

Examiner's Report

SC Licensing Examinations
Module 10: Asset and Funds Management
December 2012



Examination Structure

The Module 10 examination consists of **30 multiple choice questions** and the passing mark is **60%**. Candidates are given **60 minutes** to complete the examination where on average 1.5 minutes should be allocated to answer each question.

Each question is followed by 4 options (i.e. A, B, C and D) and candidates need to choose **1 option as the answer**. The marks allocated for each **correct answer is 1**. The examination set consists of questions from **5 sections** and the maximum number of questions from each section is as follows:

Section 1

The maximum number of question from this section is 12 (40%). This section focuses on a wide aspect of investment concepts, portfolio management process for institutional investors and asset allocation. The coverage in this section among others include measurement of investment returns, financial planning concepts, investment structures, selecting, monitoring and reviewing a fund manager, major asset classes and their characteristics as well as types of investment funds.

Section 2

The maximum number of question from this section is 6 (20%). This section covers the three formal theories of portfolio management; namely Modern Portfolio Theory, Capital Asset Pricing Model (CAPM) and Arbitrage Pricing Theory. This section also discusses the Efficient Markets Hypothesis (EMH) as well as the levels and types of market efficiency.

Section 3

The maximum number of question from this section is 6 (20%). This section focuses on risk management where the general concept of risk and volatility will be covered along with discussion on risk and investment objectives and risk measurement issues.

Section 4

The maximum number of question from this section is 12 (40%). This section focuses on managing portfolios of different asset classes, including equities, debt, property and non-traditional assets. This

Examiner's Report

SC Licensing Examinations
Module 10: Asset and Funds Management
December 2012



section also explores the importance of international investments and management of international assets.

Section 5

The maximum number of question from this section is 9 (30%). This section is on performance measurement and evaluation of investment managers covering topics such as qualitative and quantitative analysis, selection and evaluation of fund managers.

Candidates are advised to refer to the Module 10 Study Outline on the SIDC website at www.sidc.com.my for a more detailed description of the topics covered in the five sections. Candidates must note that the examination seeks to examine and assess candidates on **all areas** listed in the syllabus. It is, therefore, imperative that **all topics are studied in sufficient detail**.

As for the levels of cognitive skills assessed, the Module 10 examination is classified as a Level 2 examination which means that the examination set has been developed to place **greater emphasis on the candidates' comprehension as well as application and analysis skills**. However, it also comprises several questions that assess the candidates' knowledge skills. In short, in terms of cognitive levels assessed, this examination set comprises **knowledge, comprehension up to application and analysis** type questions although not all three cognitive skills will be tested in each section.

Therefore, to pass this examination, it is essential that candidates not only **demonstrate their knowledge but also their comprehension of the subject matter as well as their ability to apply and analyse** in a given context.

General Performance

This Examiner's Report is based on one examination set for a specific duration. As seen from the table below, candidates performed better in Section 1 (83%) followed by Section 5 (62%) while candidates performed the worst in Section 3 (42%). On the whole, candidates should improve their preparation effort in all sections with the exception of Section 1.

Examiner's Report

SC Licensing Examinations
Module 10: Asset and Funds Management
December 2012



Section	% candidates answered 60% or more of questions correctly
1	83%
2	50%
3	41%
4	48%
5	62%

Candidates also performed better in answering knowledge questions (66%) as compared to comprehension questions (51%) and application and analysis questions (32%). This indicated that candidates were able to recall memorised information type of questions but lacked the ability to comprehend or analyse and apply the information and concepts learnt for this examination.

Cognitive Skill	% candidates answered 60% or more of questions correctly
Knowledge	77%
Comprehension	59%
Application and Analysis	37%

We will now proceed to the detailed report on the performance of the candidates according to the five sections of the Module 10 syllabus.

Examiner's Report

SC Licensing Examinations
Module 10: Asset and Funds Management
December 2012



Detailed Performance of Candidates According to their Groups

For the purpose of analysing the detailed performance of candidates in accordance with the five sections, we have divided the candidates into the following three groups based on their Module 10 examination score:

- High Group - candidates who scored 60% and above (i.e. those who passed this module)
- Medium Group - candidates who scored 40% to 59%
- Low Group - candidates who scored below 40%

Section 1:

Knowledge questions

The candidates' overall performance for knowledge questions was slightly poorer compared to comprehension questions. However their performance was better than application and analysis questions. From the analysis, candidates in all groups need to improve their knowledge on investment needs and objectives covered under financial planning.

Emphasis should also be given by the candidates in the High Group on factors affecting the required rate of return of an investment. In addition, for candidates in the Medium Group, they need to improve their knowledge on asset allocation.

Comprehension questions

The candidates' overall performance for comprehension questions was the best compared to knowledge and application questions. Candidates in the High and Low Groups did quite well but those in the Medium Group need to improve their knowledge and understanding on active portfolio management and features and characteristics of unit trusts.

Examiner's Report

SC Licensing Examinations
Module 10: Asset and Funds Management
December 2012



Application and Analysis questions

As expected, the candidate's performance was the poorest for application and analysis questions compared to knowledge and comprehension. Candidates in all three groups still need to improve their grasp on assets allocation as well as their ability to compute investment returns.

Section 2:

Knowledge questions

Candidates' overall performance for knowledge questions were poorer compared to comprehension questions and better than application and analysis questions. In this section, candidates in all three groups still need to improve their knowledge on Capital Asset Pricing Model.

Comprehension questions

For comprehension questions, the candidates' performed better compared to knowledge and application and analysis questions. However, candidates in all three groups still need to improve their understanding on Modern Portfolio Theory. Over and above, candidates in the Medium Group also need to improve their understanding on the application of Capital Asset Pricing Model.

Application and Analysis questions

In this section, candidate's performance for application and analysis questions was the poorest and from the analysis, candidates in all three groups need to improve their understanding on the application of beta and its effects on the returns as well as risks under Modern Portfolio Theory.

Section 3:

Knowledge, Comprehension Application and Analysis questions

For Section 3, candidates in all three groups did quite well in answering knowledge, comprehension, application and analysis questions. However, they still need to further improve their understanding and application of knowledge on risk and return.

Examiner's Report

SC Licensing Examinations
Module 10: Asset and Funds Management
December 2012



Section 4:

Comprehension, Application and Analysis questions

Overall, candidates in all three groups did quite well for comprehension, application and analysis questions in this section. However, candidates need to improve their understanding and application of knowledge on managing debt portfolios. Over and above, candidates in Medium and Low Group need to further grasp their understanding on managing non-traditional assets.

Section 5:

Comprehension, Application and Analysis questions

Candidates in the High Group did quite well for comprehension, application and analysis questions in this section while those in the Medium and Low Groups need to improve their understanding and application of knowledge on performance measurement.

Conclusion

It is imperative that all topics in the syllabus must be covered and mastered in order to pass this examination.

Candidates in the Low to Medium Group need to increase their preparations for the examinations as the analysis has shown their poor performance in all five sections especially in Sections 2, 3 and 4 in all three cognitive skills.

Among the subtopics that they must improve on regardless of cognitive level are topics related to portfolio theory, risk management, debt portfolio management and monitoring fund performance. Candidates must step up from just memorising data, formula or information and aim instead for the ability to interpret and apply concepts and principles learnt.

Depending on the background, candidates should allocate sufficient time to prepare for the examination.