

Title	Demonstrate and apply knowledge of investment assets, services, and financial instruments to meet client needs		
Level	5	Credits	8

Purpose	<p>People credited with this unit standard are able to:</p> <ul style="list-style-type: none"> – demonstrate knowledge of investment asset classes, financial instruments, and investment services; – apply knowledge of investment assets and services to meet client needs; and – apply knowledge of client and adviser circumstances that are relevant to creating investment solutions that meet client needs.
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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

Code of Professional Conduct for Financial Advice Services;
 Consumer Guarantees Act 1993;
 Fair Trading Act 1986;
 Financial Markets Conduct Act 2013;
 Financial Services Legislation Amendment Act 2019;
 Income Tax Act 2007;
 KiwiSaver Act 2006;
 Trustee Act 1956;
 Trustee Amendment Act 1988;
 relevant industry codes of conduct;
 and all subsequent amendments and replacements.

2 Definitions

Investment assets – financial and non-financial assets. Financial assets include direct and indirect variants of cash, bonds, and equities, and may include financial derivatives of these. Non-financial assets include real property and may include tangible assets.

Investment services – custody, wraps, platforms, Discretionary Investment Management.

3 It is expected that candidates demonstrate the competency by means of evidence relating to specific financial and non-financial assets and services rather than generic asset types or classes.

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.

4 Sample investment analysis techniques

The following lists investment types and possible quantitative measures 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).
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.

Outcomes and performance criteria

Outcome 1

Demonstrate knowledge of investment asset classes, financial instruments, and investment services.

Performance criteria

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

Range asset classes may 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; characteristics may 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 financial instruments may include but are not limited to – direct equities, direct bonds, managed investments, KiwiSaver; characteristics may 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 may include but are not limited to – custody, wrap platforms, Discretionary Investment Management; characteristics may 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 may include 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 may include 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

Apply knowledge of investment assets and services to meet client needs.

Performance criteria

- 2.1 Analyse the features, benefits, risks, and limitations of assets and services to identify the those that meet the needs and circumstances of the client.

Range KiwiSaver and at least one other from – direct securities, managed securities, and real property.
- 2.2 Apply quantitative analysis techniques to evaluate whether assets meet client needs.

Range quantitative analysis techniques may include but are not limited to – investment valuation and management, measuring share performance, measuring bond performance, evaluating managed investment performance, measuring portfolio performance.

Outcome 3

Apply knowledge of client and adviser circumstances that are relevant to creating investment solutions that meet client needs.

Performance criteria

- 3.1 Explain any particular asset ownership considerations that may arise with respect to the identified solutions, including the need to refer to the client’s other professional advisers.

Range may include but is not limited to – legal implications, tax implications.
- 3.2 Analyse the implications for investment solutions of common ownership structures.

Range ownership structures may include – personal ownership, joint tenants, tenants in common, companies, trusts, partnerships.
- 3.3 Explain strategies to address limits of adviser authority or expertise when creating investment solutions.

Replacement information	This unit standard and unit standard 31859 replaced unit standard 28375 and unit standard 28376.
Planned review date	31 December 2024

Status information and last date for assessment for superseded versions

Process	Version	Date	Last Date for Assessment
Registration	1	23 January 2020	N/A

Consent and Moderation Requirements (CMR) reference

0003

This CMR can be accessed at <http://www.nzqa.govt.nz/framework/search/index.do>.

Comments on this unit standard

Please contact The Skills Organisation reviewcomments@skills.org.nz if you wish to suggest changes to the content of this unit standard.