

CFA® SAMPLE QUESTION - LEVEL I

Equity Investments

Q: Which of the following types of entities is LEAST LIKELY to purchase equity investments?

CORRECT ANSWER:

(a) An insurance company.

An insurance company must have fairly conservative investments given the need to make payments soon after customers submit claims. As a result, an insurance company is not likely to purchase equity investments, whose prices may vary significantly in the short term.

Choice "b" is incorrect. A charitable foundation typically has a long time horizon, high risk tolerance, significant spending requirements, and low liquidity needs.



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