

## CFA® SAMPLE QUESTION – LEVEL I

### Portfolio Management

**Q:** According to the CAPM (Capital Asset Pricing Model):

**CORRECT ANSWER:**

**(b) any investor who takes on risk will hold some of the market portfolio**

One of the key assumptions of the CAPM is that anyone who holds any risky assets will allocate a portion of their portfolio to the market portfolio.

'Risk aversion means an investor will accept more risk only if he or she can be compensated with a higher expected return. In capital market theory, all investors exhibit risk aversion, even an investor who is short the risk-free asset.

A stock's risk should be measured by its beta, not its standard deviation of returns under the CAPM.



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