

科目：311 商學文獻評述

系組：國企系甲組

考生注意：

1. 依次序作答，只要標明題號，不必抄題。
2. 答案必須寫在答案卷上，否則不予計分。
3. 限用藍、黑色筆作答；試題須隨卷繳回。

本試題
共 6 頁
第 1 頁

Please read the following stories, and answer "two" sets questions. Credit point is given for each question.

A Rate Hike Pause May Send Bond Funds Up

By JEREMY HERRON, AP Business Writer

Tue May 16, 2:48 PM ET

Investors who have grown accustomed to an environment of rising interest rates will want to think about adjusting their strategies when the Federal Reserve takes a break from further rate increases.

Bond mutual funds, which pool investments to buy thousands of individual bonds, have done poorly as the Federal Reserve raised interest rates; the reason is that bonds' prices fall as their yields rise and investors have kept their distance. But with rates expected to stabilize, that trend is likely to change.

"For 12 months or so, bond funds have struggled to break even," said Scott Berry, an analyst with mutual fund research firm Morningstar. "The Fed's pausing could stop the bleeding."

The Fed's policy-making Open Market Committee began what it called "measured" rate increases in June 2004, using 16 quarter-percentage-point bumps to push the country's benchmark short-term rate to 5 percent, its highest level in five years, from an all-time low of 1 percent.

"The initial hikes didn't have a huge impact on the bond market," Berry said, "But that changed last year."

Data compiled by researcher Lipper Inc. backs that up: The average taxable bond fund return has been 2.41 percent since May 2005, down from 5.10 percent over five years. Year-to-date, the performance has been dramatically worse, a slim 0.42 percent return.

As with stock-based mutual funds, bond funds come in a wide variety, and analysts say some will benefit more than others from a pause in rate hikes. Some funds are based on the type of bonds they own, such as municipal, corporate, mortgage-backed or Treasury bonds. Some are also based on the bonds' duration to maturity — whether they're short-, intermediate- or long-term bonds.

科目：311 商學文獻評述

系組：國企系甲組

考生注意：

1. 依次序作答，只要標明題號，不必抄題。
2. 答案必須寫在答案卷上，否則不予計分。
3. 限用藍、黑色筆作答；試題須隨卷繳回。

本試題
共 6 頁
第 2 頁

Duration to maturity determines how susceptible bonds are to interest rate changes; the shorter the duration, for example, the less a bond's price will move as rates climb. Yields are also generally higher for bonds with longer maturities, as investors are committing their money for a longer time.

But that's not always the case — for much of the past year, the yield curve, which plots yields against bonds' time to maturity, has been relatively flat, which means that longer-term bonds haven't had the yields investors expected. That's changed recently, and in April, the yield on 10-year government bonds rose above 5 percent for the first time since May 2002; it's now at about 5.1 percent.

The neophyte bond investor might feel overwhelmed by the possibilities. But Berry's advice is simple — "when rates are rising, it makes sense to get into shorter-term bond funds," those holding bonds with maturities less than two years away. Long-term Treasury bonds have performed the worst because they are seen as riskier when rates are rising.

And, Berry said, regardless of the rate environment, investors with short-term investment goals — those who are nearing retirement, or saving for college tuition or a large purchase like a home — should buy shorter-term bond funds because of their lower volatility.

"Prices here tend to be more stable and the short-term funds tend to offer nearly as much yield as the intermediate or long-term funds," he said.

In anticipation of a pause by the Fed, RiverSource Investments said in a note to clients last week that it sold its long-held short duration bonds as 10-year yields moved above 5 percent. The unit is now in intermediate positions, RiverSource said, expecting less volatility from rate changes.

Bond yields are also affected by the creditworthiness of issuers, with lower-rated borrowers offering higher returns, or yields, to investors willing to take on the higher risks. Mark Steidl, a senior financial analyst with RiverSource, said prices of investment-grade corporate bonds, those considered the best risks, could fall if long-term yields continue to rise.

"We maintain our underweight to corporate bonds," RiverSource said. The company

科目：311 商學文獻評述

系組：國企系甲組

考生注意：

1. 依次序作答，只要標明題號，不必抄題。
2. 答案必須寫在答案卷上，否則不予計分。
3. 限用藍、黑色筆作答；試題須隨卷繳回。

本試題
共6頁
第3頁

has mortgage bonds at overweight in its portfolios.

Berry expects the overall bond fund market to improve. "When the Fed is done with its increases, most bond funds may look a little better to the market," he said.

But Lipper senior research analyst Andrew Clark said investors should sit tight until the Fed — which said it might pause in its rate increase drive if economic conditions warrant it — gives a clearer indication of what it will do.

"Individuals who aren't reallocating their investments every year or so should pretty much just forget what's going on now," he said. He recommends short-term bonds for their safety.

While bond funds are considered a conservative investment, it is also important to remember that they are not guaranteed profit makers. Unlike bonds themselves, particularly government or municipal versions where the risk of default is very slight, bond funds can and do lose money.

In fact, through May 9, the Morningstar average intermediate-term bond fund had lost 0.82 percent, Berry said.

But bond funds aren't necessarily anathema to a conservative-minded investor, even in an uncertain economic environment, Steidl said.

"Bond funds should in theory be less risky than bonds if a manager is doing his job," he said. "The manager should constantly be adjusting the mix of bonds based on market signals so the investor doesn't have to."

Questions :

- (1) 、 Why some bond mutual funds will benefit more than others from a pause in interest rate hikes ? (20 points)
- (2) 、 Please explain why a yield curve can slope either up, flat, or down. (20 points)
- (3) 、 What is the relation between duration and bond price ? (10 points)

科目：311 商學文獻評述

系組：國企系甲組

考生注意：

1. 依次序作答，只要標明題號，不必抄題。
2. 答案必須寫在答案卷上，否則不予計分。
3. 限用藍、黑色筆作答；試題須隨卷繳回。

本試題
共6頁
第4頁**Planes, clubs, other exec perks draw fire**

By Karey Wutkowski

Fri May 5, 2:42 PM ET

Pfizer Inc. (NYSE:PFE - news) Chief Executive Henry McKinnell got private use of company aircraft to the value of \$43,855 last year, just one of his perks that even included \$16,826 to help pay taxes.

Investors would learn more about fringe benefits for other top corporate officers under a U.S. Securities and Exchange Commission proposal that Pfizer is already complying with.

The perks, which may include pricey country club memberships and investment advice, have drawn fire from investor advocates already calling salaries excessive. But many companies contend perks are a necessary recruitment tool.

McKinnell also received \$13,513 for security and \$8,500 for financial counseling, all part of a 2005 compensation package that totaled nearly \$16 million.

Lacking authority or inclination to cap executive compensation, the SEC wants more detail about these luxuries as part of a plan to get companies to boil total compensation down to one figure for each top executive -- giving shareholders more information to decide how much is too much.

The perks are usually not a large percentage of overall compensation -- often they total less than \$100,000 -- but they pique shareholders' interest, an SEC official said.

"It's a corporate governance issue," the SEC official said, speaking on condition of anonymity. "If the CEO thinks he's an imperial CEO, if he gets paid too many perks, it could lead to more problems."

The official recalled that when the SEC examined Tyson Foods Inc.'s (NYSE:TSN - news) records from 1997 to 2003, it found a \$3 million package for its former chief executive that included \$203,675 in maid service to keep his homes tidy, \$20,000 for Oriental rugs, and an \$8,000 horse.

The perks for former CEO Don Tyson were revealed when the SEC discovered the poultry producer did not properly follow current disclosure requirements.

科目：311 商學文獻評述

系組：國企系甲組

考生注意：

1. 依次序作答，只要標明題號，不必抄題。
2. 答案必須寫在答案卷上，否則不予計分。
3. 限用藍、黑色筆作答；試題須隨卷繳回。

本試題
共6頁
第5頁

Investor activists say shareholders want to know about perks, even if it is a home security system or a few thousand dollars' worth of financial advice.

"The (perks) can reflect the poor judgment of the board of directors, and they're taken seriously for that reason," said Nell Minow, editor of The Corporate Library, an independent firm that rates boards of public companies.

"It's absurd that someone making tens of millions of dollars will negotiate for a country club membership," said Minow. "And there's no reason on earth why a CEO should not pay taxes," she said.

Others note the issue is not cut and dry, as business for top executives often doesn't end when they leave the office.

Tom Lehner, a lobbyist for Business Roundtable, a national association of CEOs, said the SEC plan would force companies to justify perks and explain how golf memberships are needed to close business deals. Some goodies, such as paying executives' tax bills, may be dropped with greater disclosure, he said.

Some companies say the value of perk packages, as long as they're moderate, should be clear to shareholders.

"It's an important part of a total compensation for executives," said Wal-Mart Stores Inc. (NYSE:WMT - news) spokesman John Simley. "A lot of the perks are to ensure the health and security of the executives."

Wal-Mart's executive perks in fiscal 2005 included \$104,051 for CEO Lee Scott's personal airplane use, as well as phones in executives' homes, annual physicals and home security systems.

The SEC currently requires a company to reveal in its annual proxy statement the perks given to an executive if the total amount tops \$50,000 or 10 percent of salary and bonus. It wants to drop the threshold to \$10,000 and require details.

Some companies already provide detailed disclosures.

Pfizer, the world's largest drug maker, is one of the companies taking the lead on

科目：311 商學文獻評述

系組：國企系甲組

考生注意：

1. 依次序作答，只要標明題號，不必抄題。
2. 答案必須寫在答案卷上，否則不予計分。
3. 限用藍、黑色筆作答；試題須隨卷繳回。

本試題
共6頁
第6頁

increased disclosure. In its latest proxy statement, it included an executive perks table that detailed what and how much each top executives received.

Others, like natural gas company El Paso Corp. (NYSE:EP - news) have eliminated executive perks altogether. It made the decision in 2003, saying the move reflected investor dissatisfaction with excessive compensation.

"We don't think it's necessary," said Bruce Connery, a company spokesman. "We offer a competitive salary and benefits package, and that works fine for us."

El Paso CEO Douglas Foshee earned \$5.19 million in annual and long-term compensation in 2005, according to the company.

Executive salaries have been thrust into the spotlight as total compensation keeps rising, even as many companies' stock performance and workers' salaries have not kept pace.

According to Mercer Human Resource Consulting's survey of 350 large companies, CEO compensation in 2005 rose 5 percent to an average of \$6.8 million. That included salary, bonuses and the present value of long-term incentives such as stock options.

The SEC put its executive compensation disclosure proposal out for comment in January. It has not yet set a date for a vote on the final rules.

Minow said she hopes the SEC's plan will "humiliate companies into doing away with (perks)."

"There's a Marie Antoinette aspect to it. A CEO will be getting paid \$10 million a year, and still want his foot warmers paid for," she said.

Questions :

(4) 、 What are the possible effects of perks on a company's value ?
(25 points)

(5) 、 What measures stockholders can undertake to reduce manager's perks ? (25 points)