2018 Level III Essay Exam Analysis by IFT

Q#	Topic	What showed up on the 2018 Essay Exam	IFT Coverage in Summary Video Lectures
1	Equity	Part A covers the use of the passive investment approach for the Fund's portfolio. Part B covers method for constructing equity portfolio: Full replication, Stratified sampling Optimization. Part C covers the approaches(bottom-up or top-down / systematic or discretionary) to portfolio construction . Part D covers Active risk, Active Share.	Part A) Equity Portfolio Management. Slides 4-6. Part B) Equity Portfolio Management. Slides 22-25. Part C) Equity Portfolio Management. Slide 75. Systematic Vs Discretionary not covered. Part D) Equity Portfolio Management. Slides 5. 61-66. Active Share not covered.
2	Economics	Part A covers calculating risk premium for equities using the Singer-Terhaar approach. Part B covers effect on risk premium using the Grinold-Kroner model. Part C covers factors that are consistent with higher inflation expectations.	Part A) Capital Market Expectations Lecture #2. Slides 26 - 28 Part B) Capital Market Expectations Lecture #2 Part C) Capital Market Expectations Slides 33, 35,37. Lecture#3
3	Institutional	Part A covers spending rate determination that maintains the real value of the current portfolio . Part B covers factors that effect the risk tolerance of a Foundation. Part C covers effect on cash reserve, liquidity in view of new spending requirement.	Part A) Managing Institutional Investor Portfolios. Slide 19. Part B) Managing Institutional Investor Portfolios. Slides 17,18,19. Part C) Managing Institutional Investor Portfolios. Slide 20.
4	Behavioral Finance	Parts A & B cover behavioral biases. Part C covers behaviorally modified portfolios, SLR, Level of wealth & behavioral biases.	Part A) The Behavioral Biases of Individuals. Slides 20,22. Part B) The Behavioral Biases of Individuals. Slides 7, 10. Part C) The Behavioral Biases of Individuals. Slide 32.
5	Private Wealth (1)	Part A covers determining the minimum spouse entitlement amount before estate taxes. Part B covers determining the children entitlement amount. Part C covers tax considerations & bequests. Part D covers the benefits of purchaseing the life insurance policy. Part E covers benefits of a trust.	Part A) Estate Planning in a Global Context. Slide 5. Part B) Estate Planning in a Global Context. Slide 5. Part C) Estate Planning in a Global Context. Slides 14 - 17. Part D) Estate Planning in a Global Context. Slide 23. Part E). Estate Planning in a Global Context. Slide 22.
6	Private Wealth (1)	Part A covers portfolio's funding goal & max donation. Part B covers factors that effect risk tolerance of an individual. Part C covers determining return, risk & liquidity given the asset allocations/given asset allocation meets the IPS objectives.	Part A) Managing Individual Investor Portfolios. Slides 14 -18. Part B) Managing Individual Investor Portfolios. Slides 16, 17. Part C) Managing Individual Investor Portfolios. Slides 25,26,28.
7	Fixed Income	Part A covers determining the portfolio that best immunizes single liability. Part B covers derivatives overlay/determining the number of futures contracts required to close the duration gap. Part C covers determining portfolio positioning given a yield curve forecast	Part A) Liability-Driven and Index-Based Strategies. Slides 8 - 10 Part B) Liability-Driven and Index-Based Strategies. Slides 18 - 19. Part C) Yield Curve Strategies. Slides 14 -22, 27. Part D) Introduction to Fixed-Income Portfolio Management. Slides 17 - 18.
8	Risk Management	Part A covers calculating no. of future contracts to adjust allocations across equity sectors . Part B covers calculating value of a portfolio using equity index futures to hedge foreign return & currency risk . Part C covers limitations to hedging the exchange rate risk of a foreign market portfolio. Part D covers calculating effective int rate for a loan protected by a caplet .	Part A) Risk Management Applications of Forward and Futures Strategies. Slides 15,16,18,19. Part B) Risk Management Applications of Forward and Futures Strategies. Slides 34-40. Part C) Risk Management Applications of Forward and Futures Strategies. Slide 40. Part D) Risk Management Applications of Option Strategies. Slides 32-34.
9	Asset Allocation	Part A covers expected utility calculation of portfolios. Part B covers recommending and justifying a liability-relative asset allocation . Part C covers constructing a goal-based asset allocation & suggesting allocation for excess capital .	Part A) Principles of Asset Allocation. Slides 5-7. Part B) Principles of Asset Allocation. Slides 37-38. Part C) Principles of Asset Allocation. Slides 44-50.
10	Trading, Monitoring, Rebalancing	Parts A covers factors affecting optimal corridor width of an asset class in rebalancing. Part B covers calculating implementation shortfall of an order at the close of trading. Part C covers determining the appropriate trading strategy: VWAP, IS, opportunistic.	Part A) Monitoring and Rebalancing. Slides 10-11. Part B) Execution of Portfolio Decisions. Slides 27-28. Part C) Execution of Portfolio Decisions. Slides 39-41.