

Investment Management Interview Questions

Investment Management interviews, like most other industries, will most likely involve a “get to know you” portion. Some typical examples are given below:

1. Tell me about yourself.
2. Why do you want investment management?
3. What qualities make for a good analyst?
4. What skills can you offer as an analyst? Any industry-specific ones?
5. What industry do you want to cover? Any preference for value or growth?
6. How would you analyze the industry?
7. Pitch a stock to me.
 - This is the “Pitch Me a Stock” portion of the IM interview. BEFORE walking into an IM interview you should:
 - a) Choose at least 2 stocks to buy & 2 stocks to short
 - b) KNOW these companies
 - I. Major ratios
 - II. Comparable companies
 - III. The competitive landscape of the industry in which these stocks reside (basically a Porter’s 5 Forces exercise)
 - IV. Build your own model, including income statement, balance sheet & cashflow statement. This will FORCE you to get to really know the company, its drivers, major assumptions and greatest risks.
 - V. Know the opinion of the stock on the Street and how your opinion either agrees or dissents with the consensus.
 - VI. The effect of macroeconomic factors on the stock & its industry.
 - VII. Major news events in the sector.

TIP: If you pick a well-known, widely covered stock it will certainly be one on which the interviewer has some sort of opinion even if he/her does not cover the stock. While this will certainly allow for a fluid discussion, it will ensure that you have to be CONFIDENT in your knowledge of the stock. Picking an obscure stock is a way for you to show your explanatory powers and lessen the chances that the interviewer knows everything there is to know about that stock. However, this might also work against you as the interviewer might lose interest in the story.

REMEMBER: They are attempting to assess:

- (1) How much you prepared for the interview.
 - (2) If you can think quickly on your feet.
 - (3) If you can communicate well and take criticism.
8. How did you arrive at your target price?
 9. What is your investment philosophy?

10. Do you own/have you owned any stocks? Tell me about them. Why did you buy/sell them?
11. Did you pitch a stock to the IMC fund members? What was the outcome?
12. Why do you want to work for us?
13. Why do you want to live in the (firm's location) area? What ties to you have to the area?
14. What other firms are you looking at?
15. Where do you think the market is going? Why?
16. What do you think is most important: A company's management, product, strategy, etc.?
17. What are five questions you would ask a company's management?
18. Which would you rather have: A good company with poor management, or a poor company with good management? Why?
19. What is more important: value or growth?
20. What are your long term goals?
21. What are you looking for in an internship/job?
22. What classes have you taken? What have been your favorites? Least favorite? Why?
23. What are your strengths? Weaknesses?
24. What accomplishments are you most proud of in your career to date?
25. Can you give me an example of a situation of facing conflict with a colleague or team member and how you dealt with it?
26. Can you give me an example of when you have had to use persuasion?
27. Is there anything you feel we didn't cover?
28. What do you want me to know about when I walk away from this interview that might not be evident from your resume?
29. Can you give me an example of an ethical dilemma you've faced and how you managed the situation?
30. Tell me about some of the teams that you've (un)successfully worked on in the past.
31. Tell me about a failure you had.
32. Describe a situation when you made an impact at work.
33. What schools did you apply to? Which ones did you get into?.
34. What was your undergraduate GPA? GMAT?

35. Why did you go to your undergraduate school? Why did you choose your major?
36. There are several qualified people who are applying for this job. Why should we pick you?
37. Tell me about a time when you had to take a stand, and were met with opposition to your view. What was the outcome?
38. Why don't you want to work in Investment Banking? VC? Private Equity? Consulting?
39. What can I tell you about my firm?
40. It is common practice to evaluate P/E ratio to determine if a stock is cheap. If you had no comparable companies for a stock, how can you evaluate if a stock is cheap?
41. How would you justify the price that XYZ paid for ABC? Do you expect XYZ to be a good investment in light of these acquisitions?
42. What makes a stock a good investment?
43. Do you invest in stocks or companies?

No universal agreement. Many successful investors say that you are an owner in the business. Many others believe you buy stocks...not companies. Momentum shops will definitely tell you that you buy stock. Growth and value analysts and firms may say either. Firms with a short term focus will probably say you buy stock, while firms with a longer term focus will likely say you buy companies.

44. If you had to put ALL of your money in one stock and leave it there for 10 years, which stock would it be and why?
45. Why do you want to work on the buy-side? Why not the sell-side?
46. Why are high P/E stocks more susceptible to major declines when interest rates increase?

High P/E stocks are high growth rate stocks. High growth rates usually mean that there are large cash inflows in the future, which now have to be discounted at a higher rate.
47. We want people who have a passion for investing in stocks – what have you done to demonstrate you have this?
48. What was your best investment? Why – what did you learn?
49. What was your worst investment? What did you learn?
50. If the fed hikes rates by 0.5%, what would you expect the impact to be on the market?
51. Difference between cyclical and growth industries, and how they are affected by external factors.
52. Where do you see the market in 5-10 years and what leads you to believe so?

53. What is P/E and how would you use it to compare companies?
54. Where is the NASDAQ, and what has it done over the last year?
55. Where is the Dow, and what has it done over the last year?
56. Where is the S&P 500, and what has it done over the last year?
57. Where is the Russell 2000, and what has it done over the last year?
58. Where is the dollar vs. the yen?
59. Where is the dollar vs. the euro?
60. What is the overnight rate?
61. What is the 10 year T-Note rate?
62. What is the price of gold?
63. Common practice to evaluate P/E ratio to determine if a stock is cheap. If you had no comparable companies for a stock, how can you evaluate if a stock is cheap?

The inverse of the P/E is the earnings yield of the company. You can compare the earnings yield to fixed income yields and/or dividend yields to get a feel for how cheap the stock is. So a P/E of 50 can be interpreted as an earnings yield of 2%, while 8 can be interpreted as 12.5% earnings yield.

64. How would you justify the price that XYZ paid for ABC? Do you expect XYZ to be a good investment in light of these acquisitions?

This is essentially a valuation question.

65. What makes a stock a good investment?

Make sure you know what the firm's investment strategy is before answering this question. It's not a good idea to tell about value techniques to a firm that is growth or momentum oriented. With that said, both growth and value stocks are better investments when they have a sustainable competitive advantage. I recommend a discussion of basic M&S D30 concepts.

66. Why do you want to work on the buy-side? Why not the sell-side?
67. I have the balance sheets from Intel and Disney/ABC in front of me. What do you think would be some of the differences?
68. What does the cost structure look like for the [INSERT ANY INDUSTRY] industry? Fixed, variable etc? What are their biggest cost components?
69. What do you think the income statement would look like for a drug company like Pfizer? What would their COGS be? How about their operating margin?
70. What was your best investment? Why - what did you learn?

71. What was your worst investment? What did you learn?

72. For those of you that are career changers: Looking at your resume I can see that you have no market experience, what should make me believe that this is something you are seriously interested?

Here they are simply looking for interest level in the markets. It is obvious if you are a career changer that you are not going to be an expert right away, but you need to show some level of interest in finance, the markets, and their firm.

73. Where do you see the market in 5 - 10 years and what leads you to believe so?

There is no right or wrong answer to this question. Again, they are trying to judge your interest in the markets by your knowledge of what's been going on in the market and economy. This is a good opportunity to show that you have been keeping up to date with you WSJ.