

Title	Demonstrate understanding of investment concepts and the associated regulatory environment		
Level	5	Credits	5

Purpose	<p>People credited with this unit standard are able to:</p> <ul style="list-style-type: none"> – demonstrate understanding of investment asset classes, financial instruments, and investment services and how they are utilised in developing or implementing investment strategies – demonstrate understanding of portfolio construction techniques – demonstrate understanding of the concept of investment risk and return and its relevance to developing or implementing investment strategies and – demonstrate knowledge of the legislative and regulatory framework applicable to the investment sector.
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Classification	Financial Services > Financial Services - Professional Practice
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Available grade	Achieved
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Guidance Information

- 1 References

Consumer Guarantees Act 1993;
 Fair Trading Act 1986;
 Income Tax Act 2007;
 KiwiSaver Act 2006;
 Securities Act 1978;
 Securities Markets Act 1988;
 Superannuation Schemes Act 1989;
 Trustee Act 1956;
 Trustee Amendment Act 1988;
 relevant industry codes of practice;
 and all subsequent amendments and replacements.

For detailed information on specific requirements in relation to legislation and regulations refer to the Legislation Matrix available at www.skills.org.nz/resources-for-training-providers.
- 2 Definition

Legislation Matrix – a reference list of legislation, regulations, and codes of practice, including specific sections or areas that candidates need to be familiar with for the purposes of assessment against this unit standard. It is available at: www.skills.org.nz/resources-for-training-providers.

3 Range

Assessments requiring application or demonstration of skills and knowledge may be performed using workplace evidence or evidence derived from simulation or scenario based activities.

All activities must comply with legislation, regulations, and best practice, including any guidance notes published by the agency responsible for the relevant enactment or code.

Outcomes and performance criteria

Outcome 1

Demonstrate understanding of investment asset classes, financial instruments, and investment services and how they are utilised in developing or implementing investment strategies.

Range asset classes include but are not limited to – equities (shares); fixed interest investments including government and non-government debt; property investments; alternative investments such as derivatives, private equity, and hedge funds; cash; both domestic and international variations of an asset class are included where both are ordinarily available; financial instruments include but are not limited to – direct equities, direct bonds, managed investments, KiwiSaver.

Performance criteria

1.1 Describe investment asset classes in terms of types and characteristics.

Range characteristics include but are not limited to – benchmark and long term expected return, risk, liquidity, mix of investment gain between income and capital growth.

1.2 Describe financial instruments in terms of types and characteristics.

Range characteristics include but are not limited to – fee structures, liquidity, taxation, standard terms and conditions.

1.3 Describe investment services in terms of types and characteristics.

Range investment services include but are not limited to – custody, wrap platforms, Discretionary Investment Management; characteristics include but are not limited to – fee structures, liquidity, taxation, standard terms and conditions.

1.4 Describe the effects of changes in the economic environment in relation to the performance of asset classes.

Range economic environment includes but is not limited to – international economic and business cycles, local economic and business cycles, interest rates, exchange rates, inflation, government monetary and fiscal policies, regulatory and tax regimes.

1.5 Perform time value of money calculations to analyse or quantify common investment goals and objectives.

Range includes but is not limited to – present value of a future lump sum, present value of a future cash flow, future value of a current lump sum, future value of a cash flow, regular payment required to create a future value, regular payment from a current lump sum; results are not required to be generated from first principles or formula, use of financial calculator, spread sheets or software tools is acceptable, including on-line resources.

Outcome 2

Demonstrate understanding of portfolio construction techniques.

Performance criteria

2.1 Explain portfolio management theories in terms of asset allocation, diversification, and risk management.

2.2 Explain portfolio management approaches in terms of methodology and diversification benefits.

Range methodologies include but are not limited to – active/passive, value/growth, country and sector allocation.

Outcome 3

Demonstrate understanding of the concept of investment risk and return and its relevance to developing or implementing investment strategies.

Range investment risk includes but is not limited to – capital risk, currency risk, financial risk, market risk, liquidity risk, negative returns, returns below inflation rate.

Performance criteria

3.1 Describe the nature of investment risk in relation to different types of investment strategies.

3.2 Evaluate processes and solutions for managing investment risk and return for effectiveness using appropriate quantitative analysis techniques.

Range processes and solutions may include but are not limited to – diversification of asset allocation and management style, risk insurance, derivative products, currency management, dollar cost averaging.

Outcome 4

Demonstrate knowledge of the legislative and regulatory framework applicable to the investment sector.

Performance criteria

- 4.1 Explain and where relevant apply key provisions of legislation and/or regulations listed in the legislation matrix that impact the daily operations of providers of financial instruments and investment services.

Replacement information	This unit standard and unit standard 28376 were replaced by unit standard 31859 and unit standard 31862.
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This unit standard is expiring. Assessment against the standard must take place by the last date for assessment set out below.

Status information and last date for assessment for superseded versions

Process	Version	Date	Last Date for Assessment
Registration	1	19 February 2015	31 December 2022
Review	2	23 January 2020	31 December 2022

Consent and Moderation Requirements (CMR) reference	0003
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This CMR can be accessed at <http://www.nzqa.govt.nz/framework/search/index.do>.