

Subject SA7

2025 Study Guide

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1 Introduction

This Study Guide has been created to help you navigate your way through Subject SA7. It contains useful information you will need before starting to study Subject SA7 for the 2025 exams. You may also find it useful to refer to throughout your studies.

Further information on study skills can be found on our website at [ActEd.co.uk](https://www.acted.co.uk).

Please read this Study Guide carefully before reading the Course Notes, even if you have studied for some actuarial exams before.

Before you start

When studying for the Institute and Faculty of Actuaries' exams, you may need:

- a copy of the **Formulae and Tables for Examinations of the Institute and Faculty of Actuaries, 2nd Edition (2002)** – these are referred to simply as the *Tables*
- a **scientific calculator** and/or **software package** to help with calculations.

The *Tables* are available from the Institute and Faculty of Actuaries' eShop. Please visit [actuaries.org.uk](https://www.actuaries.org.uk).

2 Subject SA7 – background and contents

2.1 Links to other subjects

Associateship Qualification

Investment and Finance Specialist Advanced (SA7) builds upon the principles of corporate finance developed in Business Finance (CB1) and develops further understanding of Macroeconomics from Business Economics (CB2).

Fellowship Qualification

Investment and Finance Principles (Subject SP5), Investment and Derivatives Principles (Subject SP6) and Investment and Finance Advanced (Subject SA7) are considered a trio of subjects for the actuarial work specific to Investment and Finance. Concepts introduced in Subject SP5 are developed in Investment and Finance Specialist Advanced (Subject SA7) via more complex 'real world' problems. Subject SP6 focusses in detail on the technical aspects of derivatives and their use.

Financial Derivatives Specialist Principles (Subject SP6) focuses almost entirely on derivatives which are an important method for implementing many investment strategies. A working knowledge of derivatives would be useful to solve some 'real world' problems in Subject SA7.

2.2 Contents

There are six parts to the Subject SA7 course. The parts cover related topics and are broken down into chapters. At the end of each part there is an assignment testing the material from that part.

The following table shows how the parts and chapters relate to each other. The final column shows how the chapters relate to the days of the regular tutorials. This table should help you plan your progress across the study session.

Part	Chapter	Title	No of pages	Syllabus objectives	X Assignment	Tutorial 3 days
1	1	Introduction	24		X1	1
	2	Individual investors	20	2.1, 3.3		
	3	Institutional investors	78	1.2, 1.3, 2.1, 3.3		
2	4	Asset markets	68	1.1, 1.2	X2	
	5	Derivatives and structured products	37	1.1, 3.1, 3.3		
3	6	Corporate finance	59	1.4	X3	
	7	Regulation	34	1.2, 1.3		
4	8	Economic, monetary and political influences	27	1.2	X4	2
	9	Investment analysis	29	3.1		
	10	Investment psychology	39	3.1		
5	11	Investment strategy	99	1.1, 3.1	X5	3
	12	Investment management	28	1.3, 3.2		
6	13	Investment consulting	24	3.2	X6	
	14	Problem solving	24	4.1		

3 Syllabus

The Syllabus for Subject SA7 is given here. To the right of each objective are the chapter numbers in which the objective is covered in the ActEd course.

3.1 Aim

The aim of Subject SA7 is to apply knowledge of the financial environment in the UK and other jurisdictions and the principles of actuarial practice to the selection and management of investments in complex situations and appropriate to the needs of a range of investors, together with relevant aspects of corporate finance.

3.2 Topics and topic weightings

This subject covers the following topics:

1. The framework for investment management (30%)
2. Meeting investor requirements (35%)
3. Management and risk control for an investment manager (35%)

The topic weighting percentage noted alongside the topics is indicative of the volume of content of a topic within the subject and therefore broadly aligned to the volume of marks allocated to this topic in the examination. For example, if a topic is 20% of the subject then you can expect that approximately 20% of the total marks available in the examination paper will be available on that topic.

Students should ensure that they are well prepared across the entire syllabus and have an understanding of the principal terms used within the course.

Students will be expected to be able to apply knowledge and skills from across the syllabus topics to scenarios and questions proposed by the examiners and produce coherent solutions and actions, including:

- analysing complex problems in terms of actuarial, economic and financial factors to a level where appropriate analytical techniques may be used
- assessing the implications and relevance of such factors, integrating the results into a coherent whole
- evaluating the results critically in a wider context, drawing appropriate conclusions
- proposing solutions and actions, or a range of possible solutions and actions, based on this evaluation.

3.3 Objectives

1. The framework for investment management (30%)

1.1. Describe the financial markets in the developed and emerging economies, including:

- public and private market assets *Chapter 4*
- over the counter and exchange traded derivatives *Chapter 5*
- the historic behaviour of major asset classes and market indices. *Chapters 4, 11*

1.2. Describe the key domestic and global influences over the economic and capital markets environment in the United Kingdom and other jurisdictions from:

- global economic trends *Chapter 4*
- Central Banks *Chapters 3, 8*
- government policy *Chapter 8*
- market regulation *Chapters 7*
- regulatory capital requirements (including the Basel Accords and Solvency II). *Chapters 3, 7*

1.3. Describe how the principles of a legislative, taxation and regulatory conduct framework apply to investment management in the United Kingdom and other jurisdictions.

Chapters 3, 7, 12

1.4. Understand the key principles of corporate finance including capital structure and financing, and how these relate to different asset classes.

Chapter 6

2. Meeting investor requirements (35%)

Understand the investment needs of a range of asset owners and financial institutions and how an investment strategy can be created to meet those needs.

2.1. Understand the principles and objectives of investment management, along with the main factors influencing investment strategy, and analyse the investment needs of an investor.

2.1.1. Understand the particular liability characteristics, investment requirements and the influence of the regulatory environment (including capital requirements) on the investment policies of the following institutions:

- a life insurance company transacting with-profits, non-profit or unit-linked business
- a non-life insurance company
- a defined benefit pension fund
- a defined contribution pension fund
- an endowment or charity
- a bank, hedge fund or other proprietary investor
- other unconstrained investors, including a sovereign wealth fund.

Chapter 3

3. Management and risk control for an investment manager (35%)

Understand how an investment management company operates and the issues it needs to consider when designing or managing investment portfolios.

- 3.1. Understand the principal approaches and techniques in investment portfolio management.
- 3.1.1. active management approaches, both within and across asset classes, and over different time horizons. *Chapters 9, 10, 11*
 - 3.1.2. passive management and quasi-passive management including factor-based approaches. *Chapter 11*
 - 3.1.3. investment risk control techniques and risk-based portfolio construction approaches. *Chapter 11*
 - 3.1.4. the impact of environmental, social and governance (ESG) factors to investment performance and different approaches to incorporate ESG factors. *Chapter 11*
 - 3.1.5. derivative based strategies for risk taking or for risk mitigation. *Chapters 5, 11*
 - 3.1.6. liability benchmarking or replicating portfolio as part of an investor's investment strategy. *Chapter 11*
 - 3.1.7. psychological aspects, including behavioural finance, which influence investor behaviour. *Chapter 10*
- 3.2. Understand the techniques used for investment management assessment and selection.
- 3.2.1. methods of organising the investment management of a large portfolio. *Chapter 12*
 - 3.2.2. structure of a typical institutional investment department. *Chapter 12*
 - 3.2.3. fund-of-funds and outsourced approaches to investment management, such as fiduciary management and outsourced CIOs. *Chapter 13*
 - 3.2.4. function of a performance measurement service. *Chapter 13*
- 3.3. Understand the impact of technology on investment management, including:
- trading in derivative, equity and bond markets
 - product development. *Chapters 2, 3, 5*

4 Core Reading

This section explains the role of the Core Reading and how it links to the Syllabus, supplementary ActEd text and the examination.

Some of the information below is also contained in the introduction to the Core Reading produced by the Institute and Faculty of Actuaries.

4.1 Core Reading

Core Reading

The exam will be based on the relevant Syllabus and Core Reading. The ActEd course material will be the main source of tuition for students.

Accreditation

The Institute and Faculty of Actuaries would like to thank the numerous people who have helped in the development of the material contained in this Core Reading.

4.2 Links to the examination

The examinations require students to demonstrate their understanding of the concepts given in the Syllabus and described in the Core Reading; this will be based on the legislation, professional guidance, *etc* that are in force when the Core Reading is published, *ie* on 31 May in the year preceding the examinations.

Therefore the exams in April and September 2025 will be based on the Syllabus and Core Reading as at 31 May 2024. We recommend that you always use the up-to-date Core Reading to prepare for the exams.

Examiners will have this Core Reading when setting the examinations.

Past exam papers provide an indication to students how the examiners apply the Core Reading. The Examiners' Reports may provide further insight as to how students answered the questions and how marks were awarded.

In preparing for examinations, students are advised to work through past examination questions and will find additional tuition helpful.

4.3 ActEd text

The Core Reading deals with each syllabus objective and covers what is needed to pass the exam, and the Subject SA7 Course Notes include the Core Reading in full, integrated throughout the course.

However, the tuition material that has been written by ActEd enhances it by giving examples and further explanation of key points. Here is an excerpt from some ActEd Course Notes to show you how to identify Core Reading and the ActEd material. **Core Reading is shown in this bold font.**

In the example given above, the index *will* fall if the actual share price goes below the theoretical ex-rights share price. Again, this is consistent with what would happen to an underlying portfolio.

After allowing for chain-linking, the formula for the investment index then becomes:

$$I(t) = \frac{\sum_i N_{i,t} P_{i,t}}{B(t)}$$

where $N_{i,t}$ is the number of shares issued for the i th constituent at time t ;

$B(t)$ is the base value, or divisor, at time t .

This is
ActEd
text

This is Core
Reading

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Legal action will be taken if these terms are infringed. In addition, we may seek to take disciplinary action through the Institute and Faculty of Actuaries or through your employer.

These conditions remain in force after you have finished using the course.

5 Skills and assessment

5.1 Exam skills

In each examination, students will be expected to demonstrate, through their answers, that they have knowledge of, can apply and use higher order skills in this subject:

- Knowledge will be demonstrated through answering questions that assess understanding of that knowledge as well as through questions that ask for the application of relevant knowledge to scenarios.
- Application will be demonstrated through answering questions that assess the ability to identify and apply relevant concepts and skills to solve problems (both numerical and non-numerical).
- Higher order skills will be demonstrated through questions that will assess the ability to use relevant knowledge, concepts and skills to solve problems, draw appropriate conclusions, and make meaningful and appropriate comments on those conclusions.

In Subject SA7, the approximate split of assessment across the three skill types is:

- Knowledge – 10%
- Application – 60%
- Higher Order skills – 30%.

5.2 Assessment

Assessment will consist of one 3 hour 20 minute timed, online examination. This time includes reading time, as well as the time taken for students to download and/or print the question paper.

Students can expect to answer a number of questions of varying marks, using Microsoft Word to construct and type their answers.

5.3 Further information

The Institute and Faculty of Actuaries has produced a number of documents, which it advises students to read and understand. In particular, the:

- Qualification Handbook, which contains information on studying and preparing for exams, as well as available support and resources
- Examinations Handbook, which contains practical assistance on how to sit an Institute and Faculty of Actuaries' examination
- Assessment Regulations document, which includes rules on eligibility, entry and conduct during an online assessment.

The Qualification Handbook can be found at:

actuaries.org.uk/qualify/student-and-associate-exam-news/qualification-handbook

The Examinations Handbook and Assessment Regulations document can be found at:

actuaries.org.uk/qualify/my-exams/ifo-exams

IMPORTANT NOTE: These documents may be updated and re-published in the weeks leading up to each exam session. It is important that you keep up-to-date with any changes and developments.

6 ActEd study support

An overview of ActEd's products and services, and guidance on how to choose the best ones for you, can be found on our website at **ActEd.co.uk**.

6.1 Summary of ActEd products and services

Detailed descriptions of all ActEd's products and services can be found on our website at **ActEd.co.uk**. However, the specific products and services available for Subject SA7 are:

- Course Notes
- X Assignments – six 100-mark tests (you are allowed 3¼ hours to complete these)
- Series X Marking
- Online Classroom – over 55 tutorial units
- Flashcards
- Mock Exam – one 100-mark test
- Additional Mock Pack (AMP) – two additional 100-mark tests
- Mock Exam Marking
- Marking Vouchers.

Products are generally available in both paper and eBook format. Visit **ActEd.co.uk** for full details about available eBooks, software requirements and restrictions.

6.2 Tuition

The following tutorials are typically available for Subject SA7:

- Regular Tutorials (three full days)
- Block Tutorials (three days).

Tutorials are typically available both face-to-face and live online.

Full details are set out in our *Tuition Bulletin*, which is available on our website at **ActEd.co.uk**.

6.3 Questions and queries

From time to time you may come across something in the study material that is unclear to you.

Our online discussion forum at **ActEd.co.uk/forums** (or use the link from our home page at **ActEd.co.uk**) is dedicated to actuarial students so that you can get help from fellow students on any aspect of your studies from technical issues to study advice. ActEd tutors visit the site regularly to ensure that you are not being led astray and we also post other frequently asked questions from students on the forum as they arise.

If you are still stuck, then you can send queries by email to the Subject SA7 email address **SA7@bpp.com**, but we recommend that you try the forum first. We will endeavour to contact you as soon as possible after receiving your query but you should be aware that it may take some time to reply to queries, particularly when tutors are running tutorials. At the busiest teaching times of year, it may take us more than a week to get back to you.

If you have many queries on the course material, you should raise them at a tutorial or book a personal tuition session with an ActEd tutor. Please email **ActEd@bpp.com** for more details.

6.4 Feedback

If you find an error in the course, please check the corrections page of our website (**ActEd.co.uk/paper_corrections.html**) to see if the correction has already been dealt with. Otherwise, please send the details via email to the Subject SA7 email address **SA7@bpp.com**. Our tutors work hard to ensure that the courses are as clear as possible and free from errors.

ActEd also works with the Institute and Faculty of Actuaries to suggest developments and improvements to the Syllabus and Core Reading. If you have any comments or concerns about the Syllabus or Core Reading, these can be passed on via ActEd. Alternatively, you can send them directly to the Institute and Faculty of Actuaries' Examination Team by email to **memberservices@actuaries.org.uk**.

7 General information and support

7.1 Safeguarding

We want you to feel comfortable within our learning environment and safe in the knowledge that if you ever needed support, you know where to go.

If you need support, please contact BPP's Safeguarding team at safeguarding@bpp.com or for urgent concerns call 07464 542 636.

Additional information can be found at ActEd.co.uk/learningsupport.

7.2 BPP learning support

BPP's Learning Support team offers a wide range of support for all students who disclose a learning difficulty or disability. This support is accessible to all ActEd students free of charge.

Please contact BPP's Learning Support team at LearningSupport@bpp.com for more information.

Additional information can be found at ActEd.co.uk/learningsupport.

7.3 The Prevent Duty

The Prevent Duty is to protect people from radicalisation and being drawn into extremist views and terrorism. As a Government-regulated training provider, ActEd has a duty to ensure that our learners are well informed and stay safe, and to empower our students to know what to look for and when to report concerns.

Please report any concerns to a tutor or email safeguarding@bpp.com or for urgent concerns call 07464 542 636.

More information is available at:

- ActEd.co.uk/learningsupport
- officeforstudents.org.uk/advice-and-guidance/student-wellbeing-and-protection/counter-terrorism-the-prevent-duty/

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