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CFA® Exam Tips – LEVEL III

Study Tips

Overview of Asset Allocation

3 approaches for investment objectives

Asset-only	Liability-relative (LDI)	Goals-based (GBI)
Primary Focus		
- Asset-side Exp Return *Model: Mean-variance optimization (MVO)*	- Meeting Liability obligations - Liability-hedging - Surplus optimization	- Sub-portfolios construction with specific goals (e.g. Lifestyle + Aspirational)
Typical Risk Measures		
Volatility (σ); Correlation (ρ)	Shortfall risk; Mismatch risk; IR sensitivity; Inflation sensitivity	Max Acceptable Probability of failure

CFA Society Hong Kong Candidate Services

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