IBF The Institute of Banking & Finance Singapore

CMFAS Markets – Excluded Investment Products – Securities, Collective Investment Schemes and Foreign Exchange (CM-EIP)

Summary of Updates
(November 2024 – Version 1.1
***effective for January 2025 exams onwards*)**

The updates made to the CMFAS CM-EIP (February 2024 – Version 1.0) are summarized as follows:

**Additions / updates / corrections are indicated in blue italics.*
Deletions are indicated in strikethrough.

Section and page references relate to the updated study guide.

Chapter	Page No.	Update / Amendment
Chapter 9 - Exchange Traded Funds (ETFs), Unit Trusts, Real Estate Investment Trusts (REITs) and Insurance		
A2: CPF Investment Risk Classification System	339	The CPF Board has ~~approved~~ *classified* unit trusts *included under the CPF Investment Scheme (CPFIS)* under different categories of risk. The Risk Classification System splits the investment risk associated with a unit trust into two axes: Equity risk and Focus risk. i. **Equity risk** is related to the proportion of the "riskier' types of investments in the unit trust. The greater the proportion of assets invested in stocks, the higher the equity risk. Conversely, the greater the proportion of investments in bonds and cash, the lower the equity risk. There are four categories of equity risk: • Higher risk – equity funds; • Medium to high risk – balanced funds; • Low to medium risk – bond funds; and • Lower risk – cash funds. ii. **Focus risk** reflects how focused the investments of the unit trust are in one particular geographical region, country, industry, or individual company ~~outside of Singapore~~. There are two categories of focus risk: broadly diversified or narrowly focused: • A **broadly diversified** unit trust will tend to have investments that are spread across relatively more geographical regions, countries, industries, and individual companies. • A **narrowly diversified** unit trust will tend to have investments that may be focused in particular geographical regions, countries, industries, or individual ~~corporations~~ *companies.* In general, a unit trust will have a higher level of focus risk because it is relatively less diversified. For example, a unit trust that invests in shares of companies from around the world would have lower focus risk (i.e.; more broadly diversified) than a unit trust that invests in shares of Japanese corporations only. The Japan-only unit trust would have higher focus risk because it is less diversified (invests in one foreign country only).

The Institute of Banking & Finance Singapore

Chapter	Page No.	Update / Amendment
A2: CPF Investment Risk Classification System	340	Within the focus risk category, CPFIS-included unit trusts have been further divided into the following sub-groups: • **Regional** – Unit trusts that have a regional exposure e.g., ~~North America,~~ Europe, Asia or Emerging Markets • **Sector –** Unit trusts with specific industry exposure e.g., healthcare~~, technology~~ and biotechnology • **Country –** Unit trusts that are country-specific e.g., Japan, China These broad sub-groups have been provided to make it easier for CPF members to perform comparisons across unit trusts that are roughly similar in terms of geographic focus.