COURSE STRATEGY GUIDE

INV 101 – Portfolio Management

Nov 2026/Mar 2027/Jul 2027

This Course Strategy Guide is to provide an overview of course INV 101, to help the candidate understand the essence of this course and to provide a guide for how to prepare for the final assessment. However, while this Guide can be a valuable aid in preparation, the content of this Guide will not be tested.

I. Purpose of this Course

The Investment (INV) practice area was born out of a vision to create a body of study for actuaries who desire to thrive in the field of investments. The vision is to train investment actuaries so that they may excel in situations where investment decisions are being made in the context of significant and complex liabilities.

Course INV 101 provides candidates with the skills to understand:

- Nature and variety of asset classes that can be used in constructing a portfolio
- Portfolio construction, management, and assessment
- Best practices of credit risk management

This course integrates nicely with course INV 201, which provides candidates with the skills to understand key types of derivatives, the principles and techniques for the valuation of derivatives, and various applications and risks of derivatives.

As a follow-up to these two foundational courses, candidates may want to consider the course CP 351: Asset Liability Management, and, depending on their work context, CP 341: Advanced Life Reinsurance, or the 101 courses from the Retirement, the Individual Life and Annuities, or the General Insurance practice areas.

II. Recommended Approach in Preparing for the Course Assessment

Our recommended study approach is to first read the descriptions of Learning Objectives and Learning Outcome Statements in the syllabus; then read the syllabus study materials in the order presented for each course topic section. The recommended order is purposeful. During this first reading make notes or flash cards of key points. Then proceed to a second, faster reading with stops to do practice problems or past exam problems to ensure the concepts have been understood accurately.

Keep in mind that each exam question is created by starting first with one or a combination of the Learning Objectives and Learning Outcome Statements. Each question will consider a context that entails a business situation or conflict. The insights or lessons learned from the syllabus

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study materials are there to help the candidate develop and apply a solution that best fits within the context of the exam question.

Note that a solution to a given problem presented within the study materials is appropriate for the context used within those study materials, but not necessarily appropriate for the context of the exam question (often the context is that of a case study company and its business strategies and management practices). Since the exam is focused on the demonstration of critical thinking, the candidate must learn how to take the learnings from one situation and apply them to a different situation. In creating such questions this exam seeks to emulate real-world situations which, most of the time, do not have solutions that conveniently appear within any textbook. Candidates are expected to apply the techniques or insights that they learn from the syllabus study materials to new real-world problems, using the study material as a tool to gain insights about the Learning Objectives and Learning Outcome Statements. These insights expressed in a solution to an exam question demonstrate critical thinking and true mastery of the topic.

III. Exam Syllabus Learning Objectives and Learning Outcomes

This course provides candidates with the basic knowledge necessary to succeed in functions related to institutional investment portfolio management.

Course INV 101 focuses on the following three topics:

- Asset classes
- Portfolio construction, management, and assessment
- Credit risk management

Details of the Learning Objectives, Learning Outcome Statements and syllabus study materials associated with the Learning Outcome Statements for each of the three topic sections are summarized in the accompanying syllabus document.

Topic 1: Asset Classes

The first topic aims to help the candidates learn about the nature and the variety of asset classes that can be used in constructing a portfolio. The emphasis is put on the asset classes that are typically used by insurance companies and pension plans.

The primary resource for fixed income investing is ***The Handbook of Fixed Income Securities,* Fabozzi, F.J., 9th Edition, 2021**. It is expected that the candidates are familiar with fixed income fundamentals, hence chapters 1, 2 and 7 are included as background only (it means that the material in these three chapters will not be tested directly). Five chapters (10, 11, 21, 22 and 23) are included in the syllabus as they provide insights into key fixed income classes such as corporate bonds, leveraged loans, mortgages and mortgage-backed securities. In addition, chapter 60 presents important leveraging strategies in the bond market.

Additional information on commercial mortgages is provided in chapter 19 of ***Commercial Real Estate Analysis and Investments,* Geltner, David, and Miller, Norman, 4th Edition, 2026**. High-yield bonds are discussed in **INV101-102-25: High-Yield Bond Primer**. Private debt is covered by

INV101-101-25: Overview of Investing in Private Corporate Debt – Fabozzi in JPM. Significant structured credit products are described in chapter 10 of ***The Handbook of Traditional and Alternative Investment Vehicles,*** **Anson, M. J. P., Fabozzi, F. J., & Jones, F. J., 2011**. Finally, **INV101-106-26: Collateralized Loan Obligations: A Primer** provides a detailed introduction to the growing asset class of Collateralized Loan Obligations and their distinctive securitization features. All the above aligns with Learning Outcome Statement 1a.

The following materials pertain to Learning Outcome Statement 1b. An overview of equities is found in sections 1 and 2 of chapter 11 of ***Portfolio Management in Practice Volume 1: Investment Management,*** **CFA Institute, 2021**. Private equities are covered in chapters 18 and 19 of ***The Handbook of Traditional and Alternative Investment Vehicles, ,*** **Anson, M. J. P., Fabozzi, F. J., & Jones, F. J., 2011**. These chapters consider two key strategies in the market for private investing, namely venture capital and leveraged buyouts. The material on real estate is found in chapters 13, 14 and 26 (section 26.2 only) of ***Commercial Real Estate Analysis and Investments,*** **Geltner, David, and Miller, Norman, 4th Edition, 2026**. Section VI Introduction of this textbook is included as background only. Finally, investing in hedge funds is covered in **INV101-100-25: Chapters 3 and 4 of *Alternative Investments: A Primer for Investment Professionals,* CFA Institute**.

Topic 2: Portfolio Construction, Management, and Assessment

The next topic aims to help the candidates understand portfolio construction, management, and assessment.

Asset allocation is a crucial step in investment portfolio construction and management. Key considerations in asset allocation are introduced in chapter 5 of ***Portfolio Management in Practice Volume 1: Investment Management,*** **CFA Institute, 2021**. Sections 2 and 3 of this chapter address the governance structures in which asset allocation decisions are made. This relates to the Learning Outcome Statement 2a. Sections 4-8 review three broad approaches to asset allocation and discuss at a high-level implementation and rebalancing considerations. This aligns with Learning Outcome Statement 2c. Note that subsection 6.3 is excluded since the goals-based approach to asset allocation is not commonly used by institutional investors.

The investment policy statement (IPS) serves as a strategic guide in the planning and implementation of an investment program, including asset allocation. **INV101-103-25: Elements of an Investment Policy Statement for Institutional Investors, CFA Institute** suggests desirable structure and components of a good IPS. This aligns with Learning Outcome Statement 2b.

Chapter 6 of ***Portfolio Management in Practice Volume 1: Investment Management,*** **CFA Institute, 2021** focuses on various frameworks for developing an asset allocation, including mean-variance optimization and various liability-relative techniques. This aligns with Learning Outcome Statement 2d. Noted that candidates are not required to study the goals-based approach (section 4).

Chapters 9 and 10 of ***Portfolio Management in Practice Volume 1: Investment Management,*** **CFA Institute, 2021** examine fixed-income portfolio management. Chapter 9 reviews the role of fixed-

income in portfolios. It discusses bond market liquidity, expected returns, taxation, and the use of leverage. This aligns with Learning Outcome Statement 2e. Sections 7-9 of chapter 10 address indexing in the fixed-income space and also benchmark selection; these align with Learning Outcome Statement 2f. Note that this course does not include in-depth coverage of liability-driven strategies (sections 2-6 of chapter 10) which is part of course CP 351 Asset Liability Management.

Chapters 11, 12 and 13 of ***Portfolio Management in Practice Volume 1: Investment Management,* CFA Institute, 2021** review equity portfolio management. Chapter 11 provides an overview and is included as background only. Chapter 12 discusses passive equity investing, which involves benchmark selection, portfolio construction as well as sources of return and risk including tracking error. Additional discussions related to this topic are found in **INV101-104-25: The Hidden Dangers of Passive Investing**. This aligns with Learning Outcome Statement 2g. Finally, chapter 13 covers types and styles of active equity investment strategies, aligning with Learning Outcome Statement 2h.

Chapter 19 of ***Portfolio Management in Practice Volume 1: Investment Management,* CFA Institute, 2021** deals with performance measurement. Key topics here are performance appraisal (Learning Outcome Statement 2i), benchmarking (Learning Outcome Statement 2j) and performance attribution (Learning Outcome Statement 2k).

Finally, two readings address the impact of behavior bias on portfolio management. Section 6 in chapter 7 of ***Portfolio Management in Practice Volume 1: Investment Management,* CFA Institute, 2021** illustrates biases in asset allocation decisions, while **INV101-105-25: Addressing Built-in Biases in Real Estate Investment** relates to real estate investing. This aligns with Learning Outcome Statement 2l.

Note that ***Portfolio Management in Practice Volume 1: Investment Management,* CFA Institute, 2021**, is accompanied by a workbook with practice problems. The workbook is not included in the syllabus study materials for this course. Nevertheless, the relevant parts of the workbook could be helpful when studying the course materials and preparing for the exam.

Topic 3: Credit Risk Management

Given the significance of fixed-income in institutional portfolios and the impact of credit risk on fixed-income assets, credit risk management is very important. The final topic aims to help the candidates understand the best practices of credit risk management and quantitative credit risk modeling considerations.

Chapters 1, 4, 6, 7 and 13 of ***The Handbook of Credit Risk Management,* Bouteille, Sylvain, and Coogan-Pushner, Diane, 2nd Edition, 2022** address first principles in management of credit risk. Chapter 4 explains key dimensions of credit risk measurement. Chapter 6 describes the fundamental concepts of credit analysis which focuses on companies' financial strength and its implications on credit risk management. Chapter 7 discusses alternative estimations of credit quality such as expected default frequencies and credit default swaps. Chapter 13 provides an overview of three levels of credit portfolio management. All of the above relate to Learning

Outcome Statements 3a and 3b. Candidates are expected to be familiar with fundamentals of credit risk, so chapter 1 is included as background only.

Chapter 12 of ***Quantitative Enterprise Risk Management*, Hardy, Mary and Saunders, David, 2022** describes types of credit risks, fundamental components of credit risk models, and introduces credit modeling techniques for individual firms and portfolios. This aligns with Learning Outcome Statements 3a and 3c.

Finally, chapter 3 and 5 of ***Credit Risk, Darrell Duffie and Kenneth J. Singleton, 2003*** dive into in-depth modeling considerations for default arrival, including a discussion of intensity models, and valuation of default risk, including structural and reduced-form pricing models of credit risk. These readings align with Learning Outcome Statement 3c.

IV. Syllabus Updates

- ***Commercial Real Estate Analysis and Investments*, Geltner, David, and Miller, Norman, 3rd Edition, 2014** was replaced by **4th Edition, 2026**.
- **INV101-106-26: Collateralized Loan Obligations: A Primer** was added.
- Chapters 6 and 7 of ***The Handbook of Credit Risk Management*, Bouteille, Sylvain, and Coogan-Pushner, Diane, 2nd Edition, 2022** were added.
- Chapter 12 of ***Quantitative Enterprise Risk Management*, Hardy, Mary and Saunders, David, 2022** was added.
- Chapters 3 and 5 of ***Credit Risk*, Darrell Duffie and Kenneth J. Singleton, 2003** were added.
- Chapters from ***Credit Risk Modeling*, Bolder, David, 2018** were removed.