

The purpose of this document is to provide an analysis of potential topics for the June 2014 exam. The topics are listed by question area with the most likely topics listed first. This is based on what has been tested recently and the frequency with which it has been tested in the past. The brackets contain details of when this question was last tested and the approximate frequency of testing.

A word of warning:

There was a new examiner for the December 2012 exam. We have been told that the style of the exam should remain the same. However it is very possible that the new examiner will be less predictable than the previous examiner.

Therefore there is no substitute for working through as many past papers as you can so you are prepared.

We do not try to predict Section C as there is no discernible pattern to the questions. The best thing to do is to attempt the last ten case studies set by the examiner.

Our mock exams are designed to cover some of these topics. Please also refer to examples of questions previously set in the exam as the examiner often sets the same question again.

Section A

Taxation

- Income tax liability (Tested in Section C in Sept 2013, Jan/April 2012 and in Section A in Dec 2013, June 2013, Sept 2012, June 2011, very frequent)
- Inheritance liability (Section C Dec 2013, June 2013, April 2013, Section A Sept 2011, March 2010, very frequent)
- Capital gains tax liability on shares and share matching (April 2013, July 2012, November 2011, very frequent)
- Advantages of VCTs vs. EISs (June 2013, Sept 2012, Sept 2011, annually)
- Top-slicing relief for life assurance bonds (Dec 2008, rare in Section A)
- Domicile (Sept 2011, Sept 2009)
- IHT terminology (July 2012, frequent)
- ISAs vs. personal pensions (Section B April 2013 and Section A Sept 2012, June 2010, June 2008)
- Power of attorney, Deed of variation, Quick succession relief (Dec 2013, June 2013, frequent in section A or C)

Trusts

- Discretionary trust vs. bare trust (Dec 2013, Jan 2012, frequent)
- Interest in possession trust vs. discretionary trust (May 2012, March 2011, very frequent)
- Elements of the Trustee Act (Dec 2012, April 2012, Dec 2009, June 2008, Section C Dec 2013)
- Gift Aid/purpose of a charitable trust (Section C April 2013, May 2012, March 2010, rare)
- Reasons for establishing a discretionary trust (Sept 2012, June 2010)

Equities

- Rights of a proxy/ordinary shareholder (June 2013, Dec 2012, Sept/March 2011, frequent)
- Bonus issues and stock splits (Jan 2012, March 2010)
- Offer for subscription/sale (March 2010, rare)
- ADRs vs. GDRs (Dec 2010, annually)
- Rights issues (Dec 2013, April 2013, May 2012, Nov 2011, normally annually)
- Staggering/underwriting new issues (Dec 2013, Dec 2012)

Equities markets and settlement

- Settlement terms, CAD, CMA, Cap, Headroom (April 2013, April 2012, June 2010, frequent)
- Types of order (Dec 2013, Dec 2012, May 2012, Nov 2011, normally annually)
- Advantages/disadvantages of stockbroker nominee accounts (Sept 2012, Jan 2012, June 2011)
- Trading systems, e.g. SETS, IOB etc (Sept 2011, rare)
- Stamp duty (June 2010, rare)

Fixed income

- Yield Gap (Sept 2013, April 2013)
- PIBS (Sept 2013, July 2012)
- Order book for retail bonds (June 2013, Nov 2011, March 2011)
- Settlement proceeds for an ILG/conventional gilt (Dec 2013 conventionals tested in May 2012, annually)
- Risk of sovereign bonds (Section B Dec 2013, June 2013, June 2011, annually)
- Convertible bond question (Section B June 2013, Sept 2011, annually)
- Gilts STRIPS (Jan 2012, March 2010, frequent)
- Methods of issuance (March 2010, rare)
- Gilt repo jargon question (Dec 2007, rare)

Financial statements

- Income priority percentage (April 2012, March 2011, annually)
- Risk of an ordinary share (Section B June 2013, Sept 2010, annually)
- Calculation of ratios (Sept 2013, Dec 2012, May 2012, Sept 2011, rare)
- Commenting on dividend etc (Jan 2012, June/Dec 2009, rare)
- Capital priority percentages (Sept 2013, Sept 2012, Dec 2010, annually)

Derivatives

- Strangles (Dec 2013, April 2012, March 2011, frequent)
- Warrants and covered warrants (Dec 2010, annually)
- Stop-losses and protective puts (June 2013, Dec 2010)
- Writing call options (Dec 2012)
- CFDs
 - Jan 2012 and July 2012– CFDs and puts
 - Make sure you cover both short and long strangles
- Hedging using options and futures (May 2012, similar to Nov 2011 section C)
- Takeovers/Warrants (Sept 2012, June 2011)

Cash-based products

- AER (Dec 2012, April 2012, March 2011, rare)
- JISA vs. Children's Bonds (Sept 2013, Jan 2012, frequent)

Regulations

- Market abuse terminology (April 2012, Dec 2008)
- Phases of money laundering and penalties (April 2013, Sept 2011)
- RDR (never tested, but specifically mentioned by the examiner)
- Compensation (Dec 2013, Dec 2012, Sept 2009) – make sure you learn the Pension Protection Fund compensation limits too
- Aggregation, allocation, churning and switching (Dec 2012, Jan 2012, June 2011)
- Chinese walls, conflicts of interest (May 2012)
- Insider dealing and market abuse (Dec 2013, Sept 2012, Nov 2011, annually)
- Dual regulation (Dec 2013, Sept 2013)

Collective investment schemes

- OEICs vs. unit trusts (Sept 2013, March 2011)
 - Advantages of ETFs over traditional funds (June 2008)
- Hedge fund strategies (June 2010, previously relatively frequent)
- Tax treatment of offshore reporting and non-reporting funds (Dec 2009)
- Hedge funds vs. ETFs (April 2012, new)
- Features of UCITS (July 2012, new question)
- Features of REITs (April 2013, Nov 2011, annually)
- Pound cost averaging (Sept 2013, July 2012, Nov 2011, March 2011, frequent)
- TER/RIY (April 2013, July 2012, Sept 2011, not previously tested – a potential section B topic, Dec 2012)

Life assurance and structured products

- With-profit bonds vs. guaranteed bonds (Sept 2012, June 2011, frequent)
- Structured products (not previously tested in Section A)
- Top-slicing relief for life assurance bonds (Dec 2008, rare in Section A)
- NSI Income Bonds vs. life assurance guaranteed income bonds (April 2012)

Pensions

- ISAs vs. personal pensions (Section B Dec 2013, Section B April 2013, Section A Sept 2012, June 2010, June 2008)
- Open market option, impaired life annuity, income drawdown (May 2012, Nov 2011, June 2011, very frequent)
- Tax treatment (Section B Dec 2012)
- Drawdown (June 2013)

Investment strategy

- Jargon related to indices (June 2013, Dec 2012, Dec 2010, rare)
- Alpha, Beta (April 2013, Sept 2011, very frequent)
- APCIMS Private Investor Indices (June 2011, biannually)
- MWRR vs. TWRR (April 2013, Sept 2012, May 2012, Nov 2011, annually)
- FTSE 4Good (July 2012, Jan 2012, June 2011, biannually)

Section B

The questions in the December 2013 exam were on the following topics:

- Discuss the risk/return characteristics of sovereign bonds at the present time, from the perspective of a UK client
- Discuss the investment arguments for and against 'socially responsible investing' (SRI) and the relative merits of the measures of implementation
- Compare and contrast an ISA and a SIPP. Discuss suitability, taxation (including IHT) and advantages/disadvantages

The section B questions have become much less predictable. It is sensible to prepare a wide range of topics so that you do have some choice in the exam. Section B question preparation will also help with answering Section C questions too as many of the topics overlap. The examiner expects an illustration of understanding of current financial issues. Sovereign bonds featured in December 2013, QE featured in the June 2013, and the yield curve in September 2013, but the removal (tapering) of QE will be an ongoing issue, so will SRI and emerging markets. The explanation of riskiness of shares and bonds is perennial.

Fixed income

- QE and bond investment strategies (June 2013, May 2012, Dec 2010)
- Risk/return of a corporate bond (March 2011, Dec 2007)
- Index-linked gilts and alternatives (Dec 2009, rare – tested in Section C in Nov and March 2011)
- Reasons for shape of yield curve (June 2011, frequent)
- Convertible bonds (Nov 2011, June 2008, rare)
- Features of preference shares and suitability in private client portfolios (April 2012)
- Risk/return characteristics of sovereign bonds (Dec 2013, Sept 2012, Jan 2012)

Equities/financial statements

- Risk of an ordinary share (June 2013, Jan 2012, Dec 2008, relatively frequent)
- Use of ratios in selecting investments
 - Determinants of dividend yields, earnings yield and P/E ratios (Dec 2012, Dec 2010)
 - P/E and P/BV (June 2011, frequent)
- Emerging markets (March 2010, used to be frequently but not set for a while)
- Rights issues and share buy backs (Sept 2011, biannually)
- Features of preference shares and their suitability in private client portfolios

Collective investment schemes/life assurance

- Structured products (Sept 2011)
- Advantages and disadvantages of a FTSE 100 index tracker fund (Sept 2013, Nov 2011)
- Absolute return funds vs. other types of fund
 - See Sept 2012, Sept 2010, June 2009 and Dec 2006
 - SPLABs vs. unit trusts/OEICs – Jan 2012, June 2008
- Methods of investing in property
 - See June 2007

- Split-level investment trusts (Sept 2011, Dec 2009)
- ETFs in a portfolio (April 2013, July 2012, June 2011, Section C Dec 2013 not previously tested)
- Charges and other expenses (Dec 2012)

Investment strategy

- Global ethical/socially responsible investing (Dec 2013, April 2013, April 2012, March 2011, frequent)
 - See June 2010 and Dec 2006 for global ethical investing
- Charges and Alpha (Dec 2010)
- Methods of assessing performance of a fund and fund selection factors (April 2012)
- Alpha and Beta for stock selection (May 2012, March 2011)
- Pound-cost averaging vs. market timing (Sept 2012)
- Momentum and fundamental investment strategies – strengths and weaknesses (Sept 2013)

Trusts

- Trust arrangements for children (July 2012, Nov 2011, June 2009)
- Discretionary trusts and tax treatment (Dec 2008)

Pensions

- Advantages/disadvantages of ISAs vs. SIPP (Dec 2013, June 2013)