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LICENSING EXAMINATION STUDY OUTLINE

**For July to December 2024 Examinations
(Issued in May 2024)**

Module 10 Asset and Funds Management

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(This document consists of 10 pages including the cover page)

STUDY OUTLINE

MODULE 10: ASSET AND FUNDS MANAGEMENT

This examination is designed to test candidate's knowledge and understanding of the financial issues relevant to the fund management industry. It is one of the examinations to be passed by individuals who:

- (1) intend to apply for a Capital Markets Services Representative's Licence (CMSRL) to carry on the regulated activity of fund management in relation to portfolio management (including digital investment management and boutique portfolio management company);
or
- (2) intend to hold the position of compliance officer in a firm which is a holder of a Capital Markets Services Licence (CMSL) for carrying on the business of fund management in relation to portfolio management;
or
- (3) intend to be employees of registered persons who carry out the capital markets activities as stipulated in Item 4, Part 1 of Schedule 4 of the Capital Markets and Services Act 2007.

Candidates are advised to refer to the Licensing Handbook for detailed combination of examinations required for each regulated activity.

Candidates are expected to possess good knowledge and understanding of the subject matter provided in this study outline and specified reference. In addition, candidates are expected to have relatively strong capability in the application and analysis of information in this study outline and its reference. It is estimated that this module will require a minimum of 120 hours of study time. Candidates may need less or more depending on the education background and work experience.

Candidates are expected to update themselves with the latest changes relevant to this examination as all questions will be continuously updated to reflect these changes. Module 10 examination is a closed-book test and candidates are not allowed to use any reference material during the examination.

Candidates are required to comply with the terms and conditions of the SC licensing examination. Severe penalties will be taken against candidates for any misconduct during the examination.

At the end of this study outline are 5 sample questions of various formats used in the Module 10 examination. The samples provided do not in any way reflect the level of difficulty or the subject matter distribution of the actual examination. They are merely intended to familiarise candidates with the styles of multiple-choice questions used in the examination.

EXAMINATION STRUCTURE

Details of this examination are as follows:

Type of Questions	Multiple-Choice
Number of Questions	30 questions
Passing Mark	60%
Time Allocated	60 minutes
Reference /Text	<u>Study Guide</u> eGuide Module 10: Asset and Funds Management (First Edition 2022)

REFERENCE MATERIAL

The reference material for this examination can be purchased from the SIDC website at www.sidc.com.my

LEARNING OBJECTIVES

Candidates are expected to have good knowledge, understanding and ability to apply in the following areas:

- Range of investment concepts which are critical to any fund manager
- Financial planning approach necessary to meet client objectives
- Portfolio management process used by institutional investors
- Major asset classes and their characteristics
- Asset allocation decisions
- Basic portfolio theory principles
- Strategies available to manage equities portfolios, debt portfolios, derivatives, alternative investments, portfolios of international assets and Islamic investments
- Concept of risk management and the trade-off between risk and return
- Principles of performance measurement and the evaluation of fund managers
- Psychology of investing to improve investment decision making

EXAMINATION SYLLABUS

The syllabus for this examination is divided into 4 sections and the maximum composition of questions from each section is as follows:

Section	Composition of Questions (Maximum)	Number of Questions (Maximum)
Section 1	30%	9
Section 2	50%	15
Section 3	30%	9
Section 4	40%	12

Details of the syllabus are as below:

SECTION 1

Topic 1: The Fund Management Industry in Malaysia

1. Overview of the Global Fund Management Industry
2. Overview of the Investment Process
3. The Malaysian Fund Management Industry

Topic 2: The Investment Setting

1. What is an Investment?
2. The Rational Investor
3. Measures of Return
4. Measures of Risk
5. Relationship between Risk and Return
6. Factors Influencing the Required Rate of Return

Topic 3: Life-cycle Investing and Investment Structure

1. Life-cycle Investing
2. Financial Planning Process
3. Investment Policy Statement (IPS)
4. Asset Class and Fund Selection
5. Types of Investment Styles

Topic 4: Asset Allocation

1. Asset Allocation
2. Major Asset Classes and their Historical Return Profile
3. Asset Allocation in the Investment Management Process
4. Dynamic Asset Allocation Strategies
5. Security Selection Process and Investment Management Strategies
6. Portfolio Rebalancing

SECTION 2

Topic 5: Modern Portfolio Theory (MPT)

1. Risk Aversion and Utility
2. Portfolio Risks and Returns
3. Capital Asset Pricing Model (CAPM)
4. Arbitrage Pricing Theory (APT) and Multi-factor Models
5. Efficient Market Hypothesis (EMH)

Topic 6: Managing an Equity Portfolio

1. Role of Equity Investment in a Portfolio
2. Risk and Return
3. Portfolio Construction
4. Performance Benchmark and Evaluation
5. Relationship to Other Asset Classes

Topic 7: Managing a Fixed Income Portfolio

1. Role of Fixed Income in a Portfolio
2. Traditional Investors and Investments in Fixed Income
3. Historical Return of the Asset Class
4. Fixed Income Fundamentals
5. Fixed Income Portfolio Management Issues
6. Performance Benchmark and Evaluation
7. Relationship to Other Asset Classes
8. Asset Backed Securities (ABS)

Topic 8: Derivatives in Portfolio Management

1. What are Derivatives?
2. Exchange-traded Derivatives
3. Over-the-Counter (OTC) Derivatives
4. Use of Derivatives in Portfolio Management
5. Risk of Using Derivatives

SECTION 3

Topic 9: Managing Alternative Investments

1. Real Estate Investments
2. Collective Investment Schemes/Unit Trusts
3. Private Equity Investments
4. Non-traditional Asset: Infrastructure and Development Capital
5. Special Purpose Acquisition Company (SPAC)
6. Hedge Funds
7. Gold
8. Base Metals
9. Commodities
10. Art
11. Business Trust

Topic 10: Managing International Investments

1. Definition and Characteristics
2. Why Invest Overseas?
3. Risks Associated with International Investments
4. Factors Influencing Returns
5. Investment Strategies
6. Currency Management
7. Performance Benchmark and Evaluation
8. Relationship to other Asset Classes

Topic 11: Understanding Islamic Investments

1. Islamic Investments: Concepts and Contracts
2. Islamic Capital Markets: Products and Services
3. Malaysian Islamic Capital Markets
4. International Islamic Capital Markets
5. Guidelines Pertaining to Islamic Capital Markets
6. Investment Asset Classes
7. Specific Risks Pertaining to Islamic Investments

SECTION 4

Topic 12: Portfolio Risk Management

1. What is Portfolio Risk Management?
2. Value at Risk (VaR)
3. Risk Budgeting in Capital Allocation
4. Specific Risk in Portfolios

Topic 13: Performance Measurement and Presentation of Returns

1. Portfolio Performance Measurement Tools
2. Performance Presentation Standards

Topic 14: Investment Psychology

1. The Psychology of Investing
2. Psychological Traits and Errors
3. Irrational Exuberance and Market Excesses
4. Investment Professional Approach to Behavioural Finance

SAMPLE QUESTIONS AND ANSWERS

Sample Question 1

How do stockbrokers help fund managers in their task of managing investment portfolios?

- (i) They provide trade execution for portfolio trades
 - (ii) They provide primary company and economic research for fund managers
 - (iii) They manage liquidity for fund managers by handling their excess cash
 - (iv) They create new securities for fund managers to buy for their investment portfolios
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- (A) (i) and (ii) only
 - (B) (iii) and (iv) only
 - (C) (i), (ii) and (iii) only
 - (D) (i), (ii) and (iv) only

Sample Question 2

In value investing, what is the difference between intrinsic value and market price?

- (A) Value
- (B) Buffer
- (C) Spread
- (D) Margin of safety

Sample Question 3

Which of the following terms refer to the study of past prices and volume data of an asset to forecast the future movement of that particular asset?

- (A) Price analysis
- (B) Asset allocation
- (C) Technical analysis
- (D) Fundamental analysis

Sample Question 4

Which of the following would be considered systematic risk?

- (A) Global stock market crash
- (B) The company disappoints in its earnings
- (C) Key management personnel of a company resigns
- (D) Government policy on interest rates remain unchanged

Sample Question 5

Which of the following statement is TRUE for income strategy?

- (A) The higher the dividends paid out by the company, the better
- (B) It is the high-growth companies that are able to pay out high dividends
- (C) It is only suitable for retired persons as the focus is to generate passive income
- (D) High dividend yield stocks are generally safer than those that don't pay dividends

Answers

Sample Question 1 - A

Sample Question 2 - D

Sample Question 3 - C

Sample Question 4 - A

Sample Question 5 - D