

Financial Exam Help 123™

2020/2021 Level III Mock Exam

Morning Session Sample Exam Answer Templates

Note to Candidates

These answer templates are in a separate file from the questions so that you can have both files open on your computer and not have to scroll up and down as you're working to answer the questions. They have editable fields so that you can type in your answers on the screen, much as you will do on the real exam. You may, of course, print them and write on them, but I encourage you to do it on the screen; it will be good practice for the real exam.

Where you have to choose one or more answers from a list of possibilities (e.g., choosing the correct portfolio from portfolios A, B, C, & D), which historically you would have done by circling the correct answer, I have chosen to use check boxes, rather than having you circle or highlight your answer choice; simply click on the check box next to your answer choice. In truth, I do not know how CFA Institute will have you make a selection from a list of possibilities, but this is, in my opinion, a reasonable way to implement this. I hope that you find it a workable approach.

Finally, if you choose to fill in these templates on your computer, please, please, please remember to save this file frequently; I would feel terrible if I learned that your computer had crashed, and you had lost much of your good work.

Best of luck!

BCIII

Answer Question **1-Ai** on This Page

To achieve Degenek's target asset allocation and target betas, **determine** the number of large-cap equity futures contracts to buy or sell (indicate which). **Show** your calculations.

Answer Question **1-Aii** on This Page

To achieve Degenek's target asset allocation and target betas, **determine** the number of small-cap equity futures contracts to buy or sell (indicate which). **Show** your calculations.

Answer Question **1-B** on This Page

<p>State two alternative derivative strategies that Degenek could use to achieve his goals <i>instead of his proposed futures strategy</i>.</p>	<p>For <i>each</i> strategy, identify the derivative securities that Degenek would use, and describe his position (e.g., long, short, buy, sell, etc.) in <i>each</i> derivative security.</p> <p>Note: no calculations are required.</p>
Strategy 1	
Strategy 2	

Answer Question **2** on This Page

	For <i>each</i> analyst, recommend the <i>appropriate</i> adjustment to the fund's duration consistent with their yield curve outlook. (Check one <i>each</i>)	For <i>each</i> analyst, recommend the <i>appropriate</i> adjustment to the fund's convexity consistent with their yield curve outlook. (Check one <i>each</i>)	For <i>each</i> analyst, recommend the type(s) of options (calls or puts) to buy , if any, consistent with their yield curve outlook. (If none, leave the box blank.)	For <i>each</i> analyst, recommend the type(s) of options (calls or puts) to sell , if any, consistent with their yield curve outlook. (If none, leave the box blank.)
			Note: selecting option actions that are inconsistent with the recommended duration/convexity adjustment will receive no credit.	
Kuvvatov	<input type="checkbox"/> Decrease <input type="checkbox"/> No change <input type="checkbox"/> Increase	<input type="checkbox"/> Decrease <input type="checkbox"/> No change <input type="checkbox"/> Increase		
Arroyo	<input type="checkbox"/> Decrease <input type="checkbox"/> No change <input type="checkbox"/> Increase	<input type="checkbox"/> Decrease <input type="checkbox"/> No change <input type="checkbox"/> Increase		
Deedson	<input type="checkbox"/> Decrease <input type="checkbox"/> No change <input type="checkbox"/> Increase	<input type="checkbox"/> Decrease <input type="checkbox"/> No change <input type="checkbox"/> Increase		
Lugier	<input type="checkbox"/> Decrease <input type="checkbox"/> No change <input type="checkbox"/> Increase	<input type="checkbox"/> Decrease <input type="checkbox"/> No change <input type="checkbox"/> Increase		

Answer Question **3** on This Page

	For <i>each</i> prospective client, determine which behavioral bias that client exhibits. (Check one)	For <i>each</i> prospective client, explain why that prospective client exhibits that bias based <i>solely</i> on the information given.	For <i>each</i> prospective client, determine whether Bian Thành should try to mitigate the client's bias or adapt to it. (Check one)
Labrada	<input type="checkbox"/> availability <input type="checkbox"/> confirmation <input type="checkbox"/> framing <input type="checkbox"/> hindsight <input type="checkbox"/> mental accounting <input type="checkbox"/> representativeness		<input type="checkbox"/> Mitigate <input type="checkbox"/> Adapt
Lionel	<input type="checkbox"/> availability <input type="checkbox"/> confirmation <input type="checkbox"/> framing <input type="checkbox"/> hindsight <input type="checkbox"/> mental accounting <input type="checkbox"/> representativeness		<input type="checkbox"/> Mitigate <input type="checkbox"/> Adapt
Howell	<input type="checkbox"/> availability <input type="checkbox"/> confirmation <input type="checkbox"/> framing <input type="checkbox"/> hindsight <input type="checkbox"/> mental accounting <input type="checkbox"/> representativeness		<input type="checkbox"/> Mitigate <input type="checkbox"/> Adapt