

Investment principles and risk

Purpose

At the end of this unit, candidates will have investigated the:

- characteristics, inherent risks, behaviour and correlation of asset classes, and investment products;
- macro-economic environment and its impact on asset classes;
- merits and limitations of the main investment theories;
- nature and impact of the main types of risk on investment performance;
- performance of investments.

Summary of learning outcomes	Number of questions in the examination*
1. Analyse the characteristics, inherent risks, behaviour and correlation of asset classes	17 standard format/ 11 multiple response
2. Understand the macro-economic environment and its impact on asset classes	6 standard format
3. Understand the merits and limitations of the main investment theories	7 standard format
4. Apply the principles of the time value of money.	3 standard format
5. Analyse and explain the nature and impact of the main types of risk on investment performance	5 standard format
6. Analyse the characteristics, inherent risks, behaviours and relevant tax considerations of investment products	15 standard format/ 7 multiple response
7. Apply the investment advice process	11 standard format
8. Understand the principles of investment planning	8 standard format
9. Analyse the performance of investments	10 multiple response

Important notes

- Method of assessment: 100 questions: 72 standard format and 28 multiple response questions. 2 hours are allowed for this examination.
- This syllabus will be examined from 1 September 2026 to 31 August 2027.
- Candidates will be examined on the basis of English law and practice in the tax year 2026/2027 unless otherwise stated.
- It should be assumed that all individuals have long-term UK residence status unless otherwise stated.
- This PDF document has been designed to be accessible with screen reader technology. If for accessibility reasons you require this document in an alternative format, please contact us on online.exams@cii.co.uk to discuss your needs.

1. Analyse the characteristics, inherent risks, behaviour and correlation of asset classes

- 1.1 Analyse the characteristics and inherent risks of the main asset classes.
- 1.2 Analyse the behaviour and correlation of asset classes and their relevance to asset allocation.

2. Understand the macro-economic environment and its impact on asset classes

- 2.1 Explain the key economic trends and their impact on asset classes.
- 2.2 Explain the key economic indicators, their trends and interpretation.
- 2.3 Explain the impact of monetary and fiscal policy.

3. Understand the merits and limitations of the main investment theories

- 3.1 Explain the main investment theories, their benefits and limitations.
- 3.2 Explain portfolio theory, diversification and hedging.
- 3.3 Explain behavioural finance and its impact on investment markets and individuals.

4. Apply the principles of the time value of money

- 4.1 Apply the principles of the time value of money.
- 4.2 Calculate compound interest, discounts, real returns and nominal returns.

5. Analyse and explain the nature and impact of the main types of risk on investment performance

- 5.1 Explain the nature and impact of the main types of risk on investment performance.
- 5.2 Analyse the nature and impact of the main types of risk on investment performance.

6. Analyse the characteristics, inherent risks, behaviours and relevant tax considerations of investment products

- 6.1 Explain the advantages and disadvantages of direct investment in securities and assets compared to indirect investment through collectives and other products.
- 6.2 Analyse the characteristics, inherent risks, behaviours and relevant tax considerations of the main types of indirect investment products.

7. Apply the investment advice process

- 7.1 Explain the Know Your Client requirements applied to the investment advice process.
- 7.2 Apply asset allocations to different client risk profiles and requirements.

8. Understand the principles of investment planning

- 8.1 Explain the main approaches to asset allocation.
- 8.2 Explain the portfolio construction process.

- 8.3 Explain the basic principles of platforms.

9. Analyse the performance of investments

- 9.1 Analyse portfolio performance using different benchmarks and other methods.
- 9.2 Apply an appropriate investment portfolio review process.

Additional resources

The following resources may assist you with your studies.

Note: The examination will test the syllabus alone.

Supporting information for the syllabus can be found on the unit page via the CII website. The resources found here: www.cii.co.uk/learning will help you keep up-to-date with developments and provide a wider coverage of syllabus topics.

Additional reading material can also be found referenced in an appendix within the study text.

Learning support

Investment principles and risk. London: CII. Study text R02.

Audio Revision, E-Learn, Key Facts Booklet and Knowledge Checker are included with Enrolment plus, or available at an additional cost (delivered via RevisionMate).

Revision Extra is available at an additional cost.

Supporting exam documents

Tax tables which are provided in your exam can be found here: www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/supporting-exam-documents/

Assessment information

Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:

1. Visit www.cii.co.uk/qualifications
2. Select the appropriate qualification
3. Select your unit from the list provided
4. Select qualification update on the right hand side of the page

Examination guide

The examination guide is available on the unit page via the CII website.

If you have a current study text enrolment, the current examination guide is included and is accessible via **RevisionMate** (www.cii.co.uk/login). Details of how to access RevisionMate are on the first page of your study text.

It is recommended that you study from the most recent versions of the examination guide.

Exam preparation

Exam preparation guidance and supporting exam documentation are available via the CII website: <https://www.cii.co.uk/learning/qualifications/assessment-information>.