

Name _____

Unlocking the Magic of Stock Portfolios: The Power of Diversification

Multiple Choice Questions

1. What is a stock portfolio?
 - a) A collection of different magical items
 - b) A collection of individual stocks or shares
 - c) A single stock representing ownership in one company
 - d) A collection of coins

2. Why is diversification important in a stock portfolio?
 - a) It guarantees high returns
 - b) It reduces risk by spreading investments
 - c) It focuses on a single industry
 - d) It increases volatility

3. How does diversification help protect against economic changes?
 - a) It ensures all stocks perform similarly
 - b) It doesn't provide protection against economic changes
 - c) It shields investments from shifts in specific industries
 - d) It relies on a single industry for growth

4. What should investors periodically do to maintain a diversified portfolio?
 - a) Avoid reviewing the portfolio
 - b) Overinvest in a single sector
 - c) Regularly assess and adjust their investments
 - d) Consult a financial advisor only once

5. How can an investor build a diverse portfolio?
 - a) Invest in stocks from a single sector
 - b) Avoid research and professional advice
 - c) Balance investments across different industries
 - d) Never review the portfolio

