

Investment and risk

At the end of this unit, candidates should understand the:

- economic and other factors affecting investment returns;
- key features of the different asset classes and product types and the role of ethical investment in financial advice;
- risks involved in investment, how risks affect returns and the risk profile of investors;
- taxation considerations in the investment process;
- importance of asset allocation in investment decisions;
- effect of other issues on investment planning.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the macro-economic factors that affect investment returns.	6
2. Understand the basic principles of taxation applying to the investments of UK resident and domiciled individuals.	8
3. Understand the following asset classes, their main features and suitability for different consumer circumstances.	25
4. Understand the following packaged products, their main features and suitability for different consumer circumstances.	20
5. Understand the role of ethical investment and socially responsible investment in financial advice.	2
6. Understand how investment returns are related to investment risk and how that risk is measured.	8
7. Understand the risks faced by investors and how an investor's risk profile is determined.	7
8. Understand the importance of asset allocation in the investment process.	5
9. Understand tax planning strategies.	6
10. Understand how other issues affect investment planning.	4
11. Understand the importance of keeping up to date with trends and changes in the legal framework for providing advice.	2
12. Analyse consumers' circumstances and suitable investment products, taking account of any existing arrangements.	4
13. Apply suitable investment product solutions to specific consumers' circumstances.	3

*The test specification has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range plus or minus 2 of the number indicated.

Important notes

- **Method of assessment:** 100 multiple choice questions (MCQs). 2 hours are allowed for this examination.
- This syllabus will be examined from 1 September 2013 until 31 August 2014.
- Candidates will be examined on the basis of English law and practice in the tax year 2013/2014 unless otherwise stated.
- It should be assumed that all individuals are domiciled and resident in the UK unless otherwise stated.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
 - 1) Visit www.cii.co.uk/qualifications
 - 2) Select the appropriate qualification
 - 3) Select your unit on the right hand side of the page

- 1. Understand the macro-economic factors that affect investment returns.**
 - 1.1 Describe the macro-economic factors that affect investment returns.
 - 1.2 Describe the key economic indicators.
- 2. Understand the basic principles of taxation applying to the investments of UK resident and domiciled individuals.**
 - 2.1 Describe the key principles of Income Tax.
 - 2.2 Describe the key principles of Capital Gains Tax.
 - 2.3 Describe the main features of Stamp Duty Reserve Tax.
- 3. Understand the following asset classes, their main features and suitability for different consumer circumstances.**
 - 3.1 Describe the main features of cash deposit investments.
 - 3.2 Describe the main features of government securities and corporate bonds.
 - 3.3 Assess the suitability of government securities and corporate bonds for different consumer circumstances.
 - 3.4 Describe the main features of equity based investment products.
 - 3.5 Assess the suitability of equity based investment products for different consumer circumstances.
 - 3.6 Describe the main features of property based investment products.
 - 3.7 Assess the suitability of property based investment products for different consumer circumstances.
- 4. Understand the following packaged products, their main features and suitability for different consumer circumstances.**
 - 4.1 Describe the main features of OEICs and unit trusts.
 - 4.2 Assess the suitability of OEICs and unit trusts for different consumer circumstances.
 - 4.3 Describe the main features of investment trusts.
 - 4.4 Assess the suitability of investment trusts for different consumer circumstances.
 - 4.5 Describe the main features and tax advantages of ISAs.
 - 4.6 Describe the main features of onshore and offshore life assurance company products.
 - 4.7 Assess the suitability of onshore and offshore life assurance company products for different consumer circumstances.
 - 4.8 Describe the main features of multi-managers.
- 4.9 Describe the main features of Venture Capital Trusts and Enterprise Investment Schemes.
- 4.10 Assess the suitability of Venture Capital Trusts and Enterprise Investment Schemes for different consumer circumstances.
- 4.11 Describe the main features of Exchange Traded Funds, Exchange Traded Notes and Exchange Traded Commodities.
- 4.12 Assess the suitability of Exchange Traded Funds, Exchange Traded Notes and Exchange Traded Commodities for different consumer circumstances.
- 4.13 Describe the main features of Child Trust Funds.
- 5. Understand the role of ethical investment and socially responsible investment in financial advice.**
 - 5.1 Explain the role of ethical and socially responsible investment in financial advice.
- 6. Understand how investment returns are related to investment risk and how that risk is measured.**
 - 6.1 Explain how investment returns are related to investment risk.
 - 6.2 Explain how investment risk is measured.
- 7. Understand the risks faced by investors and how an investor's risk profile is determined.**
 - 7.1 Describe the risks faced by investors.
 - 7.2 Describe how an investor's risk profile is determined.
- 8. Understand the importance of asset allocation in the investment process.**
 - 8.1 Describe asset allocation in the investment process.
- 9. Understand tax planning strategies.**
 - 9.1 Describe tax planning strategies for investments, including the legal requirements for confidentiality and disclosure.
 - 9.2 Perform basic Income Tax and Capital Gains Tax calculations.
- 10. Understand how other issues affect investment planning.**
 - 10.1 Describe how other issues affect investment planning.

11. Understand the importance of keeping up to date with trends and changes in the legal framework for providing advice.

- 11.1 Describe the relevant legislation, regulation and case law affecting investment advice and the investment market.

12. Analyse consumers' circumstances and suitable investment products, taking account of any existing arrangements.

- 12.1 Analyse consumers' circumstances and suitable investment products, taking account of any existing arrangements.

13. Apply suitable investment product solutions to specific consumers' circumstances.

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Reading list

The following list provides details of various publications which may assist with your studies.

Note: The examination will test the syllabus alone. The reading list is provided for guidance only and is not in itself the subject of the examination. The publications will help candidates keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/Personal Finance Society members can borrow most of the additional study materials below from Knowledge Services.

CII study texts can be consulted from within the library. For further information on the lending service, please go to www.cii.co.uk/knowledge.

CII study text

Investment and risk. London: CII. Study text CF2.

Additional reading

Additional reading materials are available through the library or on the Knowledge Services website.

New materials are added frequently – for information about new books and articles in your area of interest, please visit www.cii.co.uk/knowledge or email knowledge@cii.co.uk.

Books (and ebooks)

The process of financial planning. Chris Gilchrist. The adviser's guide series. Annual. (London, Taxbriefs).

Investment planning. Chris Gilchrist. The adviser's guide series. Annual. (London, Taxbriefs).

Tax planning. Sonia Gable et al. The adviser's guide series. Annual. (London, Taxbriefs).

Capital gains tax calculations. Sarah Dingley-Brown. Annual. (Totnes, SDB Training).

Financial calculations. Sarah Dingley-Brown. Annual. (Totnes, SDB Training).

The investments suite. Sarah Dingley-Brown. Annual. (Totnes, SDB Training).

The tax and trusts suite. Sarah Dingley-Brown. Annual. (Totnes, SDB Training).

Factfiles and other online resources

The regulation of retail investment business. Kevin Morris and Tony Wiltshire. Updated as necessary. Available online via www.cii.co.uk/knowledge (CII/Personal Finance Society members only).

The regulation of investment intermediaries. Kevin Morris and Tony Wiltshire. London: CII Knowledge Services. Updated as necessary. Available online at via www.cii.co.uk/knowledge (CII/Personal Finance Society members only).

Further articles and technical bulletins are available at www.cii.co.uk/knowledge (CII and Personal Finance Society members only).

Reference materials

Lamont's glossary: the definitive plain English money and investment dictionary. Barclay W Lamont. 10th ed. London: Taxbriefs, 2009. Also available online at www.cii.co.uk/knowledge (CII/Personal Finance Society members only).

Dictionary of banking and finance. P H Collin. A&C Black, 2005. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance Society members only).

Harriman's financial dictionary: over 2,600 essential financial terms. Edited by Simon Briscoe and Jane Fuller. Harriman House, 2007. Also available as an ebook via www.cii.co.uk/knowledge (CII/Personal Finance Society members only).

The professional adviser's factfile. Taxbriefs. London: Taxbriefs. Looseleaf.

Core tax annuals, 6v (Capital gains tax; Corporation Tax; Income tax; Inheritance tax; Trusts and estates; Value-added tax). Various authors. Haywards Heath, West Sussex: Bloomsbury Professional. Annual. Available online via www.cii.co.uk/knowledge (CII/Personal Finance Society members only).

The Financial Conduct Handbook and Prudential Handbook, London: Financial Conduct Authority and Prudential Regulatory Authority respectively. Both available online at www.fshandbook.info/FS/.

Journals and magazines

Financial solutions. London: CII. Six issues a year. Also available via www.cii.co.uk/knowledge (CII/Personal Finance Society members only).

Investment adviser. London: Financial Times Business. Weekly.

Investment week. London: Incisive Financial Publishing. Weekly.

Investor's chronicle. London: Financial Times Business. Weekly. Reference materials

Examination guide

An examination guide, which includes a specimen paper, is available to purchase via www.cii.co.uk.

If you have a current study text enrolment the specimen paper is included, as a mock test, via Revisionmate (www.revisionmate.com). Details on how to access this resource are on the first page of the study text.

Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.