

## CFA® SAMPLE QUESTION – LEVEL I

### Fixed Income

**Q:** A noncallable, AA-rated, 10-year zero coupon bond with a yield of 5.5% will have all of the following risk except:

#### CORRECT ANSWER:

**(b) Reinvestment risk**

A noncallable zero coupon bond, will has no reinvestment risk because there are no cash flow incurred prior to the maturity that must be reinvested.

Even this is a double-A bond (AA-rated), it still has some (small) default risk (i.e. not 100% default risk-free).

Zero-coupon bonds will have the most interest rate risk for a given maturity (totally no cash outflow as coupon payment).



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