

CFA® SAMPLE QUESTION - LEVEL I

Alternative Investments

Q: The main reason for a passive investor to participate in the commodities market is that it can provides:

CORRECT ANSWER:

(b) a hedge against inflation risk

A passive investor is seeking portfolio diversification benefits because commodities tend to have a positive correlation with inflation.

An active investor will seek for speculative profits in periods of economic growth.

Some investors may regard gold as a good store of value, but not all commodities hold their value over time (such as corn, sugar, cotton etc..). Participation in the real economy is an unlikely motivation for investing in commodities.



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