

Discretionary investment management

At the end of this unit, candidates should be able to demonstrate an understanding of:

- the behaviour, performance, risk profile and correlation of key investment types;
- discretionary and non-discretionary portfolio management;
- the principles of performance measurement, financial analysis and ratio analysis;
- the principles of performance management and portfolio theory.

| Summary of learning outcomes | Number of questions in the examination* |
|-------------------------------------------------------------------------------------------------|-----------------------------------------|
| 1. Understand how to establish and meet a client's investment objective. | 4 standard format |
| 2. Understand the behaviour, performance, risk profile and correlation of key investment types. | 8 standard format |
| 3. Understand the role of the investment manager. | 6 standard format |
| 4. Understand discretionary and non-discretionary portfolio management. | 5 standard format |
| 5. Understand investment fund objectives and approaches. | 2 standard format |
| 6. Understand the fundamentals of economics applicable to investment management. | 5 standard format |
| 7. Understand how investment returns are related to investment risk. | 7 standard format |
| 8. Understand the principles and limitations of modern portfolio theory | 7 standard format |
| 9. Understand indices and performance measurement. | 12 standard format |
| 10. Understand data and regression. | 2 standard format |
| 11. Understand the principles of basic financial mathematics. | 2 standard format |
| 12. Understand accounts and their interpretation. | 7 standard format |
| 13. Understand information sources and disclosure obligations and bias thereof. | 3 standard format |
| 14. Apply the principles of performance measurement and portfolio theory. | 20 case study based questions |
| 15. Analyse, interpret and compare financial information and financial ratios. | |

*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:** 70 multiple choice questions and 4 case studies, each comprising 5 multiple response questions. 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 how to establish and meet a client's investment objective.**
 - 1.1 Explain the steps taken to identify a client's investment objectives and needs.
- 2. Understand the behaviour, performance, risk profile and correlation of key investment types.**
 - 2.1 Identify the main features, characteristics and risks of the main asset classes and individual product types.
 - 2.2 Identify the main tax features and characteristics of the principal ways of holding investments and investment tax wrappers.
- 3. Understand the role of the investment manager.**
 - 3.1 Describe the key stages of the investment management process.
- 4. Understand discretionary and non-discretionary portfolio management.**
 - 4.1 Describe the main principles and rules that apply to discretionary and advisory portfolio management.
- 5. Understand investment fund objectives and approaches.**
 - 5.1 Describe the objectives of investment funds and the approaches used by fund managers to meet the funds objectives.
- 6. Understand the fundamentals of economics applicable to investment management.**
 - 6.1 Explain how economic factors affect investment portfolio decisions.
- 7. Understand how investment returns are related to investment risk.**
 - 7.1 Identify the main types of risk and their impact on investment performance.
- 8. Understand the principles and limitations of modern portfolio theory**
 - 8.1 Explain the fundamental principles and limitations of modern portfolio theory.
- 9. Understand indices and performance measurement.**
 - 9.1 Describe the differing methods of analysing and assessing investment performance.
- 10. Understand data and regression.**
 - 10.1 Describe the sources, benefits and limitations of analytical data.
 - 10.2 Perform basic calculations with portfolio performance data.
- 11. Understand the principles of basic financial mathematics.**
 - 11.1 Calculate compound interest in relation to portfolio returns.
- 12. Understand accounts and their interpretation.**
 - 12.1 Explain the use, benefits and limitations of accounting principles in relation to investment management.
 - 12.2 Explain the different types and uses of equity ratio analysis.
- 13. Understand information sources and disclosure obligations and bias thereof.**
 - 13.1 Describe the importance and requirements of regulatory reporting.
 - 13.2 Explain the different sources of information that could impact investment decisions and their limitations.
- 14. Apply the principles of performance measurement and portfolio theory.**
 - 14.1 Apply the principles of performance measurement in order to assess risk and return.
 - 14.2 Apply the principles of portfolio theory in order to construct and/or evaluate portfolios.
- 15. Analyse, interpret and compare financial information and financial ratios.**
 - 15.1 Analyse and interpret a range of financial information and draw reasonable conclusions.
 - 15.2 Analyse, interpret and compare financial ratios and draw reasoned conclusions.

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 texts

Discretionary investment management. London: CII. Study text J10.

Investment principles and risk. London: CII. Study text R02.

Investment principles, markets and environment. London: CII. Study text J06.

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 Financial Times guide to investing: the definitive companion to investment and the financial markets. Glen Arnold. Harlow [England]: Pearson Education, 2004. Available online via www.cii.co.uk/knowledge (CII/Personal Finance Society members only).

The basics of finance: an introduction to financial markets, business finance, and portfolio management. Frank Fabozzi. London: Wiley, 2010.

Understanding commercial property investment: a guide for financial advisers. 2007 ed. Available online at www.ipf.org.uk.

Financial calculations. Sarah Dingley-Brown. Totnes, Devon: SDB Training, Annual

The theory and practice of investment management. Frank Fabozzi. London: Wiley, 2010.

The complete guide to investing in property. Liz Hodgkinson. 3rd ed. London: Kogan Page, 2008.

Reference materials

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

Journals and magazines

Financial Adviser. London: FT Business. Weekly. Also available online at www.ftadviser.com.

Financial Solutions. London: Personal Finance.

Society. Six issues a year. Available online via www.cii.co.uk/knowledge (CII/Personal Finance Society members only). Financial Times. London: Financial Times. Daily. Also available online at www.ft.com.

Investment Adviser. London: FT Business. Weekly. Also available online at www.ftadviser.com.

Investors Chronicle. London: FT Business. Weekly.

Investment Week. London: Incisive Media. Weekly. Also available at www.investmentweek.co.uk.

Money Management. London: FT Business. Monthly. Money Marketing. London: Centaur Communications. Weekly. Also available online at www.moneymarketing.co.uk.

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

Examination guides

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.