

Investment Planning 2 (IP2)

Overview

Investment Planning 2 builds upon Investment Planning 1 and explores in greater detail the theoretical concepts behind investing, including financial statements, portfolio theory and construction, and international investments.

Learning Outcomes

Module 1: Applying an Understanding of Risk to Portfolio Construction

On successful completion of the module, you should be able to:

- Define the concept of investment risk and describe how risk can be measured
- List and describe methods used to minimise and manage risk
- Calculate the weighted average expected returns of various portfolios
- Define diversification and explain its limits
- Define standard deviation and describe how beta can be used to reduce diversifiable risk
- Describe how to determine an appropriate risk profile
- State the investment law
- Explain appropriate asset allocation for different risk profiles
- Analyse the primary risks inherent in particular asset classes.

Module 2: Portfolio Theory and Measurement

On successful completion of the module, you should be able to:

- Explain and calculate the expected return for assets
- Calculate standard deviation
- Calculate covariance of a portfolio
- Calculate and describe correlation coefficients between assets
- Explain how risk is measured through the use of standard deviation and co-variance
- Describe the effect diversification has on a portfolio
- Define market and specific risk
- Define Alpha and Beta
- Describe the efficient frontier
- Describe and calculate the Sharpe, Teynor and Jensen mathematical models for calculating performance and risk.

Module 3: Efficient Market Theory

On successful completion of the module, you should be able to:

- Explain the interaction between supply, demand and price
- Explain the concept of efficient market theory
- Describe the characteristics of an efficient, inefficient and partially efficient market using examples
- List the implications of information advantage in a market
- Describe the implications of market efficiency on users of fundamental and technical analysis
- Explain the implications of tax and economic growth on investment markets.

Module 4: Investment Styles and Strategies

On successful completion of the module, you should be able to:

- Explain the risk return relationship between different asset classes
- Explain neutral and tactical asset allocation
- List and describe passive and active management styles and sub-styles
- Explain the benefits of different traditional management styles in a portfolio
- Explain the recent trend in investment management styles and strategies
- Describe the managed fund styles for fixed interest funds
- Define absolute return funds.

Module 5: Research Data and its Application

On successful completion of the module, you should be able to:

- Describe the justifications, both ethical and practical, for using research and investment information
- Explain the method and justification behind client research and the 'know your client rule'
- State the sources of research and information and describe their uses
- Describe how independent research can be used in a practical sense.

Module 6: International Investment

On successful completion of the module, you should be able to:

- List and describe reasons for considering international investments
- Explain the risks associated with investing internationally
- Describe the effect of globalisation and integration on investment planning
- Explain the effect of exchange rates on international investments
- Describe the options available when investing internationally
- Analyse the impact of taxation and gearing on international investments
- Explain the impact of inflation and deflation on international investments.

Module 7: Financial Statements and Disclosure

On successful completion of the module, you should be able to:

- Explain the structure of a Statement of Profit (Income Statement)
- Explain the structure of a Balance Sheet
- Explain the structure of a Statement Cash Flow
- Describe the accrual system of accounting
- List and describe some key accounting standards and conventions
- Identify potential misleading information in a financial report
- Comment on the impact of the adoption on International Reporting Standards (IFRS) on managed investments.

Module 8: Company Performance Measurement and Ratios

On successful completion of the module, you should be able to:

- Define performance and describe the information used to measure performance
- Calculate profitability, efficiency, liquidity, capital and per share ratios
- Provide an explanation on what each ratio can tell you
- Explain abnormal and extraordinary items in a company's financial reports
- Outline the limitations of financial ratios
- Explain how ratios can be used to compare companies
- Evaluate other considerations in company analysis

Module 9: Alternative and Specialised Investments and Strategies

On successful completion of the module, you should be able to:

- Describe and define the three levels of investment gearing
- Compare and contrast the different products, services and securities that clients can use to access investment leverage
- Describe at least three combined gearing strategies
- Explain the impact of some specialised equity corporate actions
- Describe the taxation impact of different investment products and structures
- Describe the implications of managed fund closures and terminations
- List the key characteristics of tax effective managed investment schemes
- Present some investment strategies for pension clients
- Explain strategies that use products with inbuilt derivative securities