RO2 LEARNING OUTCOME 1 & 9

Chapter 11- The performance of investments (Learning outcome 1&9)

ESSENTIAL INFORMATION RELATING TO INVESTMENT PERFORMANCE

- ✓ Understanding investment markets generally
- ✓ Assessing the competence of fund managers and investment portfolio managers
- ✓ Rewarding investment managers
- ✓ Charging performance-related fees

PERFORMANCE EVALUATION

- ✓ Step 1: The benchmark
- ✓ Step 2: The benchmark asset allocation
- ✓ Step 3: Benchmark returns
- ✓ Step 4: Comparison of asset allocation
- ✓ Step 5: Stock selection and/or sector choice

CALCULATING RETURNS

- ✓ Holding period return
- ✓ Relative return
- ✓ Money- weighted rate of return
- ✓ Time-weighted rate of return

PERFORMANCE ATTRIBUTION

- ✓ Asset allocation
- ✓ Stock selection
- ✓ Market timing
- ✓ Risk

RISK-ADJUSTED RETURNS

- ✓ Sharpe ration
- ✓ Alpha
- ✓ Information ration