

Title	Demonstrate and apply understanding of investment analysis techniques used to test against predetermined requirements		
Level	5	Credits	10

Purpose	<p>People credited with this unit standard are able to demonstrate:</p> <ul style="list-style-type: none"> – understanding and application of quantitative analysis techniques – application of the outcome of quantitative analysis to determine whether an analysed option meets predetermined requirements, and – understanding of qualitative factors that may be relevant in investment analysis.
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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 Range

In cases where candidates are asked to apply analysis to investment assets they are required to do so for KiwiSaver and at least two other products or services in each case where there is a selection.

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.

- 3 Sample investment analysis techniques
The following lists investment sectors and possible quantitative measures or calculations that are used in the measurement of performance.

Investment Types Relevant financial ratios and calculations.

Bonds/Fixed Interest Yield, price, annualised return; coupon, term to maturity, credit rating, cum-interest, ex-interest, capital and accrued components.

Cash/cash equivalent interest rate measurement (simple, compound, and effective).

Derivatives such as Delta.
futures, options or Contracts for Difference CFDs

Direct equities price/earnings ratio, dividend yield, debt/equity.

Real property initial yield, debt coverage ratio, income yield, debt/equity ratio, common valuation methodologies, capitalisation ratio.

Managed investments Alpha, Beta, Sharpe Ratio.

Alternatives Identify relevant ratios for others depending on type of alternative.

Portfolio weighted average return, correlation coefficient of asset pairs, covariance.

Legacy products such as Surrender Value, Estimated Maturity Value.
whole of life or endowment
assurance

Outcomes and performance criteria

Outcome 1

Demonstrate understanding and application of quantitative analysis techniques.

Range quantitative results and financial ratios can be obtained from available tools such as online or software calculators or spread sheets and are not required to be derived by manual calculation.

Performance criteria

- 1.1 Explain and demonstrate the applicability of quantitative analysis techniques used for investment valuation and management.

Range simple, compound and effective interest rate; internal rate of return; effect of inflation; rate of return on an investment; average return; measures of volatility including probability and standard deviation.

1.2 Explain and demonstrate the applicability of quantitative analysis techniques used for measuring share performance.

Range price/earnings ratio, dividend yield, debt/equity ratio.

1.3 Explain and demonstrate the applicability of quantitative analysis techniques used for measuring bond performance.

Range explanation includes but is not limited to – yield, value or price, annualised return, coupon, term to maturity, credit rating, cum-interest, ex-interest, duration, capital and accrued components; demonstration includes – yield, value or price, annualised return.

1.4 Explain and demonstrate the applicability of quantitative analysis techniques used for measuring property performance.

Range includes but is not limited to – initial yield, debt coverage ratio, income yield, debt/equity ratio, common valuation methodologies.

1.5 Explain the applicability of quantitative analysis techniques used for evaluation of managed investment performance.

Range includes but is not limited to – Alpha, Beta, Sharpe Ratio.

1.6 Explain and demonstrate the applicability of quantitative analysis techniques used for measuring portfolio performance.

Range explanation includes but is not limited to – weighted average return, correlation coefficient of asset pairs, attribution analysis; demonstration includes – weighted average return.

1.7 Explain and demonstrate the impact of foreign exchange fluctuations on investment return.

Outcome 2

Apply the outcome of quantitative analysis to determine whether an analysed option meets predetermined requirements.

Range may include but is not limited to – product development, maintenance of a recommended list of securities for use in providing client advice, identifying appropriate users of a product.

Performance criteria

- 2.1 Explain what attributes, if any, of the researched option are shown to meet the predetermined requirements.
- 2.2 Explain what attributes, if any, of the researched option are shown to not meet the predetermined requirements.
- 2.3 Provide justification of whether, on balance, the researched option meets or does not meet the predetermined requirements.

Outcome 3

Demonstrate understanding of qualitative factors that may be relevant in investment analysis.

Performance criteria

- 3.1 Identify a range of qualitative factors that may be relevant to the analysis of financial and non financial assets.
- 3.2 Describe the implications of each factor for the purpose of analysis.
- Range evidence is required of factors that are relevant to KiwiSaver and a minimum of two other different types of direct or indirect financial assets and/or direct property.

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>.