



Institute
and Faculty
of Actuaries

Fellowship Qualification

Investment and Finance (SA7) Specialist Advanced

Syllabus for the 2024 Examinations

April 2023

Investment and Finance (SA7)

Syllabus for the 2024 Examinations

This syllabus includes information to support the study of this subject. It will guide you through what you need to learn, application of learning as well as the skills that you need to develop. Information regarding the assessment of this subject is also included.

This syllabus includes:

- Aim of the subject
- How this subject links across the Qualifications
- Subject topics and topic weightings
- Subject objectives
- Assessment information

Aim

Apply knowledge of the financial environment in the UK and other jurisdictions and the principles of actuarial practice to the selection and management of investments in complex situations and appropriate to the needs of a range of investors, together with relevant aspects of corporate finance.

Links across the Qualifications

Associateship Qualification

Investment and Finance Specialist Advanced (SA7) builds upon the principles of corporate finance developed in Business Finance (CB1) and develops further understanding of Macroeconomics from Business Economics (CB2).

Fellowship Qualification

Investment and Finance Principles (SP5), Investment and Derivatives Principles (SP6) and Investment and Finance Advanced (SA7) are considered a trio of subjects for the actuarial work specific to Investment and Finance. Concepts introduced in SP5 are developed in Investment and Finance Specialist Advanced (SA7) via more complex 'real world' problems. SP6 focusses in detail on the technical aspects of derivatives and their use.

Financial Derivatives Specialist Principles (SP6) focuses almost entirely on derivatives which are an important method for implementing many investment strategies. A working knowledge of derivatives would be useful to solve some 'real world' problems in SA7.

Topics and topic weightings

1. The framework for investment management [30%]
2. Meeting investor requirements [35%]
3. Management and risk control for an investment manager [35%]

Objectives

1 The framework for investment management [30%]

Understand the environment in which investment management takes place, including various global financial markets and their influences, different macroeconomic, regulatory, legislative and taxation environments and the basic principles of corporate finance.

1.1 Describe the financial markets in the developed and emerging economies, including:

- Public and private market assets
- Over-the-counter and exchange-traded derivatives
- The historic behaviour of major asset classes and market indices

1.2 Describe the key domestic and global influences over the economic and capital markets environment in the UK and other jurisdictions from:

- Global economic trends
- Central banks
- Government policy
- Market regulation
- Regulatory capital requirements (including the Basel Accords and Solvency II)

1.3 Describe how the principles of a legislative, taxation and regulatory conduct framework apply to investment management in the UK and other jurisdictions

1.4 Understand the key principles of corporate finance, including capital structure and financing, and how these relate to different asset classes

2 Meeting investor requirements [35%]

Understand the investment needs of a range of asset owners and financial institutions and how an investment strategy can be created to meet those needs.

2.1 Understand the principles and objectives of investment management, the main factors influencing investment strategy, and analyse the investment needs of an investor

2.1.1 Understand the liability characteristics, investment requirements and the influence of the regulatory environment (including capital requirements) of the following types of institutions

- A life insurance company transacting with-profits, non-profit or unit-linked business
- A non-life insurance company
- A defined benefit pension fund
- A defined contribution pension fund
- An endowment or charity fund
- A bank, hedge fund or other proprietary investor
- Other unconstrained investors, including a sovereign wealth fund

3 Management and risk control for an investment manager [35%]

Understand how an investment management company operates and the issues it needs to consider when designing or managing investment portfolios.

3.1 Understand the principal approaches and techniques in investment portfolio management

3.1.1 Active management approaches, both within and across asset classes, and over different time horizons

3.1.2 Passive management and quasi-passive management including factor-based approaches

3.1.3 Investment risk control techniques and risk-based portfolio construction approaches

- 3.1.4 The impact of environmental, social and governance (ESG) factors to investment performance and different approaches to incorporate ESG factors
- 3.1.5 Derivative-based strategies for risk taking or for risk mitigation
- 3.1.6 Liability benchmarking or replicating portfolios as part of an investor's investment strategy
- 3.1.7 Psychological aspects, including behavioural finance, that influence investor behaviour
- 3.2 Understand the techniques used for investment management assessment and selection
 - 3.2.1 Methods of organising the investment management of a large portfolio
 - 3.2.2 Structure of a typical institutional investment department
 - 3.2.3 Fund-of-funds and outsourced approaches to investment management, such as fiduciary management and outsourced CIOs
 - 3.2.4 Function of a performance measurement service
- 3.3 Understand the impact of technology on investment management, including:
 - Trading in derivative, equity and bond markets
 - Product development

Assessment

The assessment of this subject will consist of one examination.

Candidates can expect to answer a number of questions of varying marks, using Microsoft Word to construct and type their answers. The duration of this examination is three hours and twenty minutes and is timed and online. This time includes reading time.

Candidates will be expected to be able to apply knowledge and skills from across the syllabus topics to scenarios and questions proposed by the examiners and produce coherent solutions and actions, including:

- Analysis of complex problems in terms of actuarial, economic and financial factors to a level where appropriate analytical techniques may be used.
- Assess the implications and relevance of such factors, integrating the results into a coherent whole.
- Evaluate the results critically in a wider context, drawing appropriate conclusions.
- Propose solutions and actions, or a range of possible solutions and actions, based on this evaluation.

Topic weighting

The topic weighting percentage noted alongside the topics is indicative of the volume of content of a topic within the subject and therefore broadly aligned to the volume of marks allocated to this topic in the examination. For example if a topic is 20% of the subject then you can expect that approximately 20% of the total marks available in the examination paper will be available on that topic.

Candidates for assessment should ensure that they are well prepared across the entire syllabus and have an understanding of the principal terms used in investment and finance. The examination can be composed of questions drawing from any part of the syllabus within any examination sitting and using any command verb. This includes knowledge, techniques, principles, theories, and concepts as specified. Candidates should not rely on past papers alone and should ensure they have covered the entire syllabus as part of their learning and development of this subject. A list of command verbs used in the examinations is included on the IFoA website.

In each examination, candidates will be expected to demonstrate, through their answers, that they have knowledge of, can apply and use higher order skills in this subject:

- Knowledge will be demonstrated through answering questions that assess your understanding of that knowledge as well as through questions that ask you to apply relevant knowledge to scenarios.
- Application will be demonstrated through answering questions which assess that you can identify and apply relevant concepts and skills to solve problems (both numerical and non-numerical).
- Higher order skills will be demonstrated through questions that will assess that you can use relevant knowledge, concepts and skills to solve problems, draw appropriate conclusions, and make meaningful and appropriate comments on those conclusions.

As a guide, in the examination of this subject, you can expect that approximately 10% of the total number of marks for this examination be allocated to the demonstration of knowledge, 60% to application and 30% to higher order.

Qualifications Handbook, Examinations Handbook and Assessment Regulations

Please ensure you read and have understood the Examinations Handbook and Assessment Regulations ahead of your exam as well as the Qualifications Handbook. These are all available on the IFoA website.

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