CerIAM
Introduction to Asset Management

Course Director - Dennis Cox

Dennis Cox is CEO of Risk Reward Limited, a Strategy and Risk Consultancy for the financial services industry, as well as being a director of a number of other companies. Risk Reward Limited is a strategy and risk consultancy that specialises in providing practical solutions to its client needs. These include meeting the challenges of the Basel Accord in respect of credit risk and operational risk, as well as other business and regulatory requirements. Entirely focussed on the financial services industry its consultants are all business professionals interested in transferring their knowledge to their clients. The structure of the firm enables Risk Reward Limited to specifically build teams that meet or exceed client expectations. Dennis was formerly Director, Risk Management at HSBC Operational Risk Consultancy and spent 10 years in various senior roles with HSBC Prior to that he was Global Risk Director at Prudential Portfolio Managers Limited, with responsibility for credit, legal and operational risk for the global business. Previously he spent 12 years in practice with Arthur Young and BDO Binder Hamlyn.

Among a range of external interests he is a senior Council member of the ICAEW, Chairman of the Financial Planning Committee of the London Society and a member of the Money Laundering Committee; together with being the Chairman of the Risk Forum for the Securities and Investments Institute. He also represents the public interest in the regulation of the Institute of Actuaries for financial service matters.

A regular writer he was the joint author of the Mathematics of Banking & Finance published by Wiley in March 2006 and is editor of Frontiers of Risk Management for Euromoney (published April 2007), prior to commencing with development of two further texts for Wiley.

An Introduction to Asset Management

Asset Management is becoming an increasingly important part of the financial services landscape. With a developing variety of products available and additional customer led demands, asset managers are becoming increasingly sophisticated in their approaches.

Why Attend?

This asset management: techniques, risks and controls training course is designed to provide the course participants with an outline understanding as to the key issues that exist within asset management as the industry continues to develop.

By the end of the course delegates will have considered the variety of asset types available to the asset management industry, together with the controls that are necessary to mitigate the risks that are being run.

The programme will concentrate on the main asset types: equity (listed and unlisted), fixed income and property, whilst referring to other available asset types. Key investment appraisal techniques will be explained and demonstrated through practical case studies. The appointment of asset managers and the role that external asset managers can play will also be considered.

LOCAL CONTACT



Who Should Attend?

The programme is aimed at delegates developing their understanding of asset management and the controls and risks associated with this business. Anyone with an interest in obtaining a better understanding of the asset management industry should attend including:

- Fund Managers and analysts
- Portfolio Managers
- Fixed income and equity analysts
- Risk managers
- Internal audit
- External audit
- Administration, middle and back office staff
- Compliance officers
- Suppliers to the asset management industry
- Consultants

Training Methodology

The learning format is to adopt a mixture of structured lectures and practical case studies. The practical case studies will enable the delegates to appreciate the importance of analysis, risk and control.

Course Level

Whilst some basic knowledge of investments would be beneficial, the course will commence with a brief refresher to deal with basic concepts. Given the focus on the practical it is important for delegates to contribute to the course to ensure that all delegates achieve the maximum value from the event.

Course Outline

DAY 1
Principles of Asset Management

Objective: For participants to understand the basic principles of operations within the asset management industry.

Session 1
General Introduction

- Investment management
- Structure of an asset management firm
- Types of funds
- Introduction to performance evaluation
- Introduction to asset management styles (active, passive & growth)
- General introduction to investment asset types
- Introduction to asset allocation
- Introduction to benchmarks and performance measurement.

Case Study: Consideration of management styles to understand how each performs in a different part of the economic cycle.

Session 2
Know Your Client

- What information do you require?
- How can you keep this up to date?
- The client agreement
- How to judge suitability
- The moral vs actual risk dilemma
- Introduction to behavioural analysis

Case Study: Consideration of a number of different customer profiles in terms of the type of investment that might be suitable for them.

Session 3
Appointment of Fund Managers

- The selection process
- The investment style
- The service level agreement and other contracting issues
- Key performance indicators
- Key risks and controls

Case Study: Reviewing the nature of risk and control within outsourcing and the amount of outsourcing already conducted

Discussion: The advantages of using specialist asset managers and the advantages of specific fund performance.

DAY 2
Quoted Equity Investment

Objective To enable the course participants to appreciate the key issues associated with quoted equity investment as an asset class.

Session 4
Equity Market Analysis

- Introduction to fundamental equity analysis
- Review to different investment management styles
- Review of international equity markets
- Market liquidity
- International portfolio diversification

Case Study: Matching a portfolio to client objectives using real information.

Session 5
Equity Valuation Principles

- Introduction to equity valuation
- Financial statement analysis
- Ratio analysis
- Cash flow
- Forecasting
- Comparative analysis

Case Study: Fundamental corporate investment analysis.

Session 6
Risk and Controls within Equity Markets

- The selection of the benchmark
- Tracking error
- The role of middle and back office
- The risk and control environment
- Corporate actions
- The type of things that can go wrong

DAY 3
Quoted Fixed Income and Property Investment

Objective To enable the course participants to appreciate the key issues associated with fixed income investment as an asset class.

Session 7
Government Securities

- The nature of the market including quasi government exposures
- Sovereign risk ratings
- The valuation of government securities

Case Study: Consideration of the likely return on government securities focussing on the secondary prices.

Session 8
Corporate Fixed Income Securities

- The nature of the market
- Suitability within a portfolio
- The rating structure
- The pricing of fixed income securities

Case Study: Short case study on fixed income valuation.

Session 9
Key Types of Property Exposure

- Physical and synthetic exposure
- Freehold and leasehold
- Green and brown land
- Property development
- The acquisition process
- Property maintenance
- Tenant issues
- Property valuation

Case Study: Looking at examples of what can go wrong, identify a series of lessons for the institution.

Money Management

Objective Funds are always initially received in cash and many funds require a significant level of assets to be held in cash and near cash instruments. This session will consider the options available and the decisions to be taken in practice.

Session 10
Types of Cash Instruments

- Length of deposits
- Other cash instruments
- The yield curve

Risk and Control in Cash Management

- Asset and liability management
- Portfolio Liquidity
- Asset diversification
- Key risks and controls

DAY 4

Asset Allocation & Portfolio Management

Objective To bring together a number of the earlier sessions to enable a full portfolio to be designed and for the risks associated with portfolio management to be understood.

Session 11
Asset Allocation

- Expected return
- Forecasting
- Use of historical data
- Client suitability

Session 12
Tactical Asset Allocation

- Comparison of different approaches to asset allocation
- Core and satellite
- Growth and value

Case Study: Using a variety of asset types to demonstrate the impact on a portfolio risk profile.

Day 5 Option A
Alternative Investments

Objective: To consider in brief some of the other asset types that are either emerging or available within the asset management industry to enable participants to understand the key elements that such assets will add to a portfolio.

Structured Products

- Risks and returns Hedge Funds
- What is a hedge fund?
- Leverage
- Short investing
- Hedge fund performance cycles
- Risks and Control

The use of Derivatives in Asset Management

- OTC vs ETD
- Types of Derivatives used in Asset Management
- Futures
- Options
- Risks and controls associated with derivatives, including documentation and reporting issues
- Valuation issues

Throughout this session we will consider the different asset types and what each brings to a portfolio in terms of diversification. The risks and controls will be considered in each case.

Case Study: Identification of key risks and controls in respect of each of the alternative investment classes.

Day 5 Option B
Venture Capital / Private Equity / Commodities

Objective: To consider in brief some of the other asset types that are either emerging or available within the asset management industry to enable participants to understand the key elements that such assets will add to a portfolio.

Venture Capital

- The market
- How to select an investment
- Valuation issues

Private Equity/Angel Finance

- Suitability

Commodities

- Growth in market
- Role in a portfolio

Case Study: Review a series of venture capital business plans and consider which would make a suitable investment.