

**Subject SA6
Investment
Specialist Applications**

Syllabus

for the 2008 Examinations

1 June 2007

**The Faculty of Actuaries and
Institute of Actuaries**

Subject SA6 — Investment Specialist Applications Syllabus

Aim

The aim of the Investment Specialist Applications subject is to instil in successful candidates the ability to apply knowledge of the United Kingdom investment environment and the principles of actuarial practice to the selection and management of investments appropriate to the needs of investors.

Links to other subjects

Subjects ST5 — Finance and Investment Specialist Technical A and CA1 — Core Applications Concepts: provide the underlying principles upon which this subject is based.

Candidates can expect to be examined in aspects of general principles developed in these subjects as well as the United Kingdom specific aspects developed in this subject.

Subject P6 — Investment UK Practice Module Specialist: the knowledge required to pass Subject P6 is contained in this subject.

Objectives

On completion of this subject the candidate will be able to:

- (a) Demonstrate a knowledge of the legislative and regulatory framework for investment management and the securities industry in the United Kingdom.
 - (i) Describe the framework of self-regulation of the United Kingdom investment industry.
 - (ii) Discuss the relevant professional guidance for actuaries working in the investment field.
 - (iii) Describe how members of the Institute of Actuaries and the Faculty of Actuaries are regulated in the conduct of investment business under the Financial Services and Markets Act 2000.
 - (iv) State the circumstances in which actuaries require authorisation under the Financial Services and Markets Act 2000.
- (b) Outline the taxation treatment of different forms of investment for individual and institutional investors resident in the United Kingdom.

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- (c) Discuss the principles and objectives of investment management and analyse the investment needs of a United Kingdom investor.
- (i) Analyse the particular liability characteristics, investment requirements and the influence of the regulatory environment on the investment policies of the following United Kingdom institutions:
- a life insurance company transacting mainly with profits business
 - a life insurance company transacting mainly unit-linked business
 - a general insurance company
 - a health and care insurance company
 - a self-administered defined benefit pension fund
 - a self-administered defined contribution pension fund
 - a pure fund manager
- (ii) Discuss the investment vehicles which may be particularly attractive to an individual investor in the United Kingdom taking into account taxation, expenses and other relevant considerations.
- (d) Demonstrate knowledge of the investment indices which may be relevant to a global investor based in the United Kingdom.
- (e) Demonstrate a knowledge and understanding of the principal techniques in portfolio management including risk control techniques.
- (i) Describe and discuss the principal active management “styles” (value, growth, momentum, rotational).
- (ii) Describe and discuss passive fund management.
- (f) Demonstrate a knowledge and understanding of the techniques used for investment management assessment and selection.
- (i) Describe and discuss methods of organising the investment management of a large portfolio.
- (ii) Demonstrate a knowledge of the structure of an institutional investment department.
- (iii) Describe the function of a performance measurement service.

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- (g) Demonstrate a knowledge and understanding of the characteristics of the principal investment assets and the markets in such assets with particular reference to the needs of a United Kingdom investor.
- (i) Outline the processes of dealing, transfer and settlement processes in the main United Kingdom equity, bond and derivative markets.
 - (ii) Outline the differences in the processes of dealing, transfer and settlement processes in the main overseas equity, bond and derivative markets of interest to a United Kingdom investor.
 - (iii) Indicate the likely levels of charges, expenses and dealing spreads for an institutional investor in the main United Kingdom securities markets.
 - (iv) Outline the main features of the capital markets in the United States, Japan, Germany and France.
 - (v) Outline the main features of the structures of the economies of the United States, Japan, Germany and France.
 - (vi) Describe the main features of the historic behaviour of markets and indices and discuss their relationships to each other and to price and earnings inflation.
- (h) Demonstrate a knowledge and understanding of the characteristics of specialist investment assets and the markets in such assets with particular reference to the needs of a United Kingdom investor.
- commodities
 - asset-backed securities
 - unquoted equities, including venture capital (“private equity”) investment
 - property finance and development
 - UK derivatives markets
- (i) Solve complex problems associated with:
- the influence of the liabilities on an appropriate investment strategy
 - reducing asset risk relative to the liability structure
 - improving investment return
 - matching particular liability patterns
 - analysing investment needs
 - choosing investment sectors
 - choosing individual investments
 - investment performance measurement
 - reporting on investments

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and, through integrating and critically evaluating the results, draw conclusions therefrom in particular in relation to:

- the development of an asset strategy
- responding to particular investment needs
- monitoring the performance of investments

End of Syllabus