What is the main responsibility of the trustees of a mutual fund trust?
A. Day-to-day supervision of the investment portfolio.
B. Portfolio trading and implementation of investment strategy.
C. Arranging cash distributions through dividend payments.
D. Ensuring investments are in line with the fund's investment objectives.
Answer: (SHOW ANSWER)

NEW QUESTION: 57
What is the most accurate feature of a Canada Education Savings Grant (CESG)?
A. The maximum CESG per beneficiary is $2,500 annually.
B. CESG payments are made directly to the RESP firm.
C. The maximum lifetime CESG per beneficiary is $8,500.
D. CESG may be earned until the beneficiary is 21 years of age.
Answer: (SHOW ANSWER)

NEW QUESTION: 58
For institutional investors, what occurs during the clearing process?
A. Irrevocable exchange of securities and cash.
B. Confirming and matching trade details.
C. Matching a buyer with a seller.
D. Trade orders are filled at the exchange.
Answer: (SHOW ANSWER)

In institutional trading, clearing occurs after trade execution but before final settlement. The clearing process includes confirming, comparing, and matching trade details such as security name, quantity, price, settlement date, counterparty information, and account instructions. This process reduces settlement risk by ensuring that both sides of the transaction agree on the same terms. Option A describes settlement, where securities and cash are exchanged irrevocably. Options C and D describe execution activities, where orders are matched and filled in the market. Institutional trades often involve multiple parties, including the dealer, investment manager, custodian, and clearing agency, so accurate trade matching is essential. Therefore, confirming and matching trade details is the correct answer.

NEW QUESTION: 59

Why would a corporation choose to issue preferred shares rather than debt?

A. Existing assets have excess financing capacity to justify the issue of preferred shares.

B. The preferred dividend rate usually varies with the market interest rates

C. issuing preferred shares would reduce the amount of leverage.

D. The costs for issuing preferred shares are usually kwh than debt.

Answer: (SHOW ANSWER)

When a corporation issues preferred shares rather than debt, it avoids increasing its leverage (debt-to-equity ratio). Preferred shares are considered equity for financial reporting purposes and do not require the repayment of principal like debt instruments. Although they may have fixed dividend obligations, these are not legally binding in the way interest payments on debt are. Issuing preferred shares allows the corporation to strengthen its balance sheet while potentially preserving its credit rating. Preferred shares do not directly affect leverage but provide capital without increasing debt.

References:

* Volume 1, Chapter 8:Preferred Shares, section on "Why Companies Issue Preferred Shares" explains the advantages of using preferred shares instead of debt.

NEW QUESTION: 60

What method of trading claims to offer greater liquidity and lower transaction costs?

A. Algorithmic trading.

B. High-frequency trading.

C. Market timing.

D. Dark pool.

Answer: (SHOW ANSWER)

NEW QUESTION: 61

Melanie has RRSP contribution room of $17,500 for the current tax year. Her husband, Jack, has RRSP contribution room of $5,000. What is the maximum tax-deductible contribution Melanie can make to her RRSP and/or a spousal RRSP?

A. $22,500.

B. $5,000.
C. $17,500.
D. $20,000.
Answer: C (LEAVE A REPLY)

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NEW QUESTION: 62
When a futures contract is entered into, who sets the minimum initial margin rate?
A. investment dealer
B. Buyer
C. Seller
D. Exchange
Answer: (SHOW ANSWER)
Theexchangethat lists and trades the futures contract sets theminimum initial margin rate. This margin is required as collateral to ensure performance under the contract. The exchange determines this rate based on the volatility and risk of the underlying asset, and it is subject to adjustment depending on market conditions.
Other options:
* Investment dealer: Acts as a facilitator but does not set the margin rates.
* Buyer/Seller: Must meet the margin requirements but do not set them.
References:
* Volume 1, Chapter 10:Derivatives, section on "Futures Contracts" describes the role of exchanges in setting margin requirements.

NEW QUESTION: 63
What is a characteristic of a growth industry?
A. Industry growth matches the overall rate of economic growth.
B. Price competition increases between companies.
C. Demand for industry products is stable.
D. Company earnings-to-invested capital rates are above average.
Answer: (SHOW ANSWER)
A growth industry is expected to expand faster than the overall economy because of innovation, new demand, changing consumer behaviour, or technological development. Companies in these

industries often generate above-average earnings relative to invested capital because demand is strong and expansion opportunities are significant. Option A describes a mature industry whose growth roughly tracks the broader economy. Option B may occur as competition develops, but price competition alone is not the best defining characteristic of a growth industry and may eventually pressure margins.
Option C describes a defensive or mature industry where demand remains steady regardless of economic conditions. The strongest growth-industry characteristic is that companies can earn above- average returns on invested capital due to superior growth prospects.

NEW QUESTION: 64
What is a characteristic of the FTSE Canada Universe Bond Index?
A. It measures the total price return on bonds including realized and unrealized gains
B. It represents a full cross-section of government and corporate bonds.
C. It Includes Canadian investment-grade bonds with a term to maturity of one year or less.
D. It is an equal-weighted bond Index with each bond representing the same weight within the index.
Answer: (SHOW ANSWER)
The FTSE Canada Universe Bond Index represents a comprehensive cross-section of investment-grade government and corporate bonds denominated in Canadian dollars. It includes bonds with a term to maturity of one year or more and excludes high-yield (non-investment-grade) bonds.
* A. It measures the total price return on bonds including realized and unrealized gains: The index does not account for realized gains; it tracks price movements and interest income.
* C. It includes Canadian investment-grade bonds with a term to maturity of one year or less: Bonds in this index must have a term to maturity of at least one year, not less.
* D. It is an equal-weighted bond index with each bond representing the same weight within the index:
The FTSE Canada Universe Bond Index is capitalization-weighted, not equal-weighted.
Reference:CSC Volume 1, Chapter 7, "Bond Indexes - FTSE Canada Universe Bond Index" explains the composition and characteristics of the index.

NEW QUESTION: 65
The Bank of Canada uses an operating band to help manage the oversight rate. How wide is the operating Band?
A. 25 basis points
B. 75 basis points
C. 50 basis points
D. 100 basis points.
Answer: (SHOW ANSWER)

The Bank of Canada uses an operating band of 50 basis points to manage the overnight rate. The top of the band is the Bank Rate, and the bottom is the rate the Bank pays on settlement balances. The overnight rate typically operates within this band.
* A. 25 basis points: This is too narrow to accommodate monetary operations.
* B. 75 basis points: This is wider than the standard operating band.
* D. 100 basis points: This is incorrect; the operating band is 50 basis points.
Reference: CSC Volume 1, Chapter 5, " Monetary Policy - Operating Band for the Overnight Rate " explains the 50-basis-point band used by the Bank of Canada.

NEW QUESTION: 66
Why are inverse exchange-traded funds effective in declining markets?
A. They use borrowed capital.
B. They use physical commodities.
C. They use derivatives.
D. They use active management.
Answer: (SHOW ANSWER)

NEW QUESTION: 67
Tracy invests $12,000 in a five-year PPN linked to the S&P/TSX 60, with a participation rate of 75% and a performance cap of 27%. On the issue date of the PPN, the index level was 825, and at the PPN's maturity, the level was 1,200. How much will Tracy receive upon the PPN's maturity?
A. $16,091
B. $14,813
C. $15,240
D. $17,455
Answer: (SHOW ANSWER)

NEW QUESTION: 68
Siobhan designed an equity portfolio with a beta of 1.2. What is the expected return on the portfolio if the overall stock market return was 7.9%? (Round to the nearest decimal.)
A. 6.3%
B. 7.9%
C. 9.5%
D. 6.6%
Answer: (SHOW ANSWER)

NEW QUESTION: 69
What is name of the procedure used to calculate the income deemed to have been earned by segregated fund contract holders?
A. Distribution.

B. Payout.
C. Redemption.
D. Allocation.
Answer: (SHOW ANSWER)

NEW QUESTION: 70
How does beta help assess the risk of a mutual fund?
A. Compares management expense ratios.
B. Monitors trading volumes.
C. Measures comparative performance.
D. Relates its returns to the underlying markets.
Answer: D (LEAVE A REPLY)

NEW QUESTION: 71
Which type of commodity ETF is most suitable for an investor seeking to gain exposure to the spot price of a commodity?
A. Physical-based
B. Swap-based
C. Futures-based.
D. Equity-based
Answer: (SHOW ANSWER)
Commodity Exchange-Traded Funds (ETFs) provide investors with exposure to commodities such as gold, oil, and agricultural products. The most suitable type of commodity ETF for gaining exposure to the spot price of a commodity is the Physical-based ETF because it involves direct ownership or storage of the commodity. For instance, gold ETFs backed by physical gold store bullion in vaults.
1. Physical-based ETFs
These ETFs hold the actual commodity in physical form, which ensures a close tracking of the spot price.
Physical gold ETFs, for example, store gold bars and adjust the NAV (Net Asset Value) based on the current spot price. This eliminates discrepancies caused by futures contracts or swaps, making them ideal for tracking spot prices.
2. Swap-based ETFs
These rely on derivative agreements (swaps) to replicate the price movements of a commodity. While cost- effective, they do not hold the actual commodity, and their performance may slightly deviate from the spot price due to tracking errors or counterparty risks.
3. Futures-based ETFs
These use futures contracts to gain exposure. However, futures contracts come with complexities such as contango and backwardation, which can cause performance differences from the spot price over time.
4. Equity-based ETFs

These invest in shares of companies involved in the commodity sector (e.g., mining or energy companies).
Their performance is influenced by company-specific factors and broader equity market trends, making them unsuitable for tracking spot prices.
References from CSC Study Documents:
* Exchange-Traded Funds, Chapter 19, Volume 2: Discusses the characteristics and structure of ETFs, including commodity-based ETFs and their classification.
* Risks related to tracking error and direct ownership of assets are highlighted under ETF types in Section 19.

NEW QUESTION: 72
When considering management accounts, what is most accurate regarding model-based account management?
A. It is only intended for short-term use.
B. It requires solicitation.
C. It permits tax loss selling.
D. It requires client permission before executing trades.
Answer: (SHOW ANSWER)
Model-based account management refers to discretionary accounts where advisors execute trades following a predefined model portfolio. Client consent is crucial as advisors must adhere to fiduciary responsibilities and ethical standards. This consent is typically obtained through agreements and clear disclosure documents when opening such accounts. The necessity for client approval ensures alignment with the investor's risk tolerance and financial objectives.
Tax loss selling and solicitation are unrelated to the operational mechanics of model-based accounts, while the emphasis on short-term use contradicts the long-term nature of these accounts.
* References:
* CSC Volume 2, Chapter 25: Fee-Based Accounts - Documentation for Managed Accounts.
* CSC Volume 2, Chapter 26: Working with Retail Clients - Ethical Standards and Client Consent Requirements.

NEW QUESTION: 73
What financial ratio reveals the nature of a company's capital structure?
A. Debt-to-net-income.
B. Price-to-earnings.
C. Return-on-equity.
D. Debt-to-equity.
Answer: (SHOW ANSWER)
The debt-to-equity ratio reveals the nature of a company's capital structure by comparing the amount of financing supplied by creditors with the amount supplied by shareholders. A higher debt-to-equity ratio indicates greater leverage and greater reliance on borrowed funds. This can

increase return potential when business conditions are favourable, but it also increases financial risk because interest and principal obligations must be met. Price-to-earnings is a valuation ratio, not a capital structure ratio. Return-on-equity measures profitability relative to shareholders' equity. Debt-to-net-income is not the standard ratio used to evaluate capital structure. In CSC company analysis, debt-to-equity is the direct measure of how a company is financed between debt and equity.

NEW QUESTION: 74
What might cause a company to have a high dividend payout rate?
A. A company policy of buying back shares
B. Stronger than expected earnings growth
C. Unstable earnings that allow a high payout
D. Earnings based on resources that are being depleted
Answer: (SHOW ANSWER)

NEW QUESTION: 75
A shareholder receives rights from a company through direct ownership in shares. Not expecting to exercise them, she sells the rights on the relevant exchange. What is her capital gain?
A. The current price of the shares less the sale price of the rights.
B. The sale price of the rights.
C. The sale price less the exercise price of the rights.
D. The current share price less the exercise price of the rights.
Answer: (SHOW ANSWER)

NEW QUESTION: 76
Which vehicle is least appropriate for an institutional investor?
A. Family office
B. Dark pool
C. Discount broker
D. University endowment
Answer: (SHOW ANSWER)

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NEW QUESTION: 77
What responsibility falls on the buy-side portfolio manager?
A. To busy securities in the market on demand to maintain liquidity in a security.
B. To maintain constant contact with the investment dealer counterparties.
C. To inform the trade about the market conditions and risks.
D. To provide pertinent market information to the department heads of various asset classes.
Answer: (SHOW ANSWER)
The buy-side portfolio manager is responsible for managing investments on behalf of institutional or retail clients. A critical responsibility is to provide the buy-side trader with pertinent market information and analysis of risks to ensure that trades are executed effectively and aligned with the investment strategy.
* Explanation of Options:
* A. Maintain Liquidity: Incorrect. This is more relevant to market makers or sell-side dealers who provide liquidity in the market.
* B. Contact with Dealers: Incorrect. While buy-side managers interact with dealers, their primary role is to strategize, not to maintain constant contact.
* C. Informing Traders: Correct. Buy-side managers analyze risks and market conditions and pass this information to traders for execution.
* D. Provide Information to Department Heads: Incorrect. This is not a core responsibility of buy-side portfolio managers.
:
CSC Volume 2, Chapter 27: Responsibilities of buy-side portfolio managers and their interactions with traders.

NEW QUESTION: 78
Which type of mutual funds tend to have the lowest management fees?
A. Asset allocation
B. Small cap
C. Bond
D. Index
Answer: (SHOW ANSWER)
Index mutual funds are structured to replicate the performance of a market index, such as the S&P/TSX Composite Index. Since these funds do not require active management, their management fees are among the lowest compared to other types of mutual funds. Active management in asset allocation, small-cap, or bond funds involves more frequent trading and research, increasing operational costs.
References:
* CSC Volume 2, Chapter 18: "Mutual Funds: Types and Features," discusses indexing as a fund management style and highlights its low costs compared to actively managed funds.

NEW QUESTION: 79

In March of this year, a client buys 1,000 PIL inc, common shares at $16 per share and pays a commission of
$25 on the purchase. Several months later in the same year, the client sell the shares at $12 per share and pays commission of $50 on the sale. What is the client's allowable capital loss on the transaction?

A. $2,038

B. $2,025

C. $1,925

D. $2,013

Answer: (SHOW ANSWER)

To calculate theallowable capital loss, we must first determine theadjusted cost base (ACB)and the proceeds of disposition (POD), then subtract the latter from the former. Commissions on both the purchase and sale are included in the calculation.

Step-by-Step Explanation:

* Purchase Details:
* Number of shares purchased: 1,000
* Purchase price per share: $16
* Total purchase cost before commission: $16 × 1,000 =$16,000
* Add purchase commission:$25
* Adjusted cost base (ACB): $16,000 + $25 =$16,025
* Sale Details:
* Number of shares sold: 1,000
* Sale price per share: $12
* Total sale proceeds before commission: $12 × 1,000 =$12,000
* Deduct sale commission:$50
* Proceeds of Disposition (POD): $12,000 - $50 =$11,950
* Capital Loss Calculation:
* Capital loss = ACB - POD
* Capital loss = $16,025 - $11,950 =$4,075
* Allowable Capital Loss:
* In Canada,50% of the capital lossisallowablefor tax purposes.
* Allowable capital loss = 50% × $4,075 =$2,038

Final answer:

* Option A ($2,038):Correct.
* Option B ($2,025):Incorrect; likely excludes commissions or contains a minor calculation error.
* Option C ($1,925):Incorrect; this does not account for the full adjusted cost base or allowable percentage.
* Option D ($2,013):Incorrect; this likely contains a rounding error or miscalculation.

References to Canadian Securities Course Exam 2 Study Materials:

* Volume 2, Chapter 24 - Canadian Taxation

* Discusses the calculation of adjusted cost base (ACB), proceeds of disposition (POD), and allowable capital losses.
* Volume 1, Chapter 11 - Corporations and Their Financial Statements
* Details financial concepts like capital gains, losses, and the treatment of commissions in securities transactions.
* Volume 2, Chapter 26 - Working with the Retail Client
* Covers tax implications and planning for securities transactions.

NEW QUESTION: 80

How do the fees differ between an F-class and front-end version of the same fund?

A. The management expense ratio is lower on the F-class fund.
B. The management expense ratio is higher on the F-class fund.
C. The fees are identical
D. The commission changed is higher on the F-class fund.
Answer: (SHOW ANSWER)
F-class funds are designed for fee-based accounts, where investors pay advisors a separate fee for services rather than a commission. This structure impacts the Management Expense Ratio (MER).
* Management Expense Ratio (MER):
* F-Class Funds: Exclude embedded advisor commissions, resulting in lower MER. These funds are cost-effective for investors in fee-based arrangements.
* Front-End Funds: Include advisor commissions as part of the MER, increasing overall costs.
* Fee Structure:
* F-class funds charge a flat management fee without embedded commissions, offering more transparency.
* Front-end funds involve a sales charge (front-end load) that compensates advisors directly at the time of purchase.
The lower MER of F-class funds reflects the absence of embedded advisor fees, making them more attractive to fee-conscious investors.
References:
Volume 2, Section 25: Fee-Based Accounts-Advantages and Structure of F-Class Funds.
Volume 2, Section 17: Mutual Funds-Charges Associated with Funds.

NEW QUESTION: 81
What is a leveraged ETF?
A. A fund that uses an option strategy to reduce the volatility of the underlying portfolio
B. A fund that seeks to match the performance returns of the underlying index tracked
C. An option designed to achieve multiple returns of inverse performance of the tracked underlying index
D. A contract using borrowed funds to buy the underlying stock or portfolio
Answer: (SHOW ANSWER)

NEW QUESTION: 82
Supriya, an advisor, receives a research service from a dealer in exchange for placing securities transactions with that dealer. What statement best applies to this type of arrangement?
A. This arrangement can only be used for equity transactions.
B. This arrangement is permissible if it benefits Supriya's firm.
C. This arrangement violates best execution requirements.
D. This arrangement needs to be disclosed to Supriya's clients.
Answer: (SHOW ANSWER)

NEW QUESTION: 83
What economic outcome does the government set out to achieve by increasing their own spending?
A. To stimulate the economy in the short run.
B. To boost business profits and common share prices.
C. To create inflationary pressure.
D. To increase the spending power of individuals.
Answer: (SHOW ANSWER)

NEW QUESTION: 84
What typically causes a designated broker to remove ETF units from the market?
A. There are arbitrage opportunities with the ETF price.
B. A client sells on the exchange.
C. Demand of an ETF outstrips supply.
D. The broker delivers the basket of shares to the ETF provider.
Answer: (SHOW ANSWER)

NEW QUESTION: 85
What product intrinsically minimizes taxable events?
A. Index-based ETF.
B. Mortgage-backed security.
C. Asset-backed commercial paper.
D. Mutual fund.
Answer: (SHOW ANSWER)
An index-based ETF intrinsically minimizes taxable events because it usually has low portfolio turnover and follows a passive index-tracking strategy. Lower turnover means fewer realized capital gains inside the fund. ETFs may also use creation and redemption mechanisms that reduce the need to sell portfolio securities to meet investor redemptions, which can improve tax efficiency compared with many mutual funds. Mortgage-backed securities and asset-backed commercial paper generate interest income, which is fully taxable in a non-registered account. Actively managed mutual funds may realize more taxable distributions because of higher trading

activity and portfolio changes. The product best associated with minimizing taxable events by design is an index-based ETF.

NEW QUESTION: 86
A portfolio manager is reviewing the current asset mix of a portfolio. Some securities have done really well, while others have experienced poor returns. How can the portfolio manager rebalance the portfolio to ensure it remains aligned with the client's long-term goals?
A. Reallocate assets back to their target weights by buying securities that have performed well and selling securities that have done poorly.
B. Create cash reserves for future potential investment opportunities by selling securities that have performed well.
C. Create cash reserves for future potential investment opportunities by selling securities that have done poorly.
D. Reallocate assets back to their target weights by selling securities that have performed well and buying securities that have done poorly.
Answer: (SHOW ANSWER)
Portfolio rebalancing restores the portfolio to its target asset allocation after market movements cause some holdings to drift above or below their intended weights. Securities or asset classes that have performed strongly may become overweight, increasing portfolio risk beyond the client's investment policy. Securities that have performed poorly may become underweight. The disciplined rebalancing process is to sell part of the overweight positions and buy underweight positions, assuming they remain suitable within the portfolio strategy. Option A does the opposite and would increase concentration in winners. Options B and C focus on creating cash rather than restoring the target allocation. The correct rebalancing action is to sell outperforming overweight holdings and buy underperforming underweight holdings.

NEW QUESTION: 87
Which type of trader specializes in managing block trades on behalf of institution clients?
A. Responsible designated trader.
B. Agency trader
C. Liability trader
D. Market maker
Answer: B (LEAVE A REPLY)
An agency trader specializes in executing large block trades for institutional clients without taking ownership of the securities. Their role is critical in facilitating liquidity and minimizing market impact during the execution of trades.
* Managing Block Trades:
* Agency traders handle large transactions on behalf of institutions like pension funds or mutual funds, ensuring the trades are completed efficiently.
* They do not use the firm ' s capital; instead, they act as intermediaries between the buyer and seller.

* Minimizing Market Impact:
* Large trades can significantly impact stock prices if not executed strategically. Agency traders use methods like algorithmic trading or dark pools to mitigate this impact.
* Role vs. Other Traders:
* Liability Trader: Trades using the firm ' s capital, assuming the risk of the position.
* Market Maker: Provides liquidity by quoting buy and sell prices.
* Responsible Designated Trader: Oversees order flow for specific securities on the exchange.
* The question specifies managing block trades for institutional clients. This matches the role of agency traders, as they focus on executing trades on behalf of clients without taking positions themselves.
References from CSC Study Materials:
* Volume 2, Chapter 27: " Working with the Institutional Client, " Section on Roles and Responsibilities in the Institutional Market.

NEW QUESTION: 88
Omar invests $5,000 in a labour-sponsored venture capital corporation (LSVCC) in Ontario, his province of residence. What is the total LSVCC tax credit that Omar is eligible to receive from this investment?
A. $1,500
B. $875
C. $750
D. $1,625
Answer: (SHOW ANSWER)

NEW QUESTION: 89
Which type of ETF is also referred to as smart beta ETF?
A. Rules-based
B. Standard
C. Synthetic
D. Index-based
Answer: (SHOW ANSWER)
Rules-based ETFs, also known as smart beta ETFs, use predetermined rules or algorithms to select and weight securities in their portfolios. These ETFs aim to outperform traditional market-capitalization-weighted ETFs by targeting specific factors such as value, momentum, quality, or volatility.
* Strategic Factor Weighting: Securities are weighted based on fundamental or quantitative factors, not just market capitalization.
* Higher Returns Potential: These ETFs are designed to capture excess returns (alpha) relative to a benchmark.
* Lower Costs: Smart beta strategies often combine active and passive management elements at a lower cost than traditional active funds.

* A. Rules-based: Correct answer. Smart beta ETFs are built on rule-based frameworks designed to achieve specific investment objectives.
* B. Standard: Refers to traditional, market-cap-weighted ETFs, not smart beta.
* C. Synthetic: Refers to ETFs that use derivatives to replicate returns of an underlying index, unrelated to smart beta.
* D. Index-based: Includes standard ETFs tracking an index but does not apply specifically to smart beta.

References:

CSC Volume 2, Chapter 19: Smart Beta and Rules-Based ETFs, which describes their unique features, benefits, and strategies.

NEW QUESTION: 90

SK AI-Equity Mutual Fund reported a year-end NAVPS of $25.50, a beginning of the year NAVPS of $21.50, and a dividend yield of 4.34%. What was the performance of the SK fund assuming reinvestment of all dividends and that no additions or withdrawals were made?

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A. 22.94%

B. 18.60%

C. 14.25%

D. 15.69%

Answer: (SHOW ANSWER)

NEW QUESTION: 91

What is an advantage of a structured product?

A. Complexity.

B. Diversification.

C. Liquidity.

D. Cost structure.

Answer: B (LEAVE A REPLY)

Structured products are designed to combine different financial components, commonly a debt instrument with derivatives, to create a customized payoff profile. Their main advantage is diversification because they can provide exposure to markets, indexes, currencies, commodities, or baskets of assets that may be difficult for a retail investor to access directly. Complexity is not an advantage; it is one of the key risks because investors may not fully understand the payoff formula, embedded derivatives, or issuer risk. Liquidity is also usually limited because many structured products are intended to be held to maturity and may have weak secondary markets. Cost structure is another concern because embedded fees can be difficult to identify. Therefore, diversification is the best answer.

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NEW QUESTION: 92
What is one advantage of fund of hedge funds (FoHFs) as compared to single hedge funds?
A. FoHFs yield stronger returns than a single hedge fund.
B. FoHFs entail lower costs and operating fees.
C. FoHFs employ more leverage to enhance the return potential.
D. FoHFs offer more diversification for the same amount of investment.
Answer: (SHOW ANSWER)

NEW QUESTION: 93
After reviewing a client's risk tolerance, time horizon and financial objectives. Andy recommends that a long- term asset mix of 55% equities, 40 bonds and 5% cash would be most appropriate for the client.
Which approach has Andy taken in his recommendation?
A. Dynamic asset allocation
B. Tactical asset allocation
C. Strategic asset allocation
D. Ongoing asset allocation
Answer: (SHOW ANSWER)
Strategic asset allocation is a long-term approach to portfolio management where a target allocation among asset classes (e.g., equities, bonds, cash) is established based on the client's risk tolerance, time horizon, and financial objectives. This allocation remains relatively constant over time, with periodic rebalancing to maintain the original proportions.
* Details of Andy's Recommendation:Andy recommends a fixed asset mix of 55% equities, 40% bonds, and 5% cash, which aligns with the principles of strategic asset allocation. The focus is on maintaining this allocation to meet long-term goals, without frequent shifts based on short-term market movements.
* Why Other Options Are Incorrect:
* A. Dynamic asset allocation: This involves frequent changes to asset allocation in response to market trends, which is not evident in Andy's recommendation.
* B. Tactical asset allocation: This is a short-term, active approach where adjustments are made based on market conditions to capitalize on opportunities.
* D. Ongoing asset allocation: While this involves periodic rebalancing, it is not a defined approach like strategic allocation.

:
CSC Volume 2, Chapter 16: Asset allocation strategies.

NEW QUESTION: 94
The following information is available for REW Co:
What is the price of REW Co. if calculated using the dividend discount model?
A. $14.29.
B. $12.50.
C. $15.71.
D. $13.75.
Answer: (SHOW ANSWER)

NEW QUESTION: 95
How does asset-backed commercial paper (ABCP) differ from mortgage-backed securities?
A. ABCP minimizes roll-over risk.
B. ABCP provides high liquidity.
C. ABCP offers maturity dates of at least three years.
D. ABCP guarantees principle repayment if held to maturity
Answer: (SHOW ANSWER)
Asset-Backed Commercial Paper (ABCP) and Mortgage-Backed Securities (MBS) are both forms of securitized assets, but they differ in structure and purpose:
* ABCP Features : ABCP is a short-term investment backed by a pool of assets such as receivables, loans, or leases. It is designed to provide high liquidity with shorter maturities, often less than a year.
This contrasts with MBS, which typically has longer maturities tied to underlying mortgages.
* Key Differences :
* Liquidity : ABCP is highly liquid and used for short-term financing needs.
* Maturity : ABCP generally has maturities of less than a year, while MBS has longer terms.
* Risk : MBS carries additional interest rate and prepayment risks due to its mortgage backing.
* Why Other Options Are Incorrect :
* A. ABCP minimizes roll-over risk : Roll-over risk exists with ABCP, as investors may need to reinvest upon maturity.
* C. ABCP offers maturity dates of at least three years : ABCP typically has much shorter maturities.
* D. ABCP guarantees principal repayment if held to maturity : This guarantee depends on the underlying assets and is not inherent in all ABCP.
:
CSC Volume 2, Chapter 23: Securitized products including ABCP and MBS.

NEW QUESTION: 96
How are investment dealers unique participants in the institutional market?

A. They manage pools of assets on behalf of beneficiaries.
B. They act on both they buy side and sell side.
C. They produce research reports.
D. They manage a firm's financial assets in support of a company's business activities.
Answer: (SHOW ANSWER)
Investment dealers play a unique role in the institutional market due to their dual capability of operating on both the buy side and the sell side:
* The Buy SideInvestment dealers assist institutional investors like pension funds, mutual funds, and hedge funds in acquiring securities to meet their investment objectives. These clients aim to optimize returns on their invested assets, and the dealers provide them with access to securities markets, investment advice, and execution services.
* The Sell SideOn the sell side, investment dealers facilitate the issuance of new securities. They underwrite and distribute these securities, providing liquidity to the market. They also produce research reports and provide trade execution services to institutional and retail clients. This dual operation is critical for maintaining market efficiency and ensuring the smooth functioning of capital markets.
This dual-role capacity makes investment dealers pivotal in bridging gaps between the needs of securities issuers and institutional investors. They enhance market liquidity, efficiency, and transparency through their intermediary functions.
References:
Canadian Securities Course, Volume 1, Chapter 1: The Investment Dealer's Role as a Financial Intermediary Canadian Securities Course, Volume 2, Chapter 27: Working with the Institutional Client.

NEW QUESTION: 97
Over the previous three calendar years, fund LMO had five drawdowns as follows:

Year 1	15% from January to March, and 7.5% from September to November
Year 2	18% from February to March, and 3.25% from May to June
Year 3	8.75% from June to August

What was the maximum drawdown during this time period?
A. 22.50%
B. 52.50%
C. 18.00%
D. 21.25%
Answer: (SHOW ANSWER)

NEW QUESTION: 98
What correlation would an investor need in order to eliminate the variability in the total returns between two stocks?
A. +0.5.
B. -1.0.
C. 0.0.

D. +1.0.

Answer: (SHOW ANSWER)

Correlation measures how two securities move in relation to each other. A correlation of +1.0 means the two stocks move perfectly together, so diversification provides no reduction in variability. A correlation of 0.0 means there is no consistent relationship, which reduces some portfolio risk but does not eliminate variability. A correlation of +0.5 still shows a positive relationship, so risk reduction is limited. A correlation of -1.0 means the two securities move perfectly opposite to each other. In theory, if two assets have perfectly negative correlation and are properly weighted, one asset's gain can offset the other asset's loss, eliminating variability in total returns. Therefore, -1.0 is the correct answer.

NEW QUESTION: 99

Which one is a unique feature of mutual funds or ETFs?

A. They refuse pre-authorized contributions and systematic withdrawal plans.

B. Their asset mix must be held consistent.

C. They offer an automatic rebalancing without the costs of trading the ETF.

D. They have a higher MER than traditional mutual funds.

Answer: (SHOW ANSWER)

NEW QUESTION: 100

An investment analyst at a bank is reviewing the high, low and closing prices of a financial services stock.

What type of analysis is this analyst conducting?

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A. Quantitative analysis

B. Moving average analysis

C. Cycle analysis

D. Chart analysis

Answer: (SHOW ANSWER)

NEW QUESTION: 101

The following table outlines the life cycle hypothesis profiles of various investors:

Investor A: Short-term investment goals; light personal commitments.

Investor B: Short-term investment goals; high personal commitments.

Investor C: Medium-term investment goals; light to moderate personal commitments.

Investor D: Long-term investment goals; moderate personal commitments.

All else being equal, which investor is most likely to increase equity allocations?

A. Investor C.

B. Investor D.

C. Investor A.

D. Investor B.

Answer: (SHOW ANSWER)

Under the life cycle approach to portfolio planning, investors with longer time horizons can normally accept higher equity allocations because they have more time to withstand volatility and recover from market declines. Personal commitments also matter because high family or financial obligations reduce risk capacity. Investor D has long-term investment goals and only moderate personal commitments, making this investor better positioned to hold or increase equity exposure. Investor A has light commitments but a short-term goal, which limits equity suitability. Investor B has both short-term goals and high commitments, making equities least suitable. Investor C has a medium-term horizon and moderate commitments, but still has less risk capacity than Investor D. Therefore, Investor D is the best answer.

NEW QUESTION: 102
Which individual is most likely to have income as an investment objective?
A. Elaine, who is contributing to an RRSP with a plan to use the funds for the Lifelong Learning Plan in seven years.
B. Naveed, who plans to use his investments to buy a house in five years.
C. Hira, who is investing in her RRSP in anticipation of retirement in 15 years.
D. Andrew, who is retired and needs to supplement his retirement pension.
Answer: (SHOW ANSWER)
An income objective applies when the investor needs regular cash flow from the portfolio rather than primarily seeking long-term capital growth. Andrew is already retired and needs to supplement his pension, so his portfolio should likely emphasize income-producing securities such as bonds, dividend- paying shares, income funds, or other investments that generate regular distributions. Elaine and Naveed have future spending goals, so liquidity, safety of principal, and time horizon are more relevant than income. Hira is saving for retirement 15 years away, so growth or balanced growth would usually be more appropriate. The key CSC suitability principle is that the investment objective must match the client's cash-flow need, life stage, and time horizon.

NEW QUESTION: 103
What is the likely outcome at the end of a five-year term of a rate-reset preferred share if the issuer does not redeem the shares?
A. The shareholder exchanges the rate-reset preferred share for a specified number of common shares.
B. The shareholder exchanges the rate-reset preferred share for a fixed-rate preferred share.
C. The shareholder exchanges the rate-reset preferred share for an unsecured bond
D. The shareholder exchanges the rate-reset preferred share for a floating-rate preferred share
Answer: (SHOW ANSWER)
At the end of the five-year term, if the issuer does not redeem the rate-reset preferred shares, the shareholder can choose to:
* Continue holding the shares at the reset fixed rate.
* Convert them into floating-rate preferred shares with rates tied to a benchmark (e.g., prime or LIBOR).

This conversion offers flexibility to the shareholder based on market conditions.
* A. Exchange for a specified number of common shares: Rate-reset preferred shares do not have this feature.
* B. Exchange for a fixed-rate preferred share: The fixed-rate component is reset, not exchanged.
* C. Exchange for an unsecured bond: This is not a feature of rate-reset preferred shares.
Reference:CSC Volume 1, Chapter 8, "Preferred Shares - Rate-Reset Features" outlines the conversion options for rate-reset preferred shares.

NEW QUESTION: 104
A business trust would typically purchase the underlying company assets of which type of operation?
A. Senior housing
B. Restaurants
C. Industrial rentals
D. Shopping centres
Answer: (SHOW ANSWER)
A business trust typically acquires the operating assets of businesses such as restaurants, which generate predictable and steady cash flows. Business trusts focus on distributing income to unitholders, and restaurant operations align well with this goal due to their recurring revenue models.
* Explanation of Options:
* A. Senior Housing: More common for real estate investment trusts (REITs), not business trusts.
* B. Restaurants: Correct. Restaurants are suitable for business trusts because of their stable cash flow potential.
* C. Industrial Rentals: Typically under REITs, not business trusts.
* D. Shopping Centres: Also more commonly associated with REITs.
:
CSC Volume 2, Chapter 22: Business trusts and the types of operations they typically invest in.

NEW QUESTION: 105
What event would trigger an amendment of the account application while monitoring a portfolio?
A. The annual client meeting.
B. When a new market cycle is formed.
C. When a client's job situation has changed.
D. When the advisor's views are influenced by a recent news headline.
Answer: (SHOW ANSWER)

NEW QUESTION: 106
The consumer price index was 125.9 in December of last year and 123.0 in December of the year before What was the inflation rate last year?
A. 2.36%

B. 2.30%
C. 0.98%
D. 1.02%
Answer: (SHOW ANSWER)
The inflation rate is calculated using the formula:
Inflation Rate=CPIcurrent#CPIpreviousCPIprevious×100\text{Inflation Rate} = \frac{\text{CPI}_{\text{current}} - \text{CPI}_{\text{previous}}}{\text{CPI}_{\text{previous}}} \times 100 Inflation Rate = CPIprevious CPIcurrent # CPIprevious × 100 Substitute the given values:
Inflation Rate=125.9#123.0123.0×100=2.9123.0×100#2.36%\text{Inflation Rate} = \frac{125.9 - 123.0}{123.0} \times 100 = \frac{2.9}{123.0} \times 100 \approx 2.36\% Inflation Rate = 123.0125.9 # 123.0 × 100 = 123.02.9 × 100 # 2.36%
* B. 2.30%: This is close but results from rounding errors or miscalculation.
* C. 0.98% and D. 1.02%: These values are far below the correct inflation rate calculated using the formula.
Reference: CSC Volume 1, Chapter 4, " Measuring Inflation - Consumer Price Index " explains how to calculate inflation using CPI values.

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NEW QUESTION: 107
An analyst compiles the following information for Theta Inc.

	($)
Profit	1,200,000
Preferred Share Dividends Paid	80,000
Common Share Dividends Paid	100,000
Total Equity	5,550,000

Based on the financial information provided, what will the dividend payout ratio be for Theta Inc.?
A. 6.66%
B. 1.80%
C. 8.33%
D. 3.24%
Answer: C (LEAVE A REPLY)

NEW QUESTION: 108
Yusef is a high-net-worth individual who wants to diversify his portfolio with private equity but is concerned with the potential disadvantages of this asset class. What disadvantage should Yusef be considering as a potential private equity investor?
A. Private equity is a high-risk investment
B. Private equity companies are not listed on stock exchanges
C. Private equity excludes investment from private debt
D. Private equity typically provides lower long-term returns than other asset classes
Answer: (SHOW ANSWER)

NEW QUESTION: 109
Companies W, X, Y, and Z ail issue preferred shares and have experienced the following conditions Over the last five years:

Company W	Had a stable preferred dividend coverage ratio.
Company X	Had an unexpected rating upgrade from Pfd-3 (adequate) to Pfd-2 (satisfactory).
Company Y	Had a significant increase in preferred dividend payments, with none in Years 2 and 4 in favour of higher dividend payments in Years 3 and 5.
Company Z	Has maintained a minimum equity value per preferred share equal to an average of 1.5 times the dollar value of assets that each preferred share would be entitled to receive in the event of liquidation.

Based on the above, which company is most likely to experience an increase in the market price of its preferred shares?
A. Company W.
B. Company Z.
C. Company Y.
D. Company X.
Answer: (SHOW ANSWER)

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