
Question 1 of 4

2 points

State two characteristics that the China Investment Corporation (CIC) shares with and Norway's Government Pension Fund Global (GPF) differentiates from the Yale model.

GUIDELINE RESPONSE • Learning Objective 1.4.5

ID: L2-1.4.5-001

The Yale model constructs a concentrated portfolio that invests heavily in illiquid/private assets and uses external managers. The CIC shares these traits.

In contrast, the GPF has a highly diversified portfolio that invests primarily in diversified liquid assets and is mostly managed internally.

Scoring - state two of the traits: concentrated/diversified portfolio; illiquid/liquid assets; external/internal managers.

Question 2 of 4

1.5 points

Which type of sovereign wealth fund is most likely to become a vehicle for corruption? Briefly explain your answer.

GUIDELINE RESPONSE • Learning Objective 1.4.2

ID: L2-1.4.2-001

Development funds (**0.5pts**) - these funds may be pressured to pick projects/investments based on personal relationships rather than based on appropriate financial assessment of the project/investment. (**1pt**)

Question 3 of 4

2 points

A country in Africa generates a large percentage of its income from selling crude oil. Describe the concept of Dutch disease as it may relate to this country.

GUIDELINE RESPONSE • Learning Objective 1.4.3

ID: L2-1.4.3-004

1pt: Dutch disease refers to large currency inflows from the sale of a country's commodity (in this case, oil) that adversely affects the country's other sectors (e.g., manufacturing and export).

1pt: A country's manufacturing and export sector becomes less competitive (which may lead to de-industrialization) as a result of two effects caused by higher oil prices or the discovery of oil.

1. Increased wages, moving workers to the oil sector from other sectors.
2. Appreciating local currency value due to large cash inflows.

Question 4 of 4

2 points

A country with a €10 billion capital account deficit has experienced an €18 billion increase in its reserve account. What is this country's current account surplus or deficit?

GUIDELINE RESPONSE • Learning Objective 1.4.1

ID: L2-1.4.1-001

Δ Reserve account = Δ Current account + Δ Capital account

$\text{€}18\text{b} = \Delta$ Current account – $\text{€}10\text{b}$

$\Rightarrow \Delta$ Current account = $\text{€}18\text{b} + \text{€}10\text{b} = \text{€}28\text{b}$

Current account has a $\text{€}28\text{b}$ surplus.

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