

The Licensing Examination for Securities and Futures Intermediaries

Paper 12 Asset Management

Syllabus

(Effective from 22 December 2016)

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
 - Offer document
 - Fees and charges
- 3 Participants in the fund management industry
 - Investors
 - Promoters
 - Fund managers
 - Trustee companies
 - Distributors
 - Other supporting participants
- 4 Distribution channels
 - Market share of distribution channels
 - Direct distribution
 - Insurance companies and investment-linked insurance products

Topic 2: Client objectives and the products available

- 1 Identifying client 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
- 3 Major types of managed funds
 - Closed-end and open-end funds
 - Guaranteed funds
 - Equity funds
 - Fixed income funds
 - Money market funds
 - Property funds
 - Balanced 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 Investor preferences
 - Indifference curves

- Combining investor preferences with the efficient frontier
 - 3 Capital asset pricing model
 - Overview
 - The CAPM formula
 - The security market line
 - Systematic risk and unsystematic risk
 - Beta
 - Applications of CAPM
 - Limitations of CAPM
 - 4 Arbitrage pricing theory
 - 5 Price-to-book ratio-return on equity valuation model
 - 6 Efficient market hypothesis
 - Types of market efficiency
 - The random walk hypothesis
 - 6 Performance measurement and evaluation
 - What is performance measurement?
 - Qualitative analysis
 - Quantitative analysis
 - Attribution analysis
 - 7 Reviewing and monitoring the investment management process
 - Feedback mechanism
 - 8 Role of the fund research house or rating agency
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Topic 4: The investment management process

- 1 Overview of the investment management process
- 2 Setting the investment objectives
 - Identifying the investment objectives and constraints
 - Setting the investment objectives
- 3 Formulating the investment strategy
 - Matching the investment objectives with manager skills
 - Asset modelling
 - Active or passive approach
- 4 Asset allocation strategies
 - Strategic asset allocation
 - Passive asset allocation using indexing
 - Active asset allocation
- 5 Investment management styles
 - Overview
 - Equity management styles
 - Fixed income management styles
 - Asset allocation management styles