

Relevance of Questions from past Level III Essay Exams



ACE THE ESSAY EXAM

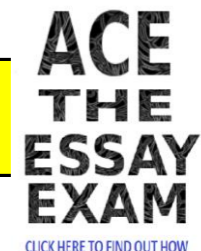
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This document attempts to identify questions from past Level III essay exams which are still relevant in 2019. There is no guarantee that the information presented here is 100% accurate. If you have any suggested updates please visit our support help desk at <http://ift.freshdesk.com>

| Year | Question | Relevant | Topic | Comment |
|------|----------|----------|--|---|
| 2007 | 1 | Yes | Individual PM | It covers individual IPS, investor personality type. |
| 2007 | 2 | Partial | Individual PM and Asset Allocation | Parts A and B are not relevant. Part C is relevant. It covers strategic asset allocation, given an investment policy statement and capital market expectations. |
| 2007 | 3 | Yes | Individual PM | It covers behavioral biases. |
| 2007 | 4 | Yes | Asset Allocation | Part A and B cover criteria for asset class specification. Part C covers Black Litterman approach. |
| 2007 | 5 | Yes | Institutional PM Alternative Investments Portfolio Management | Part A, B, C, and D cover institutional (endowment) IPS and constraints. Part E covers return enhancement and/or risk diversification effects of adding an alternative investment. |
| 2007 | 6 | Yes | Institutional PM | It covers institutional (life insurance company) IPS, constraints, and factors affecting investment policy. |
| 2007 | 7 | No | Trading, Monitoring and Rebalancing | |
| 2007 | 8 | No | Equity Portfolio Management | |
| 2007 | 9 | No | Global Performance Evaluation | |
| 2007 | 10 | Partial | Economic Analysis | Part A is not relevant. Part B and C cover Grinold-Kroner model. |
| 2008 | 1 | Yes | Individual PM | It covers individual IPS and constraints. |
| 2008 | 2 | Yes | Individual PM | It covers behavioral biases. |
| 2008 | 3 | Yes | Institutional PM | It covers institutional (pension fund) IPS, constraints, factors affecting risk tolerance. |
| 2008 | 4 | Yes | Asset Allocation | Part A and B cover asset allocation using mean-variance optimization. Part C covers resampled efficient frontier approach. Part D covers liability-relative asset allocation v/s AO approach. |
| 2008 | 5 | No | Fixed Income Portfolio Management | |
| 2008 | 6 | No | Commodity Forwards and Futures | |
| 2008 | 7 | Yes | Risk Management | Part A covers types of risk. Part B covers stress testing methods. Part C covers credit risk exposure. |
| 2008 | 8 | Yes | Trading, Monitoring and Rebalancing | Part A covers order types. Part B covers VWAP strategy. Part C covers implementation shortfall strategy. |
| 2008 | 9 | No | Trading, Monitoring and Rebalancing | |

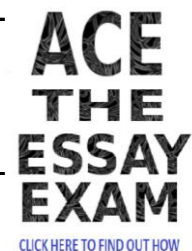
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| 2008 | 10 | Yes | Performance Evaluation | Part A covers fixed-income performance attribution analysis. Part B covers effects of the external interest rate environment and active management on fixed-income portfolio returns. |
| 2008 | 11 | Partial | Risk Management | Part A covers use of foreign exchange futures to hedge the currency exposure. Part B is not relevant. |
| 2009 | 1 | Yes | Individual PM | It covers individual IPS, constraints, and risk tolerance. |
| 2009 | 2 | Yes | Individual PM | It covers individual IPS, constraints, and risk tolerance. |
| 2009 | 3 | Yes | Institutional PM | It covers institutional (pension fund) IPS, constraints, risk factors, and spending rule. |
| 2009 | 4 | No | Allocating Shareholder Capital to Pension Plans | |
| 2009 | 5 | Yes | Economic Analysis | Part A covers Grinold-Kroner model. Part B covers Taylor Rule. Part C covers components of economic growth trends and application of economic growth trend analysis to the formulation of capital market expectations. |
| 2009 | 6 | Yes | Asset Allocation | It covers strategic asset allocation, given an investment policy statement and capital market expectations. |
| 2009 | 7 | No | Equity | |
| 2009 | 8 | Partial | Risk Management | Part A is not relevant. Part B covers risk management applications of swap strategies. |
| 2009 | 9 | Yes | Risk Management | It covers credit risk exposures and managing credit risk. |
| 2009 | 10 | No | Trading, Monitoring and Rebalancing | |
| 2009 | 11 | Yes | Performance Evaluation | Part A covers properties of a valid benchmark. Part B covers risk-adjusted performance measures. |
| 2010 | 1 | Yes | Individual PM | Part A covers individual IPS. Part B covers TDA and taxable accounts. |
| 2010 | 2 | Yes | Institutional PM | Part A and B cover institutional (insurance company) IPS and constraints. Part C and D cover behavioral biases. |
| 2010 | 3 | Partial | Institutional PM | Part A covers institutional (pension funds) IPS and risk tolerance. Part B is not relevant. |
| 2010 | 4 | Yes | Economic Analysis | Part A and B cover economic indicators. Part C covers constant growth dividend discount model. |
| 2010 | 5 | Partial | Asset Allocation | Part A, B, and C cover strategic asset allocation using mean-variance optimization. Part D and E are not relevant. |
| 2010 | 6 | No | Fixed-Income Portfolio Management | |
| 2010 | 7 | Yes | Risk Management | Part A and B cover option strategies (butterfly, straddle etc.) Part C and D cover use of futures to achieve target beta. |
| 2010 | 8 | Partial | Trading, Monitoring and Rebalancing | Part A and B are not relevant Part C covers trade execution tactics. Part D covers missed trade opportunity cost. |
| 2010 | 9 | Yes | Performance Evaluation | Part A covers properties of a valid benchmark. Part B and C cover micro attribution analysis and active value addition. |
| 2011 | 1 | Yes | Individual/Behavioral | Part A covers revocable and irrevocable trust. Part B covers behavioral biases. |



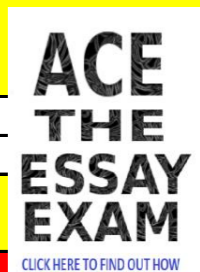
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| 2011 | 2 | Yes | Individual PM | Part A, B, and C cover individual IPS, risk tolerance, and constraints. Part D covers Monte Carlo simulation model. |
| 2011 | 3 | Yes | Institutional PM | It covers institutional (endowment) IPS, risk tolerance, and constraints. |
| 2011 | 4 | Yes | Economic Analysis | Part A and B cover Cobb Douglas model. Part C covers H Model. Part D covers Fed Model and Yardeni Model. |
| 2011 | 5 | Yes | Asset Allocation | Part A covers Black Litterman, Resampled frontier, Monte Carlo approaches. Part B covers asset-only v/s liability-relative approach. Part C covers impact of human capital on asset allocation. |
| 2011 | 6 | No | Fixed-Income Portfolio Management | |
| 2011 | 7 | No | Corporate Governance Emerging Markets Finance | |
| 2011 | 8 | Yes | Risk Management | Part A, and B cover VaR. Part C covers hedging currency risk using futures. |
| 2011 | 9 | Yes | Performance Evaluation | It covers performance attribution. |
| 2012 | 1 | Yes | Individual PM | It covers individual IPS, constraints, and risk tolerance. |
| 2012 | 2 | Partial | Individual PM | Part A covers tax considerations. Part B is not relevant. |
| 2012 | 3 | Partial | Trading, Monitoring and Rebalancing | Part A covers criteria of market quality. Part B covers algorithmic participation strategy. Part C is not relevant |
| 2012 | 4 | Yes | Individual/Behavioral | It covers behavioral biases. |
| 2012 | 5 | Yes | Economic Analysis | Part A covers data measurement errors and biases. Part B covers approaches to economic forecasting. Part C covers H-model. Part D covers Tobin's q model. |
| 2012 | 6 | Partial | Institutional PM | Part A, B, and C cover institutional IPS (DB plan vs participant-directed DC plan). Part D is not relevant. |
| 2012 | 7 | Partial | Fixed Income | Part A covers concept related to use of leverage, alternative methods for leveraging, and risks that leverage creates in fixed-income portfolios. Part C covers use of derivatives in altering portfolio duration. Part B, D, and E are not relevant. |
| 2012 | 8 | Yes | Risk Management | It covers altering asset allocation, equity beta and modified duration using futures. |
| 2012 | 9 | Yes | Risk Management | It covers delta hedging. |
| 2013 | 1 | Yes | Individual PM | It covers individual IPS, risk tolerance, and constraints. |
| 2013 | 2 | Yes | Individual PM | Part A covers estate planning. Part B covers benefits of trust. Part C covers gift vs bequest. Part D covers generation skipping. |
| 2013 | 3 | Yes | Individual/Behavioral | Part A covers utility function. Part B covers behavioral biases. Part C covers behavioral portfolio theory vs mean-variance framework. |
| 2013 | 4 | No | Equity | |



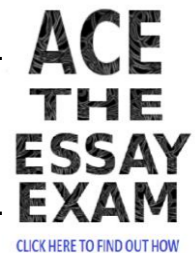
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| 2013 | 5 | Yes | Economic Analysis | Part A and B cover Cobb-Douglas function. Part C covers Fed and Yardeni model. |
| 2013 | 6 | Yes | Institutional PM | It covers institutional (foundation) IPS, risk tolerance, and constraints. |
| 2013 | 7 | Partial | Institutional PM | Part A and B covers shortfall risk. Part C and D are not relevant. |
| 2013 | 8 | No | Fixed-Income Portfolio Management | |
| 2013 | 9 | No | Fixed Income | |
| 2013 | 10 | Yes | Risk Management | Part A covers Enterprise risk management. Part B covers VaR. Part C covers stress testing. |
| 2013 | 11 | Yes | Performance Evaluation | Part A covers style and active return. Part B covers risk-adjusted performance. Part C covers manager continuation decisions. |
| 2014 | 1 | Yes | Individual PM | It covers individual IPS, risk tolerance, and constraints. |
| 2014 | 2 | Yes | Individual PM | Part A, B, and C cover options strategies to reduce wealth concentration and defer C.G.T, reduce cost of hedging, cashless collar. Part D covers forward conversion with options strategy. |
| 2014 | 3 | No | Equity | |
| 2014 | 4 | Yes | Economic Analysis | Part A covers Singer-Terhaar approach. Part B covers Taylor rule. Part C covers risks faced by investors in emerging-market securities. |
| 2014 | 5 | Partial | Institutional PM | Part A and B cover institutional (DB plan) IPS, risk tolerance and constraints. Part C is not relevant. |
| 2014 | 6 | Yes | Institutional PM | It covers institutional (endowment) IPS, risk tolerance, and constraints. |
| 2014 | 7 | No | Fixed-Income Portfolio Management | |
| 2014 | 8 | Partial | Asset Allocation | Part A and B cover expected utility and Roy's safety-first criterion. Part C and D are not relevant. |
| 2014 | 9 | Yes | Risk Management | Part A covers use of futures to alter duration. Part B covers use of swaps to adjust duration. Part C covers futures overlay strategy and cash-market strategy. |
| 2014 | 10 | Partial | Trading, Monitoring and Rebalancing | Part A and Part B are not relevant Part C covers VWAP algorithm and implementation shortfall algorithm. |
| 2014 | 11 | Yes | Individual/Behavioral | It covers behavioral biases. |
| 2015 | 1 | Yes | Institutional PM | It covers institutional (pension plan) IPS, risk tolerance, and constraints. |
| 2015 | 2 | Partial | Institutional PM | Part A and B are not relevant. Part C covers institutional IPS (foundation v/s pension plan). |
| 2015 | 3 | No | Fixed-Income Portfolio Management | |



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|------|----|---------|---|--|
| 2015 | 4 | Yes | Alternative Investments | Part A covers real estate indexes. Part B covers direct real estate investment v/s publicly traded equity investment. Part C covers performance fee for hedge funds. Part D covers J-factor risk. Part E covers investment lock up period. |
| 2015 | 5 | Yes | Performance Evaluation | Part A covers pure indexing strategy. Part B covers style bias and active management. Part C covers time weighted and money weighted return. Part D covers pure sector allocation return, within-sector selection return. |
| 2015 | 6 | Yes | Risk Management | It covers credit risk exposures and managing credit risk. |
| 2015 | 7 | Yes | Individual PM | Part A and B cover calculation of bequest amount and gift amount. Part C and D cover individual IPS, risk tolerance, and constraints. |
| 2015 | 8 | No | Lifetime Financial Advice | |
| 2015 | 9 | Partial | Asset Allocation | Part A is not relevant Part B covers hedged v/s unhedged return. Part C covers selecting appropriate options trade. |
| 2015 | 10 | Yes | Applications of Economic Analysis to Portfolio Management | Part A covers Grinold-Kroner model. Part B covers Taylor rule. Part C covers risk premium approach. |
| 2015 | 11 | Yes | Individual/Behavioral | It covers behavioral biases. |
| 2016 | 1 | Yes | Institutional PM | It covers institutional (endowment) IPS and comparison between an endowment and a foundation. |
| 2016 | 2 | No | Fixed-Income Portfolio Management | Part A, B, C, and D are not relevant. Part E covers use of derivatives to alter portfolio duration. |
| 2016 | 3 | No | Equity | |
| 2016 | 4 | No | Asset Allocation | It covers strategic asset allocation, given an investment policy statement and capital market expectations. |
| 2016 | 5 | Partial | Trading, Monitoring and Rebalancing | Part A covers trading tactics. Part B covers bid-ask spread as a measure of trading costs. Part C is not relevant |
| 2016 | 6 | Yes | Individual PM | Part A, B, C, and E cover individual IPS, risk tolerance, and constraints. Part D covers Monte Carlo simulation. |
| 2016 | 7 | Yes | Individual PM | Part A covers behavioral biases. Part B covers monetization strategy to manage concentrated single asset positions. Part C covers mortgage financing and sale and leaseback. |
| 2016 | 8 | Yes | Risk Management | Part A covers use of forwards and futures strategies to alter portfolio duration. Part B covers option delta-hedge strategies. Part C covers effective annual rate calculation. |
| 2016 | 9 | Yes | Economic Analysis | Part A covers components of economic growth trends. Part B covers output gap. Part C covers permanent income hypothesis. Part D covers economic growth trend analysis. |
| 2016 | 10 | Yes | Individual/Behavioral | Part A covers bounded rationality. Part B and C cover behavioral biases. |



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| 2017 | 1 | Partial | Alternative Investments | Part A is not relevant. Part B is not relevant. Part C covers Sharpe ratio. Part D covers issues with alternative investment benchmarks. |
| 2017 | 2 | Partial | Institutional PM | Part A covers the effect of different factors on the risk tolerance of a pension fund. Part B covers effect of different factors on the time horizon of a pension fund. Part C is not relevant. Part D is not relevant. |
| 2017 | 3 | Yes | Performance Evaluation | Parts A and B cover time-weighted and money weighted rates of returns. Part C covers Treynor measure, Sharpe ratio and Information ratio |
| 2017 | 4 | Yes | Individual PM | Part A covers accrual equivalent tax rate. Part B covers capital gain taxes. Part C covers benefits of tax loss harvesting. |
| 2017 | 5 | Yes | Individual/Behavioral | Part A, B, C and D covers behavioral biases. |
| 2017 | 6 | Yes | Individual PM | Part A covers return objectives for individual investor portfolios. Part B covers factors affecting ability to take risk. Part C covers constraints for individual investor portfolios. Part D covers strategic asset allocation for individual investor portfolios. |
| 2017 | 7 | Yes | Economics | Part A covers Cobb-Douglas production function. Parts B and C cover CAPE. |
| 2017 | 8 | No | Asset Allocation | |
| 2017 | 9 | No | Fixed Income | |
| 2017 | 10 | Yes | Risk Management | Parts A and B cover calculation of VAR. Part C covers limitations of using historical method for risk measurement. Part D covers Sharpe ratio, Information ratio and Sortino ratio. |
| 2018 | 1 | Yes | Equity | Part A covers passive investment approach Part B covers methods for constructing equity portfolios - Full replication, Stratified sampling, Optimization Part C covers approaches to equity portfolio construction - Top down vs bottom up, and Systematic vs discretionary Part D covers active risk and active share |
| 2018 | 2 | Yes | Economics - Capital Market Expectations | Part A covers Singer-Terhaar approach Part B covers Grinold-Kroner model Part C covers relationship of inflation to the business cycle |
| 2018 | 3 | Yes | Institutional IPS - Managing Institutional Investor Portfolios | Part A covers maximum spending rate calculation for Foundations Part B covers factors used to determine a foundation's ability to take risk Part C covers liquidity needs - cash requirement for foundations |
| 2018 | 4 | Yes | Behavioral Finance - Behavioral Biases of Individuals | Part A covers overconfidence bias Part B covers representativeness bias and conservatism bias Part C covers how behavioral biases affect asset allocation decisions - asset weights |
| 2018 | 5 | Yes | Individual Private Wealth - Estate Planning in a Global Context | Part A covers community property and forced heirship payoff calculations before estate taxes Part B covers forced heirship payoff calculations after estate taxes Part C covers estate planning benefit of making lifetime gifts Part D covers how life insurance can be a tax-efficient means of wealth transfer Part E covers benefits of trusts |

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| 2018 | 6 | Yes | Individual IPS - Managing Individual Investor Portfolios | Part A covers calculating maximum donation amount given a set of funding goals Part B covers factors impacting ability to take risk Part C covers calculating risk/return objectives and liquidity constraint |
| 2018 | 7 | Yes | Fixed Income | Part A covers immunization of a single liability Part B covers calculating the number of futures contracts required to close the duration gap Part C covers yield curve strategies - Barbell, bullet and ladder portfolios Part D covers calculating expected return for fixed income instruments |
| 2018 | 8 | Yes | Risk Management | Part A covers calculating number of futures contracts required to adjust the allocation of a portfolio across equity sectors Part B and C cover hedging the exchange rate risk of a foreign market portfolio Part D covers calculating the payoffs when a floating rate loan is combined with an interest rate cap |
| 2018 | 9 | Yes | Asset Allocation - Principles of Asset Allocation | Part A covers calculating expected utility Part B covers hedging/return-seeking portfolio approach Part C covers goals based approach given a set of sub-portfolio modules |
| 2018 | 10 | Partial | Trading, Monitoring, Rebalancing | Part A is not relevant. It covers factors affecting corridor widths in asset allocations Part B covers implementation shortfall Part C covers algorithmic trading strategies |