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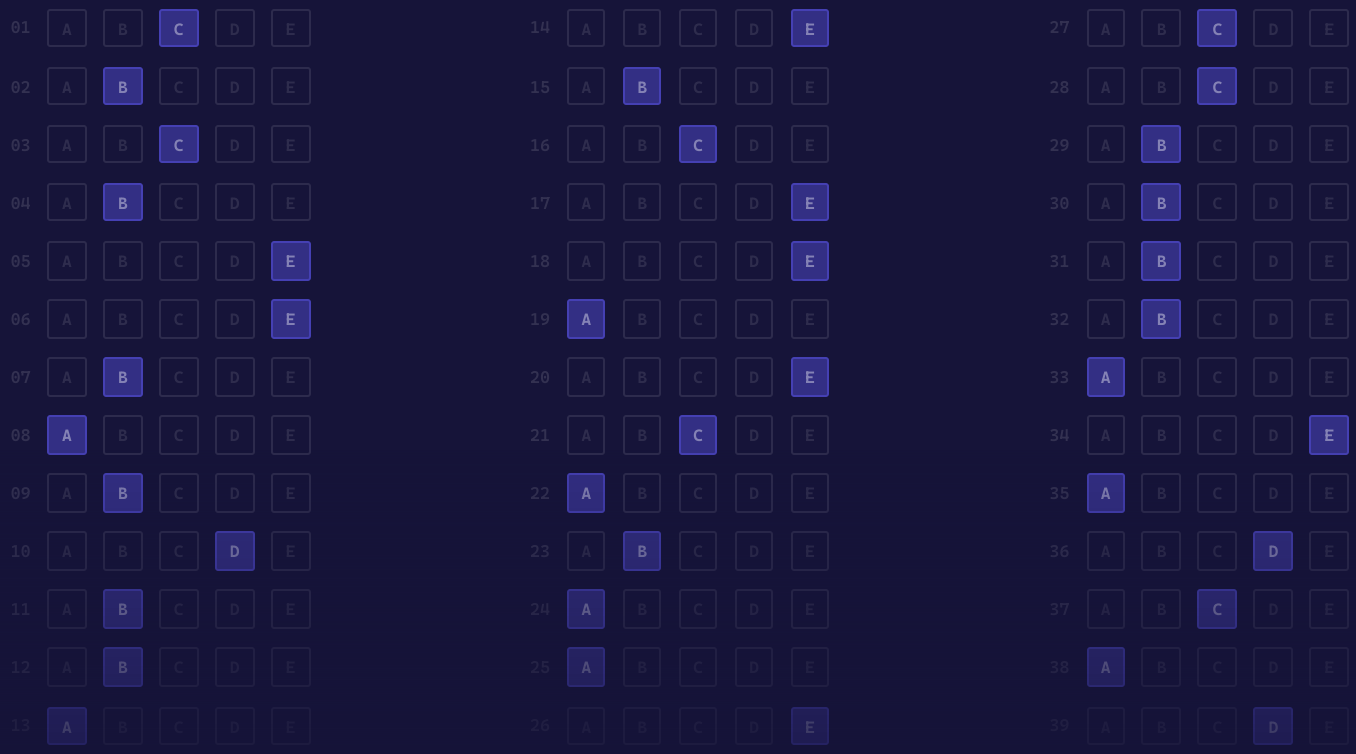

PRACTICE QUESTIONS

MOODY's

TACMI

Team Asset Class -Managed Investments

EDITION	QUESTIONS	FORMAT
Demo	9	Limited Edition PDF

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Before you begin

What this is

9 practice questions for MOODY's `TACMI`, each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, `TACMI`
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

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QUESTION 1 SINGLE CHOICE

Which of the following best characterizes managed investments as an asset class?

A Direct ownership of physical commodities such as gold and oil

B Pooled investment vehicles in which a portfolio manager applies a defined strategy on behalf of investors

C Fixed-income securities issued by sovereign governments only

D Real estate holdings held directly by an individual investor

ANSWER B

WHY Managed investments are pooled vehicles (such as mutual funds, UCITS, hedge funds, and separately managed accounts) in which a professional manager applies a defined investment strategy on behalf of investors. Direct commodity ownership, sovereign bonds, and direct real estate are not managed investments.

QUESTION 2 SINGLE CHOICE

Which feature most clearly distinguishes a hedge fund from a traditional open-end mutual fund?

A Hedge funds are required to register with a national securities regulator

B Hedge funds typically employ leverage, short selling, and derivative instruments and are subject to fewer regulatory constraints

C Hedge funds must mark to market daily and offer daily liquidity at net asset value

D Hedge funds are restricted to long-only equity strategies

ANSWER B

WHY Hedge funds are typically pooled vehicles that may use leverage, short selling, derivatives, and alternative strategies, and they operate under lighter regulatory and disclosure regimes than registered mutual funds. They are not required to offer daily liquidity at NAV and are not restricted to long-only equity strategies.

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QUESTION 3 SINGLE CHOICE

Which statement correctly describes a key structural difference between an exchange-traded fund (ETF) and an open-end mutual fund?

A ETF shares are created and redeemed only through the fund company at end-of-day NAV

B **ETF shares trade on an exchange throughout the trading day at market-determined prices**

C Mutual fund shares trade continuously on a stock exchange during market hours

D ETFs are prohibited from using in-kind creation and redemption mechanisms

ANSWER **B**

WHY ETFs trade on exchanges throughout the trading day at market prices, while open-end mutual funds are bought and sold at end-of-day NAV through the fund company. ETFs typically use an in-kind creation and redemption mechanism involving authorized participants.

QUESTION 4 SINGLE CHOICE

Which characteristic is typical of private equity fund investments?

A Daily liquidity and marking to market at quoted exchange prices

B **Lock-up periods of several years, capital calls, and distributions of realized proceeds**

C Mandatory daily publication of net asset value

D Restriction from using any form of leverage at the portfolio company level

ANSWER **B**

WHY Private equity funds generally require long-term commitments from limited partners, impose multi-year lock-ups, draw capital through capital calls, and return proceeds to investors as portfolio investments are realized. They are not marked to market daily and frequently use leverage at the portfolio company level.

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QUESTION 5 SINGLE CHOICE

A real estate investment trust (REIT) is generally required to distribute most of its taxable income to shareholders. Which of the following is a typical consequence of this distribution policy?

A REITs grow primarily through retained earnings rather than external financing

B REITs rely heavily on debt and equity issuance to fund acquisitions and portfolio growth

C REITs are prohibited from owning commercial property

D REIT distributions are always treated as return of capital for tax purposes

ANSWER B

WHY Because REITs must distribute most of their taxable income, they typically retain little earnings and instead finance acquisitions through a combination of debt and equity issuance. This is a defining structural feature of the vehicle.

QUESTION 6 SINGLE CHOICE

Which fee structure most directly aligns the manager's compensation to the fund's outperformance over a specified benchmark?

A A flat management fee equal to a fixed percentage of assets under management

B A performance fee charged on returns in excess of a hurdle rate or benchmark, subject to a high-water mark

C A redemption fee charged when an investor sells fund shares within a short holding period

D A front-end load deducted from investor subscriptions at purchase

ANSWER B

WHY A performance (or incentive) fee tied to returns above a hurdle or benchmark, often combined with a high-water mark, links the manager's compensation to outperformance. Flat management fees, loads, and redemption fees do not depend on relative performance.

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QUESTION 7 SINGLE CHOICE

Which of the following is an example of manager (alpha) risk in a managed investment?

A A broad equity market decline that reduces the value of all holdings in the portfolio

B The portfolio manager's security selection or asset allocation decisions underperforming the stated benchmark

C An increase in benchmark interest rates affecting fixed-income valuations

D Counterparty default on a derivative contract held by the fund

ANSWER B

WHY Manager (or alpha) risk refers to the possibility that the portfolio manager's active decisions—such as security selection, sector allocation, or timing—cause the fund to underperform its benchmark. Market declines, interest rate moves, and counterparty defaults are other categories of risk, not manager risk.

QUESTION 8 SINGLE CHOICE

In a multi-asset portfolio, managed investments most often serve which role?

A A substitute for cash, since they are always highly liquid at par

B A building block providing diversified exposure to an asset class or strategy, often combined with direct holdings and passive vehicles

C A hedging instrument that removes all market risk from the portfolio

D A vehicle that is restricted exclusively to institutional investors

ANSWER B

WHY Managed investments typically act as building blocks that give investors diversified exposure to a particular asset class, region, factor, or active strategy. They are used alongside direct securities and passive vehicles and are available to both retail and institutional investors; they do not always offer par-level liquidity or eliminate market risk.

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QUESTION 9 MULTIPLE CHOICE

Which of the following are typically classified as managed investment vehicles? (Choose two.)

A **An open-end mutual fund investing in global equities**

B A direct holding of a single corporate bond by an individual investor

C **A closed-end fund listed on a stock exchange**

D A physical gold coin held in an investor's personal safe

ANSWER **A · C**

WHY Open-end mutual funds and closed-end funds are pooled, professionally managed investment vehicles. A direct individual bond holding and a physical gold coin are direct investments, not managed investment vehicles.

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