

Session 16

Value Investing: Where is the beef?

Test

1. Which of the following is the best measure of the payoff to “active” value investing?
 - a. The difference between the average returns earned by active value investors and an index fund of all stocks.
 - b. The difference between the average returns earned by active value investors and a growth index fund.
 - c. The difference between the average returns earned by active value investors and an value index fund
 - d. The difference between the average returns earned by value index fund and a growth index fund.
 - e. The difference between the average returns earned by value index fund and an index fund of all stocks.
2. Which of the following best characterizes the findings in studies of active individual investors?
 - a. On average, active individual investors beat the market, with the most active among them doing the best.
 - b. On average, active individual investors break even with the market, with the most active among them doing the best.
 - c. On average, active individual investors do worse than the market, with the most active among them doing the best.
 - d. On average, active individual investors beat the market, with the most active among them doing the worst.
 - e. On average, active individual investors break even with the market, with the most active among them doing the worst.
 - f. On average, active individual investors do worse than the market, with the most active among them doing the worst.
3. Which of the following best characterizes the findings in studies of activist value investors?
 - a. The median or typical activist value investor beats the market, with activist mutual funds doing better than activist hedge funds or individuals.
 - b. The median or typical activist value investor beats the market, with activist mutual funds doing worse than activist hedge funds or individuals.
 - c. The average return across activist value investors is greater on a risk-adjusted basis than the return on the market, with activist mutual funds doing better than activist hedge funds or individuals.
 - d. The average return across activist value investors is greater on a risk-adjusted basis than the return on the market, with activist mutual funds doing worse than activist hedge funds or individuals.
4. If you do not believe that beta is a good measure of equity risk, you cannot do discounted cash flow valuation.

- a. True
 - b. False
5. Which of the following will not change the intrinsic value of a company?
- a. A new earnings report from the company
 - b. An acquisition announcement from the company
 - c. An increase in interest rates
 - d. A stock dividend
 - e. A change in management