

Financial Exam Help 123™

2025 Level III Mock Exam Portfolio Management Pathway

Afternoon Session Exam #1 Case Scenarios

This 2025 Afternoon Session mock exam has 11 questions for a total of 132 points. For grading purposes, the maximum point value for each question is equal to the number of minutes allocated to that question.

Question	Topic	Minutes
1	Core – Portfolio Management – Institutional	12
2	Pathway – Portfolio Management – Fixed Income	12
3	Core – Ethical and Professional Standards	12
4	Core – Portfolio Management – Fixed Income	12
5	Pathway – Portfolio Management – Equity	12
6	Core – Portfolio Management – Economics & Asset Allocation	12
7	Pathway – Portfolio Management – Fixed Income	12
8	Core – Portfolio Management – Performance Evaluation	12
9	Core – Portfolio Management – Derivatives	12
10	Pathway – Portfolio Management – Trade Strategy and Execution	12
11	Core – Portfolio Management – Alternative Investments	<u>12</u>
	Total:	132

Question 1 relates to Institutional Investors – Core Curriculum**GCA Case Scenario**

Daniela Cancelo manages institutional portfolios for Azores Portfolio Management (*Gestão de Carteiras Açores*, GCA). GCA recently acquired a new client, the Portuguese Textile Workers' Pension Plan (the Plan), a defined benefit pension plan, and assigned it to Cancelo. She has compiled some data for the Plan in Exhibit 1.

Exhibit 1
Portuguese Textile Workers' Pension Plan
Selected Data

Active employees	72,144
Retired employees	23,676
Active employees' average age	51.7
Pension assets	EUR 41,200,000,000
Pension liabilities	EUR 39,000,000,000
Pension payment, current year	EUR 990,000,000
Pension payments: inflation-adjusted?	Yes
Lump-sum distribution option?	Yes
Open to new employees?	No

For new workers, the Plan has been replaced by a defined contribution plan, but the Plan's sponsors are committed to ensuring that the Plan will be funded properly; the current year's contributions are expected to be EUR 1.1 billion (EUR 1,100 million). Workers typically retire at age 60. Cancelo's first task is to develop the Plan's investment policy statement (IPS). She starts with the risk, time horizon, and liquidity sections.