J10 Discretionary investment management 2022/2023

This PDF document is accessible through screen reader attachments to your web browser and has been designed to be read via the speechify extension available on Chrome. Speechify is an extension that is available from **https://speechify.com/**. If for accessibility reasons you require this document in an alternative format, please contact us at ukcentreadministration@cii.co.uk to discuss your needs.

	Learning Outcome		Assessment Criteria		Indicative Content
1 **4 Standard Questions**	**Understand how to establish and meet a client investment objective.**	**1.1**	Explain the steps taken to identify a client's investment objectives and needs.	**1.1.1**	Needs for income, growth and liquidity.
				1.1.2	Objective factors in tolerance of loss: time horizon, client's wealth and income position.
				1.1.3	Client's attitude to risk.
				1.1.4	Methods of assessing the client's needs, objectives, risk tolerance and attitude to risk, including risk profiling tools, open discussion and simulation for discussing and resolving conflicts and prioritising objectives.
				1.1.5	Understanding client's ethical and other attitudes that may restrict investment choice, including environmental, social, ethical and governance (ESG).
				1.1.6	Analysing the client's existing investments in relation to their aims and circumstances.
2 **8 Standard Questions**	**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.	**2.1.1**	Cash deposits including sterling and foreign currencies.
				2.1.2	Fixed interest securities.
				2.1.3	Equities.
				2.1.4	Property – commercial and residential.
				2.1.5	Derivatives.
				2.1.6	Hedge funds and the strategies they employ.
				2.1.7	Structured products.
				2.1.8	Alternative investments: commodities, private equity.
				2.1.9	Collective investments including life policies and Exchange Traded Funds (ETFs).
		2.2	Identify the main tax features and characteristics of the principal ways of holding investments and investment tax wrappers.	**2.2.1**	Direct holdings.
				2.2.2	ISAs.
				2.2.3	Collectives.
				2.2.4	UK and offshore life policies.
				2.2.5	Pensions.

Learning Outcome		Assessment Criteria		Indicative Content	
3 **6 Standard Questions**	**Understand the role of the investment manager.**	**3.1**	Describe the key stages of the investment management process.	**3.1.1**	Key stages of the investment management process.
				3.1.2	Investment strategy to meet client objectives.
				3.1.3	Identification of client objectives and constraints.
				3.1.4	Review and control – purpose and requirements of annual and periodic reviews.
				3.1.5	Client reporting.
4 **5 Standard Questions**	**Understand discretionary and non-discretionary portfolio management.**	**4.1**	Describe the main principles and rules that apply to discretionary and advisory portfolio management.	**4.1.1**	Key operating features of each type.
				4.1.2	Differences between Discretionary and Advisory portfolio management, including contractual and regulatory differences.
				4.1.3	Reporting requirements.
				4.1.4	Understanding the mandate and limits of authority.
				4.1.5	Fiduciary responsibilities according to portfolio management style.
5 **2 Standard Questions**	**Understand investment fund objectives and approaches.**	**5.1**	Describe the objectives of investment funds and the approaches used by fund managers to meet the fund's objectives.	**5.1.1**	Objectives of funds: pension funds. life assurance. hedge funds etc.
				5.1.2	Objectives of retail investment funds, both open and closed structures.
				5.1.3	Analysing the underlying composition of funds.
				5.1.4	Passive and aggressive management styles.
				5.1.5	Index trackers vs. stock pickers.
6 **5 Standard Questions**	**Understand the fundamentals of economics applicable to investment management.**	**6.1**	Explain how economic factors affect investment portfolio decisions.	**6.1.1**	Understand the role of government in the economy.
				6.1.2	Understand the impact of the economic cycle on investments and investment decisions.
				6.1.3	Identify the causes and impact of inflation.
				6.1.4	Understand the role of international trade and how it affects different economies.

Learning Outcome		Assessment Criteria		Indicative Content	
7 **7 Standard Questions**	**Understand how investment returns are related to investment risk.**	**7.1**	Identify the main types of risk and their impact on investment performance.	**7.1.1**	Short term volatility of income and capital.
				7.1.2	Long term returns.
				7.1.3	Total loss.
				7.1.4	Inflation.
				7.1.5	Institutional risk.
				7.1.6	Shortfall.
8 **7 Standard Questions**	**Understand the principles and limitations of modern portfolio theory.**	**8.1**	Explain the fundamental principles and limitations of modern portfolio theory.	**8.1.1**	Security valuation.
				8.1.2	Asset allocation.
				8.1.3	Portfolio optimisation.
				8.1.4	Performance measurement.
9 **12 Analytical Questions**	**Understand indices and performance measurement.**	**9.1**	Describe the differing methods of analysing and assessing investment performance.	**9.1.1**	Indices and their application in financial markets.
				9.1.2	Total return and its components etc.
				9.1.3	Yields – flat and redemption yields. semi and annual yields. fixed interest.
				9.1.4	Measuring investment return from different asset classes.
				9.1.5	Measuring risk and return.
10 **2 Analytical Questions**	**Understand data and regression.**	**10.1**	Describe the sources, benefits and limitations of analytical data.	**10.1**	Sources of data – primary and secondary, sampling, continuous and discrete, categorical data, frequency and relative frequency distribution and presentation methods.
		10.2	Perform basic calculations with portfolio performance data.	**10.2.1**	Summary data and linear regression – averages, arithmetic and geometric mean, mode and median, methods of dispersion and standard deviation.
				10.2.2	Correlation and linear regression.
11 **2 Analytical Questions**	**Understand the principles of basic financial mathematics.**	**11.1**	Calculate compound interest in relation to portfolio returns.	**11.1.1**	Compound interest.
				11.1.2	Present and future value calculations.
				11.1.3	Internal rate of return and net present value.
				11.1.4	Time value of money.

Learning Outcome		Assessment Criteria		Indicative Content	
12 **7 Standard Questions**	**Understand accounts and their interpretation.**	**12.1**	Explain the use, benefits and limitations of accounting principles in relation to investment management.	**12.1.1**	Statutory accounting requirements and how they impact on the information reported.
				12.1.2	Balance sheet.
				12.1.3	Profit and Loss Account.
				12.1.4	Cash flow statement.
				12.1.5	Accounting ratios.
				12.1.6	Valuations.
		12.2	Explain the different types and uses of equity ratio analysis.	**12.2.1**	Earnings per share.
				12.2.2	Dividends per share.
				12.2.3	Price / Earnings ratio.
				12.2.4	Earnings Before Interest Taxes Depreciation and Amortization (EBITDA).
				12.2.5	Return On Capital Employed (ROCE).
				12.2.6	Quick ratio.
13 **3 Standard Questions**	**Understand information sources and disclosure obligations and bias thereof.**	**13.1**	Describe the importance and requirements of regulatory reporting.	**13.1.1/ 13.2.1**	Periodic reporting by issuers.
				13.1.2/ 13.2.2	Transparency obligations of shareholders.
				13.1.3/ 13.2.3	Ad hoc announcements.
		13.2	Explain the different sources of information that could impact investment decisions and their limitations.	**13.1.4/ 13.2.4**	New services, Regulatory News Channels (RNS), Primary Information Provider (PIPs) and Session Initiation Protocols (SIPs).
				13.1.5/ 13.2.5	Investment research and sales notes.
				13.1.6/ 13.2.6	Financial journalism.

Learning Outcome		Assessment Criteria	Indicative Content
14 **2 Case Studies with 5 Questions**	**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 **2 Case Studies with 5 Questions**	**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.