

# Award in Investment Planning

## Objective

At the end of this unit, candidates will be able to demonstrate knowledge and understanding of:

- main macro-economic factors that impact upon investment returns;
- cash deposits, government securities and corporate bonds;
- equity-based investment and property investment;
- collective investment products and alternative investments;
- the risks faced by investors and the importance of asset allocation.

Summary of learning outcomes	Number of questions in the examination*
1. Describe the main macro-economic factors that impact upon investment returns	4 MCQ
2. Describe the key economic indicators	2 MCQ
3. Describe the main features of cash deposit investments	3 MCQ
4. Describe the main features of government securities and corporate bonds	4 MCQ
5. Describe the main features of equity based investment products	6 MCQ
6. Describe the main features of property investment	3 MCQ
7. Describe the main features of collective investment products and alternative investments	3 MCQ
8. Understand the risks faced by investors and how an investor's risk profile is determined	6 MCQ
9. Understand the importance of asset allocation in the investment process	5 MCQ
10. Understand other main issues that impact upon investment planning	4 MCQ
11. Understand ethical considerations in investment and financial advice	2 MCQ
12. Apply investment knowledge to a given set of circumstances	2 case studies comprising 4 MCQ each

\*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:** 50 multiple choice questions. 1 hour is allowed for this examination.
- This syllabus will be examined from 1 May 2017 to 30 April 2018.
- 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](http://www.cii.co.uk/qualifications)
  2. Select the appropriate qualification
  3. Select your unit on the right hand side of the page

- 1. Describe the main macro-economic factors that impact upon investment returns.**
  - 1.1 The main long-term socio-economic trends: ageing population; rising living standards; growth of key commercial sectors; productivity of capital and labour; wealth and income distribution; technological change.
  - 1.2 The global factors that affect investment returns: international markets; globalisation of trade and finance; role of Regional bodies (EU, ASEAN, OECD), political factors.
  - 1.3 The role of government and central banks: fiscal and monetary policy; measuring money supply; inflation; deflation; disinflation; interest rates.
  - 1.4 Balance of payments: capital and current accounts; exchange rates; the importance of the balance of payments.
  - 1.5 The economic and financial cycles: global influences; national income; the main stages of economic and equity market cycles; longer term growth trends.
  - 1.6 The role of financial investment in the economy: primary markets – how investment markets introduce new funds to business and the government; secondary markets – how markets enable investors to adjust their investments to suit their needs.
- 2. Describe the key economic indicators**
  - 2.1 Gross Domestic Product (GPD);
  - 2.2 Volume of fixed investment;
  - 2.3 Volume of consumer spending;
  - 2.4 Foreign exchange rates;
  - 2.5 Bank base rates;
  - 2.6 Bond yields;
  - 2.7 Stock market indices and benchmarks.
- 3. Describe the main features of cash deposit investments.**
  - 3.1 Cash deposits: main types of deposit account – instant access, notice and fixed rate;
  - 3.2 Past performance;
  - 3.3 Liquidity;
  - 3.4 Rates of interest and real returns;
  - 3.5 Institutions;
  - 3.6 Risk factors.
- 4. Describe the main features of government securities and corporate bonds.**
  - 4.1 Government securities and corporate bonds: main characteristics of fixed-interest investments – nominal value and market price, coupon, redemption date;
  - 4.2 Corporate bonds – issuers' risk ratings and effects on yields, past performance;
  - 4.3 Investment returns and risk – running yields, yields to redemption, capital returns, volatility, yield curves;
  - 4.4 Taxation of government securities and corporate bonds – interest and capital gains/losses.
- 5. Describe the main features of equity based investment products**
  - 5.1 Characteristics of equity-based investment: individual company performance; main factors that affect company profits and share values; size of company and market liquidity; sectors and markets;
  - 5.2 Investment ratios, measuring performance and their limitations – price earnings ratio (PE), earnings per share, dividend yield, dividend cover, borrowing, net assets;
  - 5.3 Market behaviour – what makes markets fluctuate, fundamental analysis and market psychology;
  - 5.4 Past performance and volatility – growth and dividends;
  - 5.5 Stock market indices – main indices;
  - 5.6 Main components of company accounts that affect investment returns.
- 6. Describe the main features of property investment**
  - 6.1 Main characteristics of property as an asset class, typical risks and returns
  - 6.2 Valuation and liquidity issues
  - 6.3 Typical vehicles for holding property indirectly.
- 7. Describe the main features of collective investment products and alternative investments.**
  - 7.1 The main feature of collective investment schemes : including mutual funds & hedge funds.
  - 7.2 Typical benefits to the customer of collective investment vehicles
  - 7.3 The main features of alternative investments (gold, art, antiques), commodities and alternative energy

## **8. Understand the risks faced by investors and how an investor's risk profile is determined**

- 8.1 The importance of affordability and suitability in making financial planning decisions;
- 8.2 Main types of risk for investors – equity capital risk, currency risk, interest rate risk, institutional risk, regulatory risk, income risk, inflation risk, shortfall risk, legislative risk, counterparty risk;
- 8.3 Objective factors to determine an investor's risk tolerance – timescale of investment, age, commitments, wealth, life cycle;
- 8.4 Subjective factors to determine an investor's risk tolerance – attitudes and experiences;
- 8.5 Methods of assessing an investor's risk tolerance.

## **9. Understand the importance of asset allocation in the investment process**

- 9.1 Describe asset allocation in the investment process.
- 9.2 The definition and importance of asset allocation – achieving objectives, reducing risk, need for review;
- 9.3 The underlying composition of funds
- 9.4 Sample asset allocations for different types of investors;
- 9.5 Different approaches to asset allocation;
- 9.6 Quantitative and qualitative statistical data.

## **10. Understand other main issues that impact upon investment planning**

- 10.1 Charges: their impact on returns, reduction in yields;
- 10.2 Active and passive investment management;
- 10.3 Advice around investment and borrowing;
- 10.4 Advantages and disadvantages of using past performance;
- 10.5 Advantages and disadvantages of using aggregation and consolidation services;
- 10.6 Implications for the consumer of closed and/or underperforming funds.

## **11. Understand ethical considerations in investment and financial advice**

- 11.1 The role of ethical and socially responsible investment;
- 11.2 The different approaches to ethical investment offered in investment markets;
- 11.3 Typical ethical codes / values and behaviours;
- 11.4 The outcomes that may result from behaving ethically and not behaving ethically;
- 11.5 Ponzi schemes and their contribution to the recent financial crisis.

## **12. Apply investment knowledge to a given set of circumstances**

- 12.1 Apply knowledge gained of the economic environment, investment products, investment risk, the investor's risk profile and appropriate portfolio allocation to a particular client situation

## Reading list

The following list provides details of various publications which may assist you 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 you keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/PFS members can borrow most of the additional study materials below from Knowledge Services. CII study texts can be consulted from within the library.

New materials are added frequently - for information about new releases and lending service, please go to [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) or email [knowledge@cii.co.uk](mailto:knowledge@cii.co.uk).

## CII study texts

Award in Investment Planning. London: CII. Study text. AWP

## Books (and ebooks)

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

Investments: principles and concepts. Charles P Jones. Wiley, 2014.

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

The Financial Times guide to investing. 3rd edition. Glen Arnold. FT Prentice Hall, 2014.

## Periodicals

Personal finance professional (previously Financial solutions). London: CII. Six issues a year. Also available at [www.thepfs.org/knowledge](http://www.thepfs.org/knowledge) (CII/PFS members only).

Investment adviser. London: Financial Times Business. Weekly. Also available via [www.ftadviser.com](http://www.ftadviser.com).

Investment week. London: Incisive Financial Publishing. Weekly. Available online via [www.investmentweek.co.uk](http://www.investmentweek.co.uk).

## Reference materials

Dictionary of banking and finance. P H Collin. A&C Black, 2005.\*

Harriman's financial dictionary: over 2,600 essential financial terms. Edited by Simon Briscoe and Jane Fuller. Petersfield: Harriman House, 2007.\*

Lamont's glossary: the definitive plain English money and investment dictionary. Barclay W Lamont. 10th ed. London: Taxbriefs, 2009. Also available online via [www.cii.co.uk/lamont](http://www.cii.co.uk/lamont) (CII/PFS members only).

\*Also available as an ebook through Discovery via [www.cii.co.uk/discovery](http://www.cii.co.uk/discovery) (CII/PFS members only).

## Examination guides

An examination guide, which includes a specimen paper, is available to purchase via [www.cii.co.uk](http://www.cii.co.uk).

If you have a current study text enrolment, the current examination guide is included and is accessible via Revisionmate ([www.revisionmate.com](http://www.revisionmate.com)). Details of how to access Revisionmate are on the first page of your study text.

It is recommended that you only study from the most recent versions of the examination guides.

## Exam technique/study skills

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

The Insurance Institute of London holds a lecture on revision techniques for CII exams approximately three times a year. The slides from their most recent lectures can be found at [www.cii.co.uk/iilrevision](http://www.cii.co.uk/iilrevision) (CII/PFS members only).