

Lesson 4

Scenario questions

Scenario 1

Chris wants to analyze a company's balance sheet and financial reports in detail before investing. He's comfortable making frequent trades based on performance and earnings.

Which investment style would be most appropriate, and why?

Scenario 2

Jamie wants to invest in the overall stock market with minimal time commitment. They're okay with matching market returns and prefer low fees.

Which investment style would be most appropriate, and why?

Scenario 3

Taylor is tech-savvy and wants to invest using a computer-driven strategy. They are interested in using factors like momentum and quality to choose stocks.

Which investment style would be most appropriate, and why?

Scenario 4

Morgan believes economic trends (like rising interest rates) signal which industries will do well. They want to shift investments based on these forecasts.

Which investment style would be most appropriate, and why?

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Scenario 5

Dana wants to focus on investing in the technology sector and is looking for a low-cost, long-term option without making frequent changes.

Which investment style would be most appropriate, and why?

Scenario 6

Lee wants their portfolio to be managed by artificial intelligence using historical stock data, trends, and computer models to make decisions.

Which investment style would be most appropriate, and why?

Scenario 7

Sasha reads economic reports and market news to decide which industries to invest in each quarter. They want to actively manage their portfolio based on this information.

Which investment style would be most appropriate, and why?

Scenario 8

Pat is building a diversified portfolio using a model that prioritizes small companies with strong value scores. They want a balance of automation and control.

Which investment style would be most appropriate, and why?

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Scenario 9

Jordan wants to invest in as many stocks as possible to mimic the entire market index and reduce risk. They plan to rebalance occasionally.

Which investment style would be most appropriate, and why?

Scenario 10

Casey likes to study market trends, company performance, and earnings calls. They believe they can beat the market by trading often and adjusting their portfolio as needed.

Which investment style would be most appropriate, and why?

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Answers

Scenario 1

Chris wants to analyze a company's balance sheet and financial reports in detail before investing. He's comfortable making frequent trades based on performance and earnings.

Which investment style would be most appropriate, and why?

Answer: Active

Reasoning: This fits a bottom-up, hands-on approach focused on company fundamentals.

Scenario 2

Jamie wants to invest in the overall stock market with minimal time commitment. They're okay with matching market returns and prefer low fees.

Which investment style would be most appropriate, and why?

Answer: Passive

Reasoning: Jamie doesn't want to beat the market, just match it – classic passive investing.

Scenario 3

Taylor is tech-savvy and wants to invest using a computer-driven strategy. They are interested in using factors like momentum and quality to choose stocks.

Which investment style would be most appropriate, and why?

Answer: Systematic

Reasoning: Taylor is using data-driven rules and factors, which is systematic investing.

Scenario 4

Morgan believes economic trends (like rising interest rates) signal which industries will do well. They want to shift investments based on these forecasts.

Which investment style would be most appropriate, and why?

Answer: Active

Reasoning: This is top-down analysis and involves hands-on decision-making.

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Scenario 5

Dana wants to focus on investing in the technology sector and is looking for a low-cost, long-term option without making frequent changes.

Which investment style would be most appropriate, and why?

Answer: Passive

Reasoning: Buying a sector-based ETF to match tech performance is a passive approach.

Scenario 6

Lee wants their portfolio to be managed by artificial intelligence using historical stock data, trends, and computer models to make decisions.

Which investment style would be most appropriate, and why?

Answer: Systematic

Reasoning: Using AI and raw data for investing is part of systematic (quantitative) investing.

Scenario 7

Sasha reads economic reports and market news to decide which industries to invest in each quarter. They want to actively manage their portfolio based on this information.

Which investment style would be most appropriate, and why?

Answer: Active

Reasoning: Using broad economic data fits the top-down method in active investing.

Scenario 8

Pat is building a diversified portfolio using a model that prioritizes small companies with strong value scores. They want a balance of automation and control.

Which investment style would be most appropriate, and why?

Answer: Systematic

Reasoning: Using equity characteristics (size and value) and models = systematic investing.

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Scenario 9

Jordan wants to invest in as many stocks as possible to mimic the entire market index and reduce risk. They plan to rebalance occasionally.

Which investment style would be most appropriate, and why?

Answer: Passive

Reasoning: Replicating the index with periodic rebalancing is a passive strategy.

Scenario 10

Casey likes to study market trends, company performance, and earnings calls. They believe they can beat the market by trading often and adjusting their portfolio as needed.

Which investment style would be most appropriate, and why?

Answer: Active

Reasoning: Frequent trading based on expert judgment is the hallmark of active investing.