INVESTMENT MANAGEMENT ESSENTIALS TOPIC OUTLINE

OVERVIEW

This course provides fundamental knowledge and skills required in the investment workplace. It is designed for individuals wanting to elevate their investment knowledge beyond the basic level of understanding. Participants in the course may have recently entered the investment consulting profession, transitioned from an unrelated field, or plan to use this course as a step toward the Certified Investment Management Analyst® (CIMA®) certification program to enhance future career opportunities. This course also offers opportunities to reexamine fundamental concepts for those already holding certifications who wish to reinvigorate their practices.

Course Structure

Seven modules	• Module 1: Introduction • Module 2: Client Discovery • Module 3: Investment Policy Statements • Module 4: Portfolio Construction • Module 5: Manager Search and Selection • Module 6: Portfolio Review • Module 7: Summary
Completion requirements	• View the content • Pass the module quizzes with a score of 70% or higher (modules 2-6)
Estimated completion time	• 15 hours for required content • up to 25 hours with optional, supplemental resources
Continuing Education (CE) credit	• 15.5 premier CE credits for CIMA®, CPWA®, and RMA® certifications • 15.5 credits for CFP® certification

The Objectives and Associated Topics

Upon completion, learners in the course will be able to:

Course Objective 1: Conduct effective client consultations to create a client profile, including investment goals, risk preferences, investor type, and behavioral biases.

Content in Module 2 addresses this objective with topics concerning:
Define client by type (individual or institutional), characteristics, and needs
Prepare for and conduct client discovery meetings
Use open-ended questions and listening skills to gather information (JOB AID PROVIDED)
Identify behavioral biases in clients and self; identify ways to deal with biases

Work with clients to set goals, identify risk and return objectives, select appropriate benchmarks
Communicate value to clients and establish trust

Course Objective 2: Describe fundamental components of an investment policy and its importance in governing the client relationship.

Content in Module 3 addresses this objective with topics concerning:
Outline the importance of investment policy for individual and institutional investors
Describe the tasks that an investment policy statement (IPS) takes on related to delegation of authority; delineating primary components related to cash flow, asset allocation, and diversification; describe strategies to be used; explain the rationale behind decision-making; and, providing governance for who does what, when, and how
Use a three-step process for developing an IPS
Use an IPS interview questionnaire to gather information (JOB AIDS PROVIDED)
Develop the IPS with the client including return objectives, risk objectives, and constraints
Use a checklist to flesh out 19 critical sections of an IPS (JOB AID PROVIDED)
Describe governance, regulatory standards, fiduciary standards, compliance, and monitoring associated with the IPS
Use sample IPS for institutional and individual investors to create IPS for own clients (JOB AIDS PROVIDED)
Communicate value and provide education/guidance throughout the IPS development phase

Course Objective 3: Compare and contrast various methods of client portfolio construction, including the tradeoffs between common investment vehicles, asset allocation options, and risk management techniques.

Content in Module 4 addresses this objective with topics concerning:
Outline money markets versus capital markets
Identify application of modern portfolio theory (MPT) and capital asset pricing model (CAPM) to risk and return, market efficiency, and the efficient frontier
Apply concepts of diversification and correlation to establishing a portfolio
Identify asset classes and subclasses that will create a diversified portfolio to meet stated returns
Distinguish between different management styles and allocation strategies to match investor styles
Describe different alternative assets and the benefits/challenges to using them in portfolios
Define different types of risk and using dispersion, standard deviation, Delta Normal, volatility, and Sharpe Ratio for measurements of risk
Review how to speak about the risk/return tradeoff with clients

Use diversification and efficient portfolio theory practices to design portfolios

Course Objective 4: Outline best practices of effective due diligence in the search and selection of investment managers for clients.

Content in Module 5 addresses this objective with topics concerning:
Identify four repeatable, defensible steps to use in manager search and selection: 1. Establish fundamental, preferential, and benchmark criteria (JOB AIDS PROVIDED) 2. Collect information (due diligence), screen through list of candidates, and evaluate candidates against criteria 3. Select manager(s) based on qualitative evaluations 4. Implement choices and evaluate performances
Review asset classes and manager classifications (e.g., roles-based groupings) when searching through managers for a client
Understand the backgrounds, key clients, fees/expenses of separately managed accounts (SMAs), pooled funds, limited partnerships, and exchange-traded funds that various managers may employ.
Identify and describe the use of quantitative measures including: • Expected risk and return measures (expected risk, expected return, and standard deviation) • Coefficients and performance attribution analysis (beta coefficient, r-squared, and performance attribution) • Risk measure (Sharpe ratio, Sortino ratio, m squared, Treynor ratio, Jensen's alpha, tracking error, and information ratio)
Distinguish between statistical measures of performance: benchmark comparisons, historical returns, risk and return measures, and risk-adjusted return measures
Describe due diligence as an on-going process in the qualitative portion of manager search and selection
Define the Nine Ps in due diligence and the questions/areas of examination that can be used to discover more about each
Describe performance monitoring and setting up accurate benchmarks by which to measure manager performance.
Identify characteristics of performance benchmarks so they are appropriate and accountable, measurable, unambiguous, representative of an investable universe, and investable (e.g., peer universe analysis)
Understand quantitative assessments of performance data through attribution analysis, holding-based style analysis, returns-based styles analysis, and performance analysis vs. benchmark
Decide when manager change is required or whether more data is necessary before making a manager change

Course Objective 5: Develop principal investment management skills for presenting recommendations for portfolio strategy based on client profile, investment policy strategy, and market conditions.

Content in Module 6 addresses this objective with topics concerning:
Describe why monitoring and revising (rebalancing) portfolios is important
Contrast benefits and challenges of portfolio rebalancing
Identify economic and market conditions to analyze when suggesting recommendations for portfolio changes (JOB AID PROVIDED) • Gross domestic product • Inflation • Employment levels • Manufacturing indexes • Consumer and small business confidence/optimism • Yield curve • Credit spreads • Equity market (corporate revenues/earnings, valuation metrics like price-to-earnings), Shiller's P/E, and market momentum • Currency levels and trends
Describe three types of performance reports and what they report to the client (fund level, asset class level, manager level)
Be familiar with reporting standards
Outline rebalancing benefits and challenges for the client
Describe how rebalancing is achieved and methods for making periodic adjustments (e.g., periodic rebalancing, threshold rebalancing, range rebalancing)
Appreciate the human factors and biases that play into not wanting to adjust, especially in bull markets

Other Outcomes

In addition to the specific course objectives, the course also sets out to help investment professionals communicate effectively with clients. This includes topics throughout the course related to:

- Working with behavioral biases
- Focusing on client objectives and unique needs
- Engaging meaningfully about current investment topics (e.g., cryptocurrencies, investing post-Covid, and value propositions of working with an investment professional)
- Trust and ethics in the professional relationship
- Expert input on explaining complex topics to clients