



Part B Assignment

(Total 10 marks)

Question 1

Consider a country with a democratically elected government, an appointed central bank, an orderly money market, listed exchanges for a wide range of securities across asset classes and an asset management industry facilitating a wide range of investment activities.

Individuals often choose to invest via a diversified investment trust offered by an asset management company, usually after taking advice from a financial advisor who is remunerated by the investment trust.

You have been approached by a friend who is considering such an investment for herself.

Hint "Investment trust" is defined in course materials Module 4 page 20.

Q1 Explain to your friend the roles of these market participants, including how she will benefit **(6 marks)**

- Asset management company;
- Custodian; and
- Credit rating agency.

Question 2

Explain to your friend three counterparty risks arising for the proposed investment , considering the parties involved. **(3 marks)**

Hint: Only the first three risks discussed will be marked, there is no advantage in a longer list

Question 3

Assess the conflict of interest arising for the investment advisor. **(1 mark)**

END OF PART B ASSIGNMENT