

The Licensing Examination for Securities and Futures Intermediaries

Paper 12 Asset Management

Syllabus

(Effective from 1 February 2024)

Topic 1: Overview of the asset management industry

- 1 An overview of fund management and managed funds
 - Overview and definition
 - Background of the fund management industry in Hong Kong
 - Types of managed funds
 - Onshore and offshore funds
 - The size and sectors of the fund management industry
 - International perspective
 - Benefits and costs of managed funds
- 2 Retail and institutional managed funds
 - Investment size
 - Offering document
 - Fees and charges
- 3 Participants in the fund management industry
 - Investors
 - Promoters
 - Fund managers
 - Trustees and custodians
 - Distributors
 - Other supporting participants
- 4 Distribution channels
 - Market share of distribution channels
 - Direct distribution
 - Insurance companies and investment-linked assurance schemes

Topic 2: Client objectives and the products available

- 1 Identifying clients' investment objectives and constraints
 - Investment planning
 - Investment constraints
 - Implications for the investment strategy of managed funds
 - Know your client and suitability requirements
- 2 The main asset classes
 - Equities
 - Fixed income securities
 - Hybrid securities
 - Property
 - Derivatives
 - Foreign exchange
 - Alternative investments
 - Virtual assets
- 3 Major types of managed funds
 - Closed-end and open-end funds
 - Guaranteed funds
 - Equity funds
 - Fixed income funds
 - Money market funds
 - Property funds
 - Multi-asset funds
 - Other types of funds
 - Related issues

Topic 3: Basic theoretical aspects of portfolio management

- 1 Investment concepts
 - What is return?
 - What is risk?
 - How to calculate the expected return
 - Risk and return concepts
 - The normal distribution curve
 - The risk/return trade-off
 - Principles of portfolio theory
- 2 Investors' preferences

	<ul style="list-style-type: none"> • Indifference curves • Combining investor preferences with the efficient frontier 		styles
3	Capital asset pricing model <ul style="list-style-type: none"> • Overview • The CAPM formula • The security market line • Systematic risk and unsystematic risk • Beta • Applications of CAPM • Limitations of CAPM 	6	Performance measurement and evaluation <ul style="list-style-type: none"> • What is performance measurement? • Qualitative analysis • Quantitative analysis • Attribution analysis
4	Arbitrage pricing theory	7	Reviewing and monitoring the investment management process <ul style="list-style-type: none"> • Feedback mechanism
5	Price-to-book ratio-return on equity valuation model	8	Role of the fund research house or rating agency
6	Efficient market hypothesis <ul style="list-style-type: none"> • Types of market efficiency • The random walk hypothesis 		*****

Topic 4: The investment management process

1	Overview of the investment management process
2	Setting the investment objectives <ul style="list-style-type: none"> • Identifying the investment objectives and constraints • Setting the investment objectives
3	Formulating the investment strategy <ul style="list-style-type: none"> • Matching the investment objectives with manager skills • Asset modelling • Active or passive approach
4	Asset allocation strategies <ul style="list-style-type: none"> • Strategic asset allocation • Passive asset allocation using indexing • Active asset allocation
5	Investment management styles <ul style="list-style-type: none"> • Overview • Equity management styles • Fixed income management styles • Asset allocation management