#1-47A

EASY INTERMEDIATE HARD

CFA® SAMPLE QUESTION – LEVEL I

Portfolio Management

Q: An investor plans to sell an investment in a fund that is not traded on an exchange. The investor contacts the fund's sales team directly and expects to receive a price per share equal to the fund's net asset value. The fund would MOST APPROPRIATELY be described as a(n):

CORRECT ANSWER:

ⓐ **Open–end fund.**

Open-end mutual funds issue and redeem shares on demand at the fund's net asset value (NAV), which is the fund's assets less its liabilities. Investors deal directly with the fund, and the shares do not trade on an exchange.

Choice "b" is incorrect. Closed-end funds issue shares in a market offering. Once issued, the shares trade in the secondary market and the fund itself does not commonly redeem or issue shares. The shares of a closed-end fund may trade at a discount or premium to the fund's net asset value.

Choice "c" is incorrect. Exchange-traded funds (ETFs) are open-ended funds that allow investors to trade the shares in the secondary market. ETFs normally trade at prices very close to their NAV.

CFA Society Hong Kong
Candidate Services

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