

# The Licensing Examination for Securities and Futures Intermediaries

## Paper 12 Asset Management

### Syllabus

(Effective from 1 March 2019)

#### 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
  - 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
  - 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

	<ul style="list-style-type: none"> <li>• Indifference curves</li> <li>• Combining investor preferences with the efficient frontier</li> </ul>		styles
3	Capital asset pricing model <ul style="list-style-type: none"> <li>• Overview</li> <li>• The CAPM formula</li> <li>• The security market line</li> <li>• Systematic risk and unsystematic risk</li> <li>• Beta</li> <li>• Applications of CAPM</li> <li>• Limitations of CAPM</li> </ul>	6	Performance measurement and evaluation <ul style="list-style-type: none"> <li>• What is performance measurement?</li> <li>• Qualitative analysis</li> <li>• Quantitative analysis</li> <li>• Attribution analysis</li> </ul>
4	Arbitrage pricing theory	7	Reviewing and monitoring the investment management process <ul style="list-style-type: none"> <li>• Feedback mechanism</li> </ul>
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"> <li>• Types of market efficiency</li> <li>• The random walk hypothesis</li> </ul>		*****

**Topic 4: The investment management process**

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