

INVESTMENT FUNDS IN CANADA (IFIC) PRACTICE EXAM (SAMPLE)

STUDY GUIDE



**SAMPLE STUDY GUIDE
WITH LIMITED QUESTIONS**

**VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE**

<https://investmentfundsific.examzify.com>



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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. Which type of fund has a maturity date and typically involves a glide path?**
 - A. Short-term bond fund
 - B. Target-date funds
 - C. Private placement
 - D. Fund wrap
- 2. What does a market review typically include?**
 - A. A forecast of future economic trends
 - B. An explanation of recent performance and market conditions
 - C. A comparison of various funds
 - D. A regulatory financial statement
- 3. What feature distinguishes Canada Savings Bonds from Canada Premium Bonds?**
 - A. Canada Savings Bonds have a fixed term only.
 - B. Canada Savings Bonds can only be purchased through payroll savings.
 - C. Canada Savings Bonds do not have a fixed coupon.
 - D. Canada Savings Bonds can be redeemed at any time.
- 4. In a perfectly negatively correlated portfolio, how do the securities behave?**
 - A. They exhibit high volatility
 - B. They have no correlation
 - C. They move together simultaneously
 - D. They move in opposite directions
- 5. What type of risk involves aspects of trading such as dealing and implementing arbitrage structures?**
 - A. High-water mark
 - B. Drawdown risk
 - C. First-order risk
 - D. Second-order risk

- 6. In a tenants in common arrangement, what is true about the ownership of the account?**
- A. Each owner has equal shares
 - B. Only one owner can make investment decisions
 - C. Each owner can execute transactions as per their ownership percentage
 - D. All decisions require unanimous consent
- 7. What is the role of the Independent Review Committee in mutual funds?**
- A. To facilitate fund manager hiring
 - B. To identify and communicate conflicts of interest
 - C. To manage fund investments directly
 - D. To assess fund performance quarterly
- 8. What is a primary benefit of contributing to an RESP?**
- A. Guaranteed return on investment.
 - B. Tax advantages for the contributor.
 - C. Immediate access to funds for personal use.
 - D. High liquidity of investment.
- 9. Which buying mechanism allows investors to leverage their investments through borrowed funds?**
- A. Margin account
 - B. Limit order
 - C. Shelf-registration
 - D. Callable preferred shares
- 10. What must each employee complete as part of the Know Your Client (KYC) requirements in a group plan?**
- A. A risk tolerance questionnaire
 - B. A KYC form
 - C. An investment strategy analysis
 - D. A financial goal setting document

Answers

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1. B
2. B
3. B
4. D
5. D
6. C
7. B
8. B
9. A
10. B

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Explanations

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1. Which type of fund has a maturity date and typically involves a glide path?

- A. Short-term bond fund
- B. Target-date funds**
- C. Private placement
- D. Fund wrap

Target-date funds are designed with a specific maturity date, typically aligned with a future date when an investor plans to retire or achieve a particular financial goal. They are structured to gradually shift their asset allocation from higher-risk investments to more conservative ones as the target date approaches. This strategic shift is known as a "glide path" and allows the fund to decrease risk over time while aiming to meet the investor's long-term objectives. The concept of a glide path is an essential characteristic of target-date funds, effectively providing a systematic approach to risk management and capital preservation as the investor gets closer to their retirement date or financial goal. This makes them appealing to investors who are looking for a hands-off investment option that adjusts according to their timeline. Other fund types, like short-term bond funds or private placements, do not have a defined maturity date or follow a glide path to manage risk over time. Short-term bond funds focus on fixed income securities with shorter durations and do not shift allocation based on a timeline. Private placements are offerings of securities that are not available to the general public and do not conform to the glide path concept. Fund wraps typically involve a combination of investment strategies but lack a maturity date associated with a glide path design.

2. What does a market review typically include?

- A. A forecast of future economic trends
- B. An explanation of recent performance and market conditions**
- C. A comparison of various funds
- D. A regulatory financial statement

A market review typically includes an explanation of recent performance and market conditions because it provides an analysis of how different market factors have influenced investment performance over a specific period. This includes looking at the trends in stock prices, interest rates, consumer behavior, and other economic indicators that play a crucial role in shaping the investment landscape. By focusing on recent performance, a market review helps investors understand what has happened in the market, identify patterns, and make informed decisions about their investment strategies. Forecasting future economic trends, comparing various funds, and providing regulatory financial statements are important aspects of investment analysis but do not fall under the typical components of a market review. These elements may be part of broader investment research or reports but are not specifically what a market review would contain.

3. What feature distinguishes Canada Savings Bonds from Canada Premium Bonds?

- A. Canada Savings Bonds have a fixed term only.
- B. Canada Savings Bonds can only be purchased through payroll savings.**
- C. Canada Savings Bonds do not have a fixed coupon.
- D. Canada Savings Bonds can be redeemed at any time.

The distinguishing feature between Canada Savings Bonds (CSBs) and Canada Premium Bonds (CPBs) is that Canada Savings Bonds can be purchased through various channels, including payroll savings. This means that individuals can have funds automatically deducted from their paychecks to purchase these bonds, making it a convenient savings method. While the option mentioning that Canada Savings Bonds can be redeemed at any time is related to their flexibility, this feature does not set them apart from Canada Premium Bonds in this context, as both types of bonds have differing terms regarding redemption. The assertion that Canada Savings Bonds have a fixed term only is inaccurate, as CSBs can have varying terms, and they also typically have a fixed coupon, which is different from the characteristics of CPBs. Therefore, the unique purchasing method available for CSBs serves as the key differentiator between them and Canada Premium Bonds.

4. In a perfectly negatively correlated portfolio, how do the securities behave?

- A. They exhibit high volatility
- B. They have no correlation
- C. They move together simultaneously
- D. They move in opposite directions**

In a perfectly negatively correlated portfolio, the securities are characterized by their tendency to move in opposite directions. This means that when the value of one security increases, the value of another decreases, and vice versa. This behavior can create a stabilizing effect on the overall portfolio, as the gains in one investment can offset the losses in another. The concept of negative correlation is significant in portfolio management because it allows investors to reduce risk through diversification. By including assets that behave differently under various market conditions, an investor can achieve a more stable portfolio return and potentially protect against market downturns. The other options do not accurately describe the behavior of negatively correlated securities. High volatility refers to large price swings, which is not inherently related to negative correlation. The idea of having no correlation implies independent movements, while moving together simultaneously suggests positive correlation, which contradicts the premise of perfect negative correlation.

5. What type of risk involves aspects of trading such as dealing and implementing arbitrage structures?

- A. High-water mark
- B. Drawdown risk
- C. First-order risk
- D. Second-order risk**

The concept of second-order risk is closely associated with the implications of trading strategies, including arbitrage structures. This type of risk involves the consideration of how changes in market conditions can impact the performance and outcomes of those trading strategies. In the context of arbitrage, second-order risk refers to the risks incurred not just from market movements but also from the actions taken to exploit price disparities between different markets or instruments. It encompasses the complexity and potential pitfalls of managing those trades as multiple factors can influence their success or failure. For example, transaction costs, timing issues, and model assumptions could all lead to unexpected results, which is a hallmark of second-order risk. Understanding this type of risk is crucial for traders and fund managers who utilize arbitrage techniques, as it helps them assess the overall risk profile of their trading strategies and make informed decisions on their execution and management. This knowledge ensures that they can effectively mitigate potential losses that may arise from these complex trading scenarios.

6. In a tenants in common arrangement, what is true about the ownership of the account?

- A. Each owner has equal shares
- B. Only one owner can make investment decisions
- C. Each owner can execute transactions as per their ownership percentage**
- D. All decisions require unanimous consent

In a tenants in common arrangement, each owner has a distinct share of the ownership in the account, and these shares can vary in size among the owners. This form of ownership allows each owner to execute transactions in accordance with their ownership percentage. For example, if one owner holds a larger share, they would have the capacity to conduct transactions proportional to that share, while the other owners would have similar rights to act based on their respective ownership interests. This flexibility is a key feature of tenants in common arrangements, empowering each owner to manage their part of the investment independently. The other options do not accurately represent the characteristics of a tenants in common arrangement. Equal shares do not need to be a requirement, and ownership can be unequal. Additionally, the structure allows multiple owners to make investment decisions independently rather than requiring a single decision-maker or unanimous consent for every action. The arrangement fosters a level of autonomy among the owners that reflects their individual stakes in the investment.

7. What is the role of the Independent Review Committee in mutual funds?

- A. To facilitate fund manager hiring
- B. To identify and communicate conflicts of interest**
- C. To manage fund investments directly
- D. To assess fund performance quarterly

The Independent Review Committee (IRC) plays a crucial role in overseeing the management of mutual funds by specifically focusing on identifying and communicating conflicts of interest. This committee is mandated to protect the interests of investors by ensuring that any potential conflicts between the fund management and the interests of the investors are properly identified, addressed, and communicated. Investors rely on the IRC to provide an independent perspective, especially in situations where fund managers might face conflicts that could compromise their fiduciary duty to investors. By addressing these conflicts, the IRC helps to maintain transparency and trust in the mutual fund industry. The committee does not engage directly in hiring fund managers, manage investments, or regularly assess fund performance, which distinguishes its specific focus on governance and conflict management within the investment process.

8. What is a primary benefit of contributing to an RESP?

- A. Guaranteed return on investment.
- B. Tax advantages for the contributor.**
- C. Immediate access to funds for personal use.
- D. High liquidity of investment.

Contributing to a Registered Education Savings Plan (RESP) provides significant tax advantages for the contributor, making it a beneficial choice for those saving for a child's education. The money contributed to an RESP grows tax-free until funds are withdrawn to pay for eligible educational expenses. This means that the investment compounds over time without being diminished by taxes, leading to a more substantial amount available when the beneficiary enrolls in post-secondary education. Additionally, contributions to an RESP can attract government grants, such as the Canada Education Savings Grant (CESG), which adds to the savings without any immediate tax implications for the contributor. This combination of tax-free growth and potential government support makes the RESP an effective tool for long-term educational savings. Other options indicate benefits that do not align with the nature of an RESP. Guaranteed returns are not a feature of investment vehicles like RESPs since they are subject to market fluctuations, and funds in an RESP cannot be accessed immediately for personal use without tax implications. Furthermore, liquidity may not be high depending on the investment choices within the RESP, as specific terms and conditions apply regarding when and how funds can be accessed.

9. Which buying mechanism allows investors to leverage their investments through borrowed funds?

- A. Margin account**
- B. Limit order
- C. Shelf-registration
- D. Callable preferred shares

A margin account is a specific type of brokerage account that facilitates the borrowing of funds to purchase securities, thereby enabling investors to leverage their investments. When investors use a margin account, they can borrow money from their brokerage to increase their purchasing power, allowing them to buy more shares than they could with their own cash alone. The primary appeal of this mechanism is the possibility of amplifying returns; for example, if the value of the purchased securities rises, the investor can potentially realize a higher profit than they would have without the leverage. However, it is important to note that leveraging investments comes with increased risk, as losses can also be amplified if the value of the securities falls. In contrast, a limit order is an instruction to buy or sell a security at a specified price or better, but it does not involve borrowing funds. Shelf-registration refers to a regulatory process that allows companies to register multiple offerings of stock or bonds over a period without having to register each individual offering, thus not related to leveraging. Callable preferred shares offer the company the right to buy back shares from investors at a set price, but again, they do not involve leveraging investments through borrowed funds.

10. What must each employee complete as part of the Know Your Client (KYC) requirements in a group plan?

- A. A risk tolerance questionnaire
- B. A KYC form**
- C. An investment strategy analysis
- D. A financial goal setting document

The requirement for each employee in a group plan to complete a KYC form is fundamental to the Know Your Client (KYC) regulations. KYC forms gather essential information about the client's financial position, investment knowledge, experience, and risk tolerance. This data is crucial for advisers to understand the client's profile, which ensures that the investment products recommended are suitable for their specific financial situation and objectives. In a group plan, having standardized KYC forms helps streamline the process and ensures that all participants provide the necessary information to comply with regulatory standards and to facilitate sound investment decisions. While other tools, such as risk tolerance questionnaires and strategies for investment, can complement the KYC process, the primary document that serves to meet regulatory compliance and establish a client's investment persona is the KYC form itself.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://investmentfundsific.examzify.com>

We wish you the very best on your exam journey. You've got this!

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