

INSTITUTE AND FACULTY OF ACTUARIES

EXAMINERS' REPORT

April 2022

SP5 - Investment and Finance Principles Specialist Principles

Introduction

The Examiners' Report is written by the Chief Examiner with the aim of helping candidates, both those who are sitting the examination for the first time and using past papers as a revision aid and also those who have previously failed the subject.

The Examiners are charged by Council with examining the published syllabus. The Examiners have access to the Core Reading, which is designed to interpret the syllabus, and will generally base questions around it but are not required to examine the content of Core Reading specifically or exclusively.

For numerical questions the Examiners' preferred approach to the solution is reproduced in this report; other valid approaches are given appropriate credit. For essay-style questions, particularly the open-ended questions in the Specialist Advanced (SA) and Specialist Principles (SP) subjects, the report may contain more points than the Examiners will expect from a solution that scores full marks.

The report is written based on the legislative and regulatory context pertaining to the date that the examination was set. Candidates should take into account the possibility that circumstances may have changed if using these reports for revision.

Sarah Hutchinson
Chair of the Board of Examiners
July 2022

A. General comments on the aims of this subject and how it is marked

The aim of this Investment and Finance Principles subject is to instil in successful candidates the ability to apply, in simple situations, the principles of actuarial planning and control to the appraisal of investments, and to the selection and management of investments appropriate to the needs of investors.

A mix of questions styles is used, covering *knowledge* of the material set out in Core Reading, *application* of this in calculations and case studies and *higher order skills* such as synthesis and collation of recommendations. Marks are awarded for the constituent elements of calculations, not just for the final answer generated. Scenario appraisal will similarly provide credit for evidence of the issues considered, not solely for the conclusions reached.

Candidates who give well-reasoned points, not in the marking schedule, are awarded marks for doing so.

The examiners want to test the understanding of the candidates in relation to the principles of investment. In order to do that the candidates will be asked to demonstrate that they know how investors might behave and what various terms mean. It also requires candidates to calculate and interpret certain investment related figures. It is not expected that the candidates are experts in the investment area, however they should have an overall understanding of investment markets and the function and needs of the various parties involved.

B. Comments on candidate performance in this examination.

Candidates did not appear to produce answers that addressed the question being asked. about the question asked.

Due the current nature of the delivery of the examination, calculations are often performed using spreadsheets. Candidates are reminded that it is still important to state what assumptions underlie the calculations and to provide an explanation of the answer produced. If the given answer is incorrect and the examiners cannot see how it was reached, then they are unable to award any credit.

Additionally, a number of candidates seem to have a lack understanding of what good corporate governance looks like, this along with environmental and social factors are becoming more important aspects of investment. While there are often no absolutes there are general principles that can be applied to answer questions. Candidates would do well to look at the links provided within the core reading so that they can expand their background knowledge of the subject.

C. Pass Mark

The Pass Mark for this exam was 57
256 presented themselves and 115 passed.

Solutions for Subject SP5 - April 2022

Q1

(i)

Investor's income and gains are likely to exceed allowances, so tax regime is relevant to them	[1]
The investor's aim will be to minimise their tax bill/maximise their post-tax return	[1]
Tax rates are quite high, so tax efficiency is important	[½]
How income and capital gains are treated will influence the investor's decision as to what is attractive.	[½]
The Investor should ensure full tax-free income allowances are used	[½]
Investor will be indifferent between income and capital gains for equities and real estate	[½]
Thereafter, investor may prefer bonds due to lower tax on income	[½]
When investing in bonds the investor will have a preference for income over capital gains, so higher coupon stocks may be preferred	[½]
Higher coupon bonds may suffer capital loss, which may offset gains elsewhere (e.g., equities)	[½]
Real estate attractive as capital gains allowance is higher	[½]
although no tax-free income	[½]
Indexation of gains on equity and real estate increases their appeal relative to bonds	[½]
... especially in periods of high inflation	[½]
There is also a higher income allowance for equity investment, this may mean higher yielding equities are attractive	[½]
Tax should only be one consideration in the investor's asset allocation decisions	[½]
Highly taxed investments may be attractive if pre-tax returns are higher by a sufficient margin	[½]
Equally investments offering high gross returns may not be as attractive after tax	[½]
The timing of the taxation payments may also have an impact investors' decisions	[½]
	[Marks available 10, maximum 7]

(ii)

Investor should ensure allowances are used each year	[½]
if necessary, selling and repurchasing to realise gains	[½]
Investor could offset gains with losses	[½]
Investor could seek and make use of tax-efficient vehicles or tax shelters	[½]
Investor could defer realising gains to make use of future years' allowances	[½]
or in anticipation of a change in the tax regime	[½]
Investor could use derivatives to manage exposures without realising gains	[½]
The investor could relocate to another country with a less onerous tax regime	[½]
Or hold assets off shore	[½]
	[Marks available 4½, maximum 3]

[Total 10]

This question was reasonably well answered.

Q2

(i)

The exact shape will depend on the age profile of the two groups of pensioners.	[½]
And the degree to which the benefits are linked to inflation	[½]
If the scheme has no active members only deferred and pensions in payment, as more deferred pensioners retire so the cash out flow will rise to a peak.	[½]
It will then decline as the pensioners die.	[½]
There may be spikes/troughs	[½]
This may be caused by more or less pensioners taking benefits	[½]
Possibly in response to regulatory changes	[½]
If the candidate has assumed that the scheme is still open then marks can be given for:	
If the scheme is still open then the age profile	[½]
and the relative number of the actives will determine how the cash flows develop in the future	[½]

[Marks available 5, maximum 2]

(ii)

It provides projections into the future (“time dimension”)	[1]
It provides an estimate of the range of likely outcomes (“probabilistic dimension”)	[1]
It indicates the effect of changing investment strategy (“asset mix dimension”).	[1]

[Marks available 3, maximum 3]

(iii)

Investment risks the scheme could face are:

Lack of diversification	[½]
Mismatch of liabilities - by duration	[½]
Inflation	[½]
Funding	[½]
Market risk	[½]
Credit risk	[½]
Liquidity risk	[½]
There would be active management risk with regards to the corporate bonds	[½]

[Marks available 4, maximum 2]

(iv)

Reduce allocation to growth assets and increase allocation to risk-reducing assets	[½]
Switch out of domestic equities into international/overseas equities	[½]
better diversification, so reduces risk	[½]
Seek other growth assets, other than equities	[½]
which will reduce risk if other assets have low correlations with equities	[½]
Restructure existing risk-reducing assets to better match liabilities	[½]
because duration of bonds likely to be shorter than that of liabilities	[½]
Introduce inflation-linked bonds or swaps (if available)	[½]
as the liabilities are partly linked to inflation	[½]
Introduce an LDI strategy using pooled funds or a bespoke arrangement	[½]
because leverage reduces the amount of capital needed, which is important if scheme is underfunded.	[½]
buy annuities with an insurance company	[½]
as they provide the best match to the liabilities	[½]
Introduce cash flow matching strategy using bonds or swaps	[½]
Manage the corporate bonds on a passive basis	[½]

Credit risk could be reduced by ensuring the scheme only invests in highly rated corporate bonds	[½]
Or the use of credit default swaps	[½]
Liquidity risk can be reduced by holding sufficient liquid assets	[½]
It is difficult to totally avoid market risk however they could use a derivative strategy to reduce risk including options	[½]
However hedging will also reduce the scope for additional returns	[½]
The trustees could diversify the equities e.g. invest in overseas equities	[½]
	[Marks available 11, maximum 4]

(v)

Reducing allocation to growth assets reduces the expected return and therefore, increases the funding costs which may require a new actuarial valuation	[½]
The move to passive corporate bond management will also reduce expected returns	[½]
International equities introduce currency risk	[½]
New assets may be more expensive to invest in especially as equities and government bonds are passively managed	[½]
Correlations tend to rise at times of stress meaning diversification less effective when it's needed most	[½]
LDI is relatively complex and gives rise to operational complications e.g., collateralisation and rebalancing	[½]
Annuities and index-linked bonds are currently expensive	[½]
Cashflow matching ties up capital as it doesn't use leverage and is hard to achieve using conventional bonds due to income/redemption profile	[½]
It may be difficult to transact some of the purchases or sales as there may liquidity issues	[½]
The return of highly rated corporate bonds may not be high enough	[½]
And credit default swaps will increase expenses	[½]
And do not remove default risk entirely	[½]
And liquid assets may also produce low returns	[½]
The use of derivatives will require more expertise	[½]
Which may increase costs	[½]
Derivative use may introduce other risks such as counterparty risk	[½]
Basis risk	[½]
Or cross hedging risk	[½]
Depending on the tax regime there may be additional taxes to pay	[½]
There may be constraints in the fund in terms of what they can invest in	[½]

[Marks available 13½, maximum 6]

[Total 17]

Most candidates produced good answers. The most common mistake in part (ii) was to state non-investment risks.

Q3

(i)

The basket of equity futures can be structured to replicate the physical equity portfolio exposure without committing the full capital amount towards it	[1]
This could free up a large proportion of capital to deploy in other strategies to generate additional returns	[1]
The additional return may more than offset the transaction costs of implementing	[½]
Index tracking using full or partial replication can be expensive	[½]
and requires frequent trades	[½]
Holding a basket of relevant index futures should require less management so	[½]
The investment management fees may be lower	[½]
And the resulting portfolio may be nimbler when adjusting the level of equity exposure at short notice	[½]
by adding additional contracts or unwinding exposure at short notice	[½]
There may also be tax benefits	[½]
There may be a plan to liquidate the portfolio at a future point in time and this is part of the preparation	[½]
	[Marks available 6½, maximum 4]

(ii)

There will be costs incurred with such a transaction which need to be factored in	[½]
brokerage commission, price impacts, bid-offer spread spreads	[½]
And may cause a move in market prices	[½]
and tax considerations	[½]
There may be additional legal costs	[½]
These aspects are likely to provide a slight 'drag' on performance relative to the index benchmark	[½]
The derivative contracts will need to be 'rolled' to maintain the equity exposure	[½]
and the cost of rolling is uncertain	[½]

The index futures will not precisely match the physical portfolio in terms of pricing (i.e. basis risk)	[½]
And result in margin calls being made when the market moves against the future	[½]
There may also be some credit risk	[½]
It arguably adds more complexity to the portfolio	[½]
and additional monitoring requirement / governance burden	[½]
More training/expertise may be required	[½]
There may not be enough liquidity in the futures market	[½]
	[Marks available 7½, maximum 3]

(iii)

Regulators in recent years have been encouraging market participants to transact deals on exchanges	[½]
to improve transparency and reduce counterparty risks;	[½]
The mandate may require demand that exchange traded derivatives are used	[½]
When buyers and sellers agree to deal on exchange traded futures, opposing contracts are created	[½]
between each party and the clearing house of the exchange	[½]
So the clearing house becomes the counterparty to both of the parties to the transaction	[½]
and guarantees each of side of the original transaction, subject to capital resources	[½]

This largely removes counterparty credit risk between the buyer and seller	[1/2]
The costs should be lower as there is	[1/2]
Standardised legal documentation exists for both buyers and sellers which simplifies the process	[1/2]
Initial Margin and variation margin requirements provide a cushion for the clearing house and in turn protect the viability of the transaction for both the buyer and seller	[1/2]
There has also been a drive to require banks to hold additional capital in respect of over-the-counter derivative transactions which could have affected market liquidity, availability and transactions costs	[1/2]
High levels of supply and demand offered by the exchange	[1/2]
Meaning a high level of liquidity	[1/2]
investor requirements met in relation to the equity futures required to minimise basis risk	[1/2]
Exchange traded markets tend to operate in a more orderly manner due to price limits which protect the clearing house from excessive credit risk and in turn protect the market participants	[1/2]
The positions can be easily closed out before delivery if this is preferred by the investor	[1/2]
	[Marks available 8½, maximum 7]
	[Total 14]

Some candidates did not perform well in Parts (i) and (iii). whereas part (ii) was produced the best answers. Where candidates made correct comments relating to part (iii) in part (ii) they were given the appropriate credit.

Q4

(i)(a)	
Futures price would increase relative to the spot price	[1/2]
(i)(b)	
Futures price would fall relative to the spot price	[1/2]
(i)(c)	
Futures price would increase relative to the spot price	[1/2]
(i)(d)	
Futures price would fall relative to the spot price	[1/2]
	[Marks available 2, maximum 2]
(ii)(a)	
Cost of holding physical copper increases relative to holding futures	[1/2]
So cost of carry increases	[1/2]
(ii)(b) Possible restrictions on imports increase attractiveness of physical copper over futures contracts	[1/2]
So the convenience yield increases	[1/2]
(ii)(c) Lack of storage increases the cost of storing copper	[1/2]
So the cost of carry increases	[1/2]
(ii)(d)	

A reduction in interest rates reduces the financing cost of buying and holding copper [½]
 So the cost of carry falls. [½]

[Marks available 4, maximum 4]

(iii)

The manager needs to identify why the discount has occurred [1]

If it is found in other similar ETFs it might be due to market sentiment [½]

In which case there is little that can be done by an individual manager [½]

If this the not the case

If other ETFs don't have this discount the manager could try to increase the attractiveness of the ETF to investors [1]

Possible courses of action could include:

Better marketing [½]

The manager could reduce the cash held reducing the drag on performance [½]

Ensuring costs are minimised [½]

These measures would reduce the tracking error [½]

And that the ETF is sufficiently liquid [½]

A clearer explanation of the advantages of holding the ETF [½]

Increase revenues e.g. by stock lending [½]

The manager could borrow a sum, say \$X [½]

The manager would use this sum to buy shares in the ETF in the market [½]

This would tend to push up the price of the ETF shares [½]

The value of the underlying securities would be approximately 2% higher than the cost of the ETF shares [½]

The manager would sell the underlying securities in the market and cancel the ETF shares [½]

Selling shares in the market will tend to exert downward pressure on the market [½]

So the ETF price and NAV would tend to align [½]

The manager would repay the loan of \$X and retain the extra funds [½]

Other valid points should be given 0.5 mark

[Marks available 10½, maximum 4]

(iv)

Increased marketing will increase costs [½]

Reducing management costs would also reduce management fees to the manager [½]

The fund will need some cash to meet any obligations [½]

Stock lending will mean more staff and therefore more cost [½]

If tracking error is reduced this may lead to more transactions and the need for more staff [½]

ETF purchases and market sales should be simultaneous to reduce market risk [½]

Underlying shares need to be sufficiently liquid [½]

Transaction costs must be lower than the gap to be closed [½]

Manager must be able to borrow required sum cheaply [½]

[Marks available 4½, maximum 2]

[Total 12]

Candidates found parts (i) and (ii) relatively easy but performed less well in (iii) and (iv).

Q5

(i)

Does the project meet the criteria for investment by the fund	[1]
Does the fund possess sufficient expertise to evaluate the investment	[½]
Is the project feasible	[½]
What is the timescale	[½]
Who is liable if the construction overruns	[½]
What will the ongoing costs be	[½]
Will there be sufficient finance available	[½]
Where is the rest of the money coming from	[½]
Will there be enough traffic to provide the required return	[½]
If it proved popular would the volume of traffic negate the time saved	[½]
Are there any plans for any alternative crossings	[½]
Have similar projects being undertaken	[½]
If so how have they worked out	[½]
Are there better investments for the fund	[½]
Does this investment result into much concentration in and area or type of infrastructure	[½]
or will it increase the diversity within the fund	[½]
Are there any reputational risks if something goes wrong e.g. a fire	[½]
Or environmental issues	[½]
Are there any political risks	[½]
Are there any changes in regulations planned that could impact the project	[½]
Any taxation issues including incentives	[½]
Are there any Government guarantees	[½]
What is the reputation of the constructor	[½]
Details regarding the tolls	[½]
And how long they last for	[½]

[Marks available 13, maximum 4]

(ii)

All infrastructure projects are unique	[½]
so simple comparisons may not be possible	[½]
Both are large civil engineering projects	[½]
Linking two similar sized cities	[½]
The issues that arise from building a bridge and a tunnel are very different	[½]
The projects are in different countries which may give rise to differing political risks	[½]
Legislative differences	
Or currency risks	[½]
Or climate issues	[½]
Or language issues	[½]
Demographic differences	[½]
Mix of vehicles	[½]
GDP prospects for the two contracts	[½]
As are their operational issues	[½]
As well as their maintenance issues	[½]
Tunnels aren't impacted by wind whereas bridges are	[½]
Bridges aren't concerned by leakage whereas tunnels are	[½]
The traffic may be very different in the two countries	[½]

The costs of the two projects could be very different [½]
 Including cost of borrowing [½]
 It is therefore unlikely that the bridge will provide a suitable comparator [½]
 [Marks available 10, maximum 3]

(iii)
 Assumptions regarding when costs and revenues are incurred. [1]
 The costs and income need to be discounted back to the start and the discount rate equates the discounted costs to the discounted income is the rate of return for the project. [½]

Let:

Present value of construction costs = PCC=
 $50/(1+i)^{0.5}+100/(1+i)^{1.5}+150/(1+i)^{2.5}+150/(1+i)^{3.5}+75/(1+i)^{4.5}+10/(1+i)^{5.5}$ [1]

Present value of maintenance costs = PMC = $a19 * 1/(1+i)^{6.5}+10/(1+i)^{14.5}$ [1]

Present value of income= PI= $4.9/(1+i)^{4.5}+49/(1+i)^{5.5}+$ [1]

$63.6 * a19 * 1/(1+i)^{6.5}$ [1]

Solving the equation below for i will give the rate of return for the project.

$PCC+PMC=PI$

[Marks available 5½, maximum 5]

The solution assumes that costs and revenues are incurred/received midway through the year candidates received the appropriate marks if they made different assumptions and their expressions were in line with those assumptions. The same was true for assumptions regarding traffic growth from year 7 onwards.

[Total 12]

This question was one of the best answered with candidates scoring well on all parts with part (i) being exceptionally well answered

Q6

(i)
 Any remuneration system needs to be fair [½]
 and avoid causing resentment among either the other stakeholders [½]
 It also should reward those who contribute to the company's success so [½]
 Ideally remuneration should be based on personal performance [½]
 It also needs to be competitive to attract the right quality of personnel [½]
 The degree to which these elements are suitable will depend on the starting point of the salaries if they are low then larger benefits could be justified [½]
 Looking at the individual elements of the proposed system:
 The contracts being on a five year rolling basis is likely to cause resentment among the employees, unless they have similar length contracts. [½]
 Shareholders may also regard the length of contract as detrimental to their interests. [½]
 While having a stable Board of Directors is a positive [½]
 There is a balance to be struck so that change, when necessary can be implemented

without involving excessive cost	[1/2]
The cost of removing a director may dissuade the company from making the decision to remove an underperforming individual.	[1/2]
Alternatively if they do remove them then at least some of the cost will be borne by the shareholders.	[1/2]
Benchmarking the salaries against the four main competitors takes no account of how the company is performing against these competitors.	[1/2]
If they are outperforming them then the directors may deserve a greater increase and likewise if they are underperforming they may deserve smaller increases.	[1/2]
There is also the question of who defines who the four main competitors are	[1/2]
If inappropriate companies are chosen then this could mean directors are unfairly rewarded or penalised.	[1/2]
The granting of share options is normal	[1/2]
And it does align the directors' and shareholders' interests	[1/2]
However in this case there are no conditions attached	[1/2]
And allowing them to be exercisable at 10% below the share price at grant could be regarded as overly generous	[1/2]
The three year period could be regarded as short	[1/2]
However making it too long could reduce the incentivisation	[1/2]
The issue of these options will potentially dilute the other shareholder's interests and they will not be happy with seemingly excessive options being granted to the directors	[1/2]
Earnings per share is impacted by a number of items, some are not in the directors' control e.g. market conditions, tax rates	[1/2]
Earnings per share can be manipulated e.g. by deferring certain expenses	[1/2]
What happens if there is negative earnings one year and positive earnings the next	[1/2]
	[Marks available 13, maximum 6]

(ii)

Again looking at the individual elements	
The length of contract should be shortened,	[1/2]
the exact length being determined by industry practice	[1/2]
and a term that gives the directors some security knowing that they won't be removed with only a very short notice period.	[1/2]
The rolling element could be reviewed and possibly removed	[1/2]
Salary increases could be determined on an individual basis dependent on how the director has performed or how the division they run has performed.	[1/2]
Salary increases would also need to take account of inflation	[1/2]
It would be better to only grant options if certain performance criteria are met	[1/2]
Perhaps the grants could be on a sliding scale depending on the degree of outperformance of the criteria	[1/2]
There should not be just one criterion	[1/2]
Consideration should be given to how quickly the options can be exercised is three years long enough?	[1/2]
The exercise price should also be considered as in the space of three years it would be hoped that the share price would have increased so allowing an exercise price 10% below the share price three years ago does not act as an incentive.	[1/2]
Maybe the exercise price could be at a premia to the current share price	[1/2]
However a market fall could mean that the directors lose out	[1/2]
Like the options any bonus should be based on more than one criterion.	[1/2]

It might also be good to look at performance over a longer period than one year [½]

Other reasonable suggestions should be given credit

[Marks available 7½, maximum 6]

[Total 12]

This question was not as well answered as some questions on this paper. Corporate governance and ESG considerations are gaining more prominence in the investment universe, and it is important that candidates know what good corporate governance looks like.

Q7

(i)

Stock price at expiry	Short Call Premium Received	Short Call Premium Received	Long stock profit/loss at expiry	Short call profit/loss at expiry	Short put profit/loss at expiry	Overall profit /loss
90	3.05	3.4	-10	0	-10	-13.55
100	3.05	3.4	0	0	0	6.45
110	3.05	3.4	10	-10	0	6.45

[Marks available 3, maximum 3]

(ii)

In order to make a profit the share price need to be between 93.55 and 106.45 [1]

The exact profit breakeven point is established at the point where the share price has

fallen by 50% of the sum of the two call option premiums [1]

i.e. a Share Price of $100 - 0.5 \times (3.40 + 3.05) = 96.775$. [1]

[Marks available 3, maximum 3]

(iii)

The potential profit of the strategy is limited to the combined option premiums received

if the share price remains the same [½]

The potential loss is high if the share price falls substantially [½]

As the investor still holds the shares which will fall in value

The strategy suggests the investor has a view that the share price will remain as is or increase at the expiry of the options. [1]

he investor appears to be relatively risk seeking or quite 'bullish' on the stock [½]

[Marks available 2½, maximum 2]

[Total 8]

Most candidates scored well on part (i) and (iii) but performance was lower in part (ii). A few drew a graph to illustrate their answer, and these were given credit if correct.

Q8

(i)

- Real estate is an illiquid asset and it will take time to invest money into this area [1]
 It may also need to recruit or identify managers who will manage the real estate portfolio [½]
 It will take time to identify suitable investments [½]
 It will reduce any impact on the market of selling equities etc [½]
 It will also give the institution a chance to time their sales and purchases and hopefully avoid unfavourable market timing. [½]
 Might want spread any capital gains or other tax allowances over the two years [½]
 [Marks available 3½, maximum 2]

(ii)

Performance of indices over the two years:

Asset	Year 1	Year 2
Bonds	2.08%	4.08%
Equities	-8.57%	21.88%
Infrastructure	-11.90%	8.11%
Real Estate	17.39%	11.11%
Cash	0.83%	0.83%

[1]

Sum year 1 = -3.62%

Sum year 2 = 10.83%

Therefore the benchmark performance in year 1 is -3.62%

and that in year 2 is +10.83%

[1]

[2]

[2]

[Marks available 4, maximum 4]

(iii)

The benchmark performance over the two years is $(1-0.0362)*(1+0.1083) = 6.82\%$ [1]

[Marks available 1, maximum 1]

(iv)

Performance of fund in year 1 = $1520/1500 = 1.0133$ i.e. 1.33% [½]

Therefore the relative performance in year 1 is $1.33\% - (-3.62\%) = 4.95\%$ [½]

Performance of fund in year 2 = $1700/1520 = 1.1184$ i.e. 11.84% [½]

Therefore the relative performance in year 2 is $11.84\% - 10.83\% = 1.01\%$ [½]

[Marks available 2, maximum 2]

(v)

The relative performance over the two year period is $(1+0.0495)*(1+0.0101) = 6.02\%$ [1]

[Marks available 1, maximum 1]

(vi)

Need to know the investment strategy/objective of the fund [1]

The inflows & outflows to the various portfolios [1]

Whether the benchmark is appropriate for the strategy of the manager [½]

As the benchmark changed at the year was money divested from the other portfolios to allocate to infrastructure [½]

Or was their sufficient cash flow into the scheme so that divestment wasn't needed	[½]
If there was divestment/investment when did it occur	[½]
Any narrative from the portfolio manager	[½]
The performance target	[½]
If there was an aggressive performance target for a portfolio then greater outperformance would be expected than if modest outperformance was expected.	[½]
The timescale over which the performance is being measured	[½]
The risks taken	[1]
If the risk taken was high greater outperformance would be expected and vice versa if little or no risk was taken	[½]
What income was received	[½]
And when was it received	[½]
And how it was accounted for	[½]
Whether the figures were net of fees or gross	[½]
How the competition's figures compared	[½]
Any constraints on the fund	[½]

[Marks available 11, maximum 5]

[Total 15]

This question was a basic performance measurement question with a few relatively straightforward calculations as a consequence marks were high however, candidates performance was lower in the last part of the question.

[Paper Total 100]

END OF EXAMINERS' REPORT