

Lesson 4

Name: _____

Date: _____

Video Handout

Section 1: Active investing

1. Active investing is like having a _____ during a game.
2. In this strategy, a(n) _____ buys and sells securities based on research and expertise.
3. Managers use different approaches:
 - **Bottom-up** managers analyze a company's _____.
 - **Top-down** managers focus on broader economic indicators like _____, _____ and _____.
4. The goal of active investing is to _____ the market.
5. A common downside of active investing is _____ management fees.

Section 2: Passive investing

6. Passive investing is compared to a _____ who plants seeds and waits.
7. This style typically uses _____ mutual funds or _____ to invest.
8. Instead of trying to beat the market, passive investors aim to _____ it.
9. Some investors replicate an index exactly, while others focus on subgroups, such as
 - _____
 - _____
 - _____
10. What is rebalancing, and why is it important in passive investing?

Section 3: Systematic investing

11. Another name for systematic investing is _____ investing.
12. This strategy uses a set of _____ and computer modelling to guide decisions.
13. Common equity factors used include
 - _____
 - _____
 - _____
 - _____

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14. Systematic investing can be done in two styles:

- _____ (human-directed)
- _____ (computer-directed)

15. What are two benefits of systematic investing mentioned in the video?

- _____
- _____

Section 4: Recap and comparison

FEATURE	ACTIVE INVESTING	PASSIVE INVESTING	SYSTEMATIC INVESTING
Goal			
Management involvement			
Fees			
Style			

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Answer key

Section 1: Active investing

1. Active investing is like having a **hockey coach** during a game.
2. In this strategy, a(n) **hands-on investment manager** buys and sells securities based on research and expertise.
3. Managers use different approaches:
 - **Bottom-up** managers analyze a company's **financial statements**.
 - **Top-down** managers focus on broader economic indicators like **GDP growth, inflation** and **interest rates**.
4. The goal of active investing is to **outperform** the market.
5. A common downside of active investing is **higher** management fees.

Section 2: Passive investing

6. Passive investing is compared to a **gardener** who plants seeds and waits.
7. This style typically uses **index** mutual funds or **ETFs** to invest.
8. Instead of trying to beat the market, passive investors aim to **match** it.
9. Some investors replicate an index exactly, while others focus on subgroups, such as
 - **economic sectors**
 - **geography**
 - **risk characteristics**
10. What is rebalancing, and why is it important in passive investing?
Adjusting the holdings to keep in line with the index over time.

Section 3: Systematic investing

11. Another name for systematic investing is **quantitative** investing.
12. This strategy uses a set of **rules** and computer modelling to guide decisions.
13. Common equity factors used include
 - **size**
 - **value**
 - **momentum**
 - **quality**

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14. Systematic investing can be done in two styles:

- **actively** (human-directed)
- **passively** (computer-directed)

15. What are two benefits of systematic investing mentioned in the video?

- **diversification**
- **lower costs**

Section 4: Recap and comparison

FEATURE	ACTIVE INVESTING	PASSIVE INVESTING	SYSTEMATIC INVESTING
Goal	Outperform the market	Match market returns	Deliver targeted results
Management involvement	Expert decision-making	Less management	Uses data and models
Fees	Higher	Lower	Lower
Style	Hands-on/expert-based	Buy-and-hold/index-based	Data-driven/model-based