

LE Paper 12 Asset Management

Syllabus (Effective from 1 November 2024)

Topic 1: Overview of the asset management industry

- 1 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~~ Overview of the fund management industry in Hong Kong
 - ~~Investment size~~ Background of the fund management industry
 - ~~Offering document~~ The size and sectors of the fund management industry
 - ~~Fees and charges~~ International perspective
- 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-ended and open-ended 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
 - Indifference curves
 - Combining investor's preferences with the efficient frontier
- 3 Capital asset pricing model
 - Overview
 - 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

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~~ Investment strategy
- 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
- 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