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## ICWIM Valid Exam Book & Valid Testking ICWIM Learning Materials Bring you the Best Products for International Certificate in Wealth & Investment Management

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### CISI International Certificate in Wealth & Investment Management Sample Questions (Q115-Q120):

#### NEW QUESTION # 115

Why might a custom benchmark be required when measuring portfolio performance?

- A. It is easier than using a pre-defined benchmark
- B. To establish the size of the tracking error
- C. The portfolio spans several different asset classes
- D. So that the portfolio can be measured in absolute terms

**Answer: C**

Explanation:

A custom benchmark is necessary when a portfolio contains multiple asset classes, as no single index can fully represent its performance.

\* Why is Option D Correct?

\* A diversified portfolio (e.g., equities, bonds, commodities) needs a composite benchmark that reflects its asset allocation.

\* Example: A portfolio with 60% equities and 40% bonds might use a benchmark of 60% MSCI World Index and 40% Barclays Global Bond Index.

\* Why Not Other Options?

\* A (Easier than a pre-defined benchmark) # Custom benchmarks require more effort, not less.

\* B (Absolute performance measure) # Benchmarks compare performance relative to the market, not in absolute terms.

\* C (Tracking error measurement) # A benchmark helps measure tracking error, but the need for a custom benchmark arises due to asset diversity.

# Reference: CFA Institute (Benchmarking), CISI Wealth & Investment Management.

### NEW QUESTION # 116

Your client estimates that they will require £50,000 of income annually to live off when they retire. Personal plus state pension will provide £40,000. They wish to retire in 25 years' time. It is estimated that they can earn 5% per annum, and inflation has been forecast at 2%. Interest rates are currently 1.5%. Allowing for inflation, what lump sum would they need to accrue to supplement their pension?

- A. £252,401
- B. £546,869
- C. £468,745
- D. £328,120

**Answer: D**

Explanation:

To calculate the required lump sum, we need to determine the present value (PV) of future withdrawals, adjusted for inflation and investment growth.

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#### Step 1: Calculate Required Additional Annual Income

$$£50,000 - £40,000 = £10,000 \quad (\text{annual shortfall})$$

#### Step 2: Adjust for Inflation (Real Value in 25 Years)

Using the future value formula:

$$FV = PV \times (1 + \text{inflation rate})^{\text{years}}$$

$$FV = 10,000 \times (1.02)^{25} = 10,000 \times 1.64 = £16,400$$

This means in 25 years, they will need £16,400 annually to maintain their purchasing power.

#### Step 3: Determine Required Lump Sum

Using the present value of annuity formula:

$$PV = \frac{\text{Annual Income Needed}}{\text{Investment Return} - \text{Inflation Rate}}$$

$$PV = \frac{16,400}{0.05 - 0.02} = \frac{16,400}{0.03} = £328,120$$

### NEW QUESTION # 117

Which one of the following would cause a shift to the right in aggregate demand?

- A. A decrease in expected inflation
- B. An increase in expected inflation
- C. Depreciation of the pound against other currencies
- D. A decrease in consumer confidence

**Answer: C**

Explanation:

- \* Factors Shifting Aggregate Demand (AD) Rightward:
- \* Depreciation of the pound makes UK exports cheaper and imports more expensive, increasing net exports.
- \* Higher net exports increase aggregate demand, shifting the curve to the right.
- \* Elimination of Other Options:
- \* A: Lower consumer confidence decreases consumption, shifting AD leftward.
- \* B: Increased expected inflation may reduce real spending.
- \* D: Lower expected inflation discourages spending.

References:

- \* ICWIM Module 1: Macroeconomic factors influencing aggregate demand.

### NEW QUESTION # 118

If someone in a fiduciary position has personal or professional interests that compete with their duty to act in the client's best interest, this is called:

- A. Full disclosure
- B. A regulatory breach
- C. Discretionary management
- **D. A conflict of interest**

**Answer: D**

Explanation:

A conflict of interest arises when a financial professional's own interests compete with their duty to act in the best interest of the client.

\* Examples:

- \* A financial adviser recommending a high-commission product instead of the best investment for the client.
- \* An investment manager trading ahead of client orders to profit personally (front-running).

\* Regulatory Requirements:

- \* Under FCA and MiFID II regulations, firms must disclose conflicts and take reasonable steps to manage them.

# Reference: FCA Handbook (COBS 2.1 - Acting Honestly & Fairly), CISI Ethical Standards.

### NEW QUESTION # 119

Once an offshore foundation is established, who will normally be responsible for making ongoing decisions regarding the operational use of the foundation's assets?

- A. The trustees
- B. The beneficiaries
- C. The board of directors
- **D. The council**

**Answer: D**

Explanation:

\* Offshore Foundations

- \* These legal entities are typically used for wealth preservation, estate planning, or philanthropic purposes.
- \* Foundations are managed by a council, which is responsible for operational decisions and ensuring the foundation's goals are met.
- \* Why the Answer is C
- \* The council acts similarly to a board of directors but focuses specifically on the foundation's assets and objectives.

\* Why Other Options are Incorrect

- \* A. Board of directors: Applies to companies, not foundations.
- \* B. Trustees: Apply to trusts, not foundations.
- \* D. Beneficiaries: Beneficiaries do not have decision-making authority.
- \* ICWIM Study Guide, Chapter on Trusts and Foundations: Discusses the governance of offshore foundations.
- \* Legal Principles of Foundations: Confirms the role of the council.

References Thus, the correct answer is C. The council.



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