

Course 1 Investments Syllabus

Unit 1: The Investment Process

Performance Outcome 1:

Demonstrate an Understanding of the Different Types of Investments

Learning Objective

- 1.1 Develop an understanding of the Different Types of Investments:
Be able to describe and explain the characteristics and behaviour of different investment types under different economic conditions, recognising risk factors, including issuer default, counterparty failure, systemic liquidity, the collapse of speculative bubbles, shocks to the economic system and cyclical / structural changes

Performance Outcome 2:

Demonstrate an understanding of the major economic and financial theories of relevance to investment management.

Learning Objective

- 2.1 Develop an understanding of the application and limitations of the major economic and financial theories relevant to investment, including
- the efficient market hypothesis,
 - the capital asset pricing model,
 - multi-factor pricing models,
 - the relationship between risk and return, and
 - theories from behavioural finance.

Performance Outcome 3:

Demonstrate an understanding of the main methods used to value the investments

Learning Objectives

- 3.1 Develop an understanding of the valuation methods used for valuation of the common forms of debt, equity, property and derivative securities. In particular students should be aware of
- the valuation methods and principles,
 - data requirements and sources,
 - the implicit assumptions and limitations of these methods.

Unit 2: Asset Modelling

Performance Outcome 4:

To construct, critically evaluate, and apply *asset models* of a

stochastic nature, that are *appropriate* to the management of liabilities. The outcome of such an exercise is usually an *investment strategy* for managing the liabilities.

Learning Objectives

- 4.1 To define appropriate investment objectives based on the liability profile of a fund
- 4.2 To specify appropriate investment constraints, based on the liability profile of a fund.
- 4.3 To identify the characteristics of different types of asset models.
- 4.4 To critically evaluate the appropriateness of an asset model for a given context.
- 4.5 To derive consistent asset assumptions for asset models, taking account of historical data, prevailing industry expectations, contemporary investment literature, and other practical considerations such as tax.
- 4.6 To apply asset assumptions, and the linkages contained within asset models, to real world situations.
- 4.7 To describe and critically evaluate different approaches to asset allocation.

Unit 3: Managing Assets in Practice

Performance Outcome 5:

To *design* and monitor investment arrangements as part of the process for implementing an *investment strategy*.

Learning Objectives

- 5.1 To describe and critically evaluate the main passive equity investment approaches.
- 5.2 To describe and critically evaluate the main active equity investment approaches.
- 5.3 To identify the key items of information required to effectively monitor a portfolio and take appropriate control measures based on this information.
- 5.4 To identify ways in which performance in the various asset classes can be benchmarked and assess the merits of different approaches to performance measurement.
- 5.5 To apply risk management principles and techniques as part of the investment management process.