

# Investments Bridging Course Syllabus

This course provides an introduction to the study and practice of investment management and its interrelationship with liability management. It is based on the syllabus for Course 1: Investments, but has been abridged for students who need to acquire only a knowledge of the main concepts. Thus the references used are much less extensive than in Course 1.

As a pre-requisite to this subject, it is assumed that you have passed the following subjects or their equivalents:

## Part I – Subject CT7 – Economics

This should enable you to interpret the economic environment and to make informed judgements as to suitable assumptions to make regarding future inflation and other economic variables.

## Part II – Actuarial Control Cycle

This will have introduced you to the major financial instruments - money market, fixed interest, equities (Australian and overseas), property, and derivatives - and their historical characteristics.

It will also have introduced methods of valuing these securities and described some of the main elements of modern financial economics.

## Unit 1: Investment Background

At completion of this unit you should be able to:

- 1.1 Define different investment types and describe how they behave under different economic conditions
- 1.2 Describe the major investment theories, including efficient market hypothesis and capital asset pricing model, and their application and limitations
- 1.3 Apply the main methods used to value common forms of debt, equity, property and derivative securities, and state their implicit assumptions and limitations

## Unit 2: Asset Liability Management

At completion of this unit, you should be able to:

- 2.1 Describe the needs of different investors that should be taken into account in developing an investment strategy, including liabilities, risk appetite, and constraints such as liquidity requirements, gearing restrictions, and tax and regulatory constraints
- 2.2 Define appropriate investment objectives based on the fund's liability profile
- 2.3 Show how to formulate a strategic asset allocation
- 2.4 Distinguish between the characteristics of different types of asset models.
- 2.5 Evaluate the appropriateness of an asset model for a given context
- 2.6 Evaluate the consistency of asset assumptions for asset models, taking account of historical data, prevailing industry expectations, contemporary investment literature, and other practical considerations such as tax.

2.7 Explain how asset assumptions, and the linkages contained within asset models, can be applied to real world situations