

# CIMA<sup>®</sup>/CIMC<sup>®</sup> Certification Renewal

## Accepted Continuing Education Topic List

*Revised July 2009*

Continuing education (CE) is a form of recertification and, therefore, should be tied directly to the knowledge, skills, and abilities that are covered in the certification examination process. IMCA's Certification Committee also has approved supplemental topics that are deemed to be relevant which can be accepted for CE as well. The attached list outlines the technical investment management topics and the supplemental topics that are accepted for CIMA and CIMC CE credit.

### **I. Modern Portfolio Theory**

#### **A. Components of returns**

- 1) Total and real return, including efficient asset selection, Arbitrage Pricing Theory (APT), capital allocation line (CAL), capital market line(CML), Capital Asset Pricing Model (CAPM)
- 2) Nominal and real returns
  - a) Index construction, inflation adjusted returns, correlation, and diversification
  - b) Measuring historical returns
  - c) Long-run accumulation
  - d) Time value of money
- 3) Equity premiums
- 4) Risk and return in global markets
- 5) Effects of taxes and transaction costs on returns

#### **B. Risk and beta**

- 6) Evaluate risk
  - a) Concept of risk
  - b) Ability, willingness, and need to assume risk
- 7) Risk measurements
  - a) Standard deviation
  - b) Annual return volatility including correlations, variances, and covariances
  - c) Volatility and downside risk, including probability of negative return, semi-variance
- 8) Monte Carlo simulation and other forms of risk budgeting
  - a) Uses, advantages, and disadvantages of value-at-risk (VaR) and Monte Carlo simulations
  - b) Time horizons and portfolio risk
- 9) Beta
  - a) Calculation of beta and its relevance
  - b) Factors impacting return and risk (e.g., book-to-market ratio, earnings' yield, value and growth stocks)
  - c) Up- and down-capture ratios

#### **C. Asset selection and allocation**

- 10) Client objectives and asset allocation
  - a) Asset allocation steps
  - b) Spending policy and its implications on asset allocation
  - c) Asset allocation: differences for clients and entities
  - d) Strategic and tactical asset allocation, including buy-and-hold, constant mix, and constant proportion portfolio insurance (CPPI)
- 11) Forecasting expected returns
  - a) Macroeconomic conditions and the impact on portfolio decisions
  - b) Asset classes appropriate for clients
  - c) Capital market expectations, including the expected return forecast for a given portfolio
- 12) Efficient portfolio selection
  - a) Role of correlation in determining portfolio risk/return, including the correlation and covariance between assets
  - b) Advantages and disadvantages of a multiple-asset-class portfolio
  - c) Impact of diversification on systematic and nonsystematic risk
- 13) Portfolio rebalancing
  - a) Benefits and costs of rebalancing
  - b) Rebalancing methodologies and considerations

- D. Tax-efficient strategies
  - 14) Components and importance of tax efficiency
    - a) Key features of U.S. Tax Code (e.g., capital gains, ordinary income, capital losses, avoidance and deferral of taxes)
    - b) Tax-efficient principles pre- and after-tax returns
    - c) Separate accounts, private accounts, and mutual funds, including realized and unrealized gains and losses
  - 15) Implementation of tax-efficient strategies
    - a) Calculation of taxes using ordinary income rates
    - b) Calculation of taxes when there is a penalty for early withdrawal
    - c) Taxes on retirement distributions
    - d) Net present value of taxable investments
  - 16) Asset location and tax efficiency
- E. Behavioral finance theory
  - 17) Differences between behavioral finance investment and traditional finance
  - 18) Implications of investor attributes (e.g., overconfidence, house money effect, regret, disposition effect, cognitive dissonance) on an investor's investment performance and behavior

## **II. Individual and Institutional Investment Policies**

- A. Components of investment policy statements (IPS)
  - 19) Importance of an IPS
  - 20) Components of an IPS
- B. IPS preparation and recommendations
  - 21) Situational profiling, including sources of wealth, measures of wealth, and stage of life
  - 22) Investment objectives, spending policy, and other constraints
  - 23) Role of capital market expectations in the IPS
  - 24) Preparation of an IPS, including asset allocation

## **III. Investment Manager Performance Measurement and Selection**

- A. Performance measurement and attribution
  - 25) Investment returns
    - a) Rolling-period returns compared with annual returns
    - b) Time-weighted and dollar-weighted rates of returns
    - c) Arithmetic returns and geometric average returns
  - 26) Risk-adjusted measures
    - a) Performance measures based on total risk
    - b) Risk measurements (e.g., variance and standard deviation, beta, downside deviation)
    - c) Strengths and weaknesses of different types of analysis, including R-squared coefficient, Sharpe ratio, M-squared ratio, Sortino ratio, Jensen's alpha (CAPM), Treynor ratio, Appraisal ratio
  - 27) Benchmarks
    - a) Benchmarks: including normal portfolio analysis, performance attribution analysis, investment style analysis
    - b) Advantages and disadvantages of using indexes as benchmarks
    - c) Custom benchmarks for clients
  - 28) Attribution analysis on a client's portfolio
    - a) Types of attribution analysis, including risk-adjusted measures, peer group comparisons, scattergrams, and floating bar charts
    - b) Factors affecting analysis
- B. Manager search and selection
  - 29) Manager search methodology
    - a) Standard criteria for manager/index selection, including qualitative and quantitative criteria
    - b) Advantages and disadvantages of active manager databases and other research
    - c) Components of the manager interview
  - 30) Investment management styles
    - a) Active and passive styles, including growth, value, large-cap, small-cap, mid-cap, domestic, international, high-quality, low-quality, high beta, low beta
    - b) Management structure (e.g., core/satellite, multimanager)

- c) Implementation of active and passive investment-management strategies, including tracking error, single-index regression, multiple-index optimization
- d) Separate accounts and mutual funds
- 31) Initial and ongoing due diligence for manager selection
- 32) Style analyses, including returns-based and holdings-based styles

#### **IV. Investment Analysis and Recommendations**

- A. Fixed-income markets
  - 33) Price risk and reinvestment risk
    - a) Characteristics of bonds, including features, coupon structures, payment methods, options
    - b) Types of bonds, including federal, state, municipal, corporate, international, collateralized mortgage obligation
    - c) Valuation of bonds and other fixed-income securities
    - d) Bond yields, including reinvestment rate assumptions
    - e) Risks associated with fixed-income securities
  - 34) Duration and convexity
    - a) Duration
    - b) Convexity
    - c) Duration/convexity of a portfolio of assets or liabilities
    - d) Expected yield volatility
    - e) Immunization of assets; asset/liability management
- B. Assess equity markets
  - 35) Market capitalization and risk/return characteristics of developed and developing countries
  - 36) Advantages and disadvantages of investing in emerging markets, including correlation between currency and asset return, skewness and kurtosis, global versus international
  - 37) Correlations and changes over time between foreign and domestic stocks
  - 38) Benefits and risks of international investing
  - 39) Advantages and disadvantages of international diversification
  - 40) Risk management for international investing
  - 41) Total return measurement for foreign portfolios, including exchange rate gains/losses
- C. Alternative investments and derivatives
  - 42) Differences between alternative and traditional asset classes
    - a) Alternative investment strategies, including hedge funds, future funds, venture capital funds, private equity, real estate, commodities
    - b) Accredited and non-accredited investors
    - c) Tax issues for hedge funds and other alternative investments
  - 43) Alternative asset strategies for offshore investing, derivatives, futures markets, options markets etc.
  - 44) Trends in alternative assets and their importance, including the effect on target portfolio beta or portfolio allocation
  - 45) Hedge fund/alternative-asset strategies legal and regulatory issues
  - 46) Speculation and hedging

#### **V. Ethical and Legal Implications**

- A. Application of ethical considerations
  - 47) Disclosure
  - 48) Conflicts of interest
  - 49) IMCA Code of Professional Responsibility
- B. Legal considerations
  - 50) Fiduciary responsibilities for trusts, foundations, endowments, ERISA plans, and principal-agent relationship
  - 51) Actions that may invoke the care of a fiduciary
  - 52) Prohibited transactions under applicable legislation (e.g., ERISA)
  - 53) Investment industry laws and regulations (e.g., ERISA, UPIA, UMIFA, UPMIFA, federal and state regulatory agencies)

## **Supplemental Topics for CIMA/CIMC CE Credit**

The following topics are supplemental to the technical investment management topics. Continuing education programs and materials that address these topics may be eligible for CIMA and CIMC CE credit.

### **Wealth Management**

- Tax Planning
- Tax Efficient Portfolio Construction & Management
- Executive Compensation Plans
- Concentrated Stock Positions
- Business Entities and Closely Held Businesses
- Retirement Planning
- Asset Protection
- Charitable Planning
- Estate and Gift Taxation
- Estate Planning

Non-technical topics that may be accepted for continuing education credit:

### **Business Management and Practice Management**

- Building your Business
- Business Strategies
- Leadership Programs
- Marketing Skills and Techniques
- Motivation Programs
- Team Building