

CFA® SAMPLE QUESTION - LEVEL I

Alternative Investments

Q: Which statement about mutual funds is most accurate?

CORRECT ANSWER:

- (b) The redemption fee for a closed-end fund is the commission charged on the sale and a portion of the bid/ask spread of the shares.**

Since closed-end funds are traded in the secondary market for a price determined by supply and demand for shares, the spread along with the sales commission represent the redemption fee.

All funds charges fees, although the fees vary widely from fund to fund. ==> So answer C is incorrect

In addition, some funds charge a load in addition to fees.

The liquidity of an open-end fund is provided by the company that manages it, not the open market. ==> So answer A is incorrect.



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