CFA PROGRAM

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THE CFA CHARTER

- Graduate-level investment credential
- Held by more than 132,000 investment professionals working in more than 151 countries
- Recognized by regulatory bodies in many countries as a proxy for meeting certain licensing requirements
- More than 350 universities around the world incorporate the CFA curriculum into their degree programs
GROWING DEMAND FOR THE CFA CHARTER

Candidate exam registration
CFA INSTITUTE MEMBERS BY REGION

Geographic distribution of CFA Institute Members

- 65% NORTH AMERICA
- 1% LATIN AMERICA & CARIBBEAN
- 16% EUROPE
- 15% ASIA PACIFIC
- 3% MIDDLE EAST & AFRICA
CFA PROGRAM CANDIDATES BY REGION

Geographic distribution of CFA Program Candidates

- 34% NORTH AMERICA
- 2% LATIN AMERICA & CARIBBEAN
- 16% EUROPE
- 42% ASIA PACIFIC
- 6% MIDDLE EAST & AFRICA
WHAT YOU LEARN AS A CFA CHARTERHOLDER

• Investment (equity and fixed income) analysis
• Portfolio management
• Wealth planning
• Economic theory
• Alternatives and derivatives
• Performance measurement & evaluation
• Risk management
• Financial reporting
• Quantitative methods
THE THREE LEVELS OF THE CFA EXAM

LEVEL I

ETHICS

LEVEL II

ETHICS

LEVEL III

ETHICS

Ethics & Professional Standards

Investment Tools
- Quantitative Methods
- Economics
- Financial Reporting & Analysis
- Corporate Finance

Asset Classes
- Equity Investments
- Fixed Income
- Derivatives
- Alternate Investments

Portfolio Management & Wealth Planning
WHAT CAN I DO WITH THE CFA CHARTER?

Charterholder employment by sector

- Equities: 37%
- Fixed Income: 18%
- Private Equity: 5%
- Derivatives: 4%
- Hedge Funds: 3%
- Real Estate: 3%
- Structured Products: 2%
- Commodities: 1%
- Foreign Currency: 1%
- Indexed: 1%
- Venture Capital: 1%
- Other: 6%

*Represents 82% of respondents. As of September 2012.
### WHAT CAN I DO WITH THE CFA CHARTER?

**Charterholder employment by title**

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>16%</td>
<td>Research, investment, or quantitative analyst</td>
</tr>
<tr>
<td>9%</td>
<td>Accountant or auditor</td>
</tr>
<tr>
<td>8%</td>
<td>Consultant</td>
</tr>
<tr>
<td>5%</td>
<td>Credit analyst</td>
</tr>
<tr>
<td>5%</td>
<td>Risk analyst/manager</td>
</tr>
<tr>
<td>5%</td>
<td>Portfolio manager</td>
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<tr>
<td>5%</td>
<td>Relationship/account manager</td>
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</tbody>
</table>
TOP GLOBAL EMPLOYERS OF CHARTERHOLDERS

• Bank of America Merrill Lynch
• Citibank
• Credit Suisse
• Deutsche Bank
• HSBC
• JPMorgan Chase
• Morgan Stanley Smith Barney
• RBC
• UBS
• Wells Fargo
THE CFA EQUATION

Steps to earning the charter

Bachelor’s degree or in final year of bachelor’s

Level I, II, III Exams

4 years of work experience

CFA CHARTER
EXAM SCHEDULES

<table>
<thead>
<tr>
<th></th>
<th>June</th>
<th>December</th>
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<tbody>
<tr>
<td>Level I</td>
<td>○</td>
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<tr>
<td>Level II</td>
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<tr>
<td>Level III</td>
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THE CFA PROGRAM IS A RIGOROUS UNDERTAKING

• For June 2017 exam, the pass rate for Level I was 43% and for Level II was about 47%. For Level III it was about 54%.
• For December 2016, the Level 1 pass rate was 43%.
CFA EXAM PREPARATION – JUNE 2017

• Average Hours Spent Studying for the exam – 320
  - Level 1: 300 hours
  - Level 2: 328 hours
  - Level 3: 335 hours
• Based on Assigned Readings
• Oriented to Learning Outcome Statements
CFA® CANDIDATE PREPARATION – WHAT DEFINES SUCCESS?

CFA Institute Curriculum: 78%
CFA Institute Mock Exam: 76%
Non-CFA Institute preparatory materials: 60%
CFA Institute Topic Tests: 60%
CFA Program curriculum end-of-reading problems: 49%
CFA Institute Mobile study app: 18%
CFA Institute Interactive Study Planner: 12%
Study group: 11%
Other: 6%
HARDEST TOPICS

<table>
<thead>
<tr>
<th>Topic</th>
<th>Level I</th>
<th>Level II</th>
<th>Level III</th>
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</thead>
<tbody>
<tr>
<td>Derivatives</td>
<td></td>
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<tr>
<td>Fixed Income</td>
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<tr>
<td>Ethical and Professional Standards</td>
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<tr>
<td>Financial Reporting and Analysis</td>
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<tr>
<td>Portfolio Management</td>
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<tr>
<td>Alternative Investments</td>
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<td>Quantitative Methods</td>
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<tr>
<td>Economics</td>
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<tr>
<td>Equity Investments</td>
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<tr>
<td>Corporate Finance</td>
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CFA LEVEL 1 EXAM

• Focus: Tools and concepts that apply to investment valuation and portfolio management; basic concepts regarding asset classes, securities, and markets; Ethics

• Exam:
  - 120 Multiple Choice Questions Morning
  - 120 Multiple Choice Questions Afternoon
  - 3 hours per session
  - 90 seconds per question
EXAM TIPS FOR LEVEL 1

Examination Weights

15% Ethics
12% Quantitative Methods
10% Economics
20% Financial Reporting and Analysis
  7% Corporate Finance
10% Equity
10% Fixed Income
  5% Derivatives
4% Alternative Investments
7% Portfolio Management and Wealth Planning
LEVEL 1 QUESTION FORMAT

• According to the CFA Institute, each item on the Level 1 Examination consists of a stem (question, statement, and/or table) and three distracters, A, B, and C. There are three basic formats used:
  - Stems using sentence completion with three unique distracters;
  - Stems phrased as questions with three unique distracters.
OTHER LEVEL 1 FACTS

• The Level I CFA exam does not use except, true, or false in item stems and avoids the use of not in item stems whenever possible.

• When appropriate, stems will include one of the following qualifiers: most likely, least likely, best described, most appropriate, most accurate, least appropriate, or least accurate.

• Each stem supports only one item on the examination.
LEVEL 1 EXAM

• The Level 1 CFA® Examination does not use any of the following distracters: (1) all of the above, (2) none of the above, (3) Type K questions, (4) not enough information/can’t do.

• Distracters consisting of words or sentences are typically ordered from shortest to longest; distracters that are quantitative are ordered from the smallest number to largest number.

• The distracters agree grammatically with the stem; language common to all distracters is placed in the stem.

Source: CFA Institute
QUESTIONS

• Language, terminology, and symbols used in the items are consistent with the LOS and the candidate readings.

• In the ethics section of the Level 1 CFA® Examination, candidates are not required to know the number associated with a particular Standard.

• Empirical findings are not tested.

Source: CFA Institute
EXAM TIPS

• **Be comfortable with your calculator.** Make sure you know how to use the calculator features needed to address the learning outcome statements (LOS).

• **Exam questions referring to Financial Reporting and Analysis (FRA) are based on International Financial Reporting Standards (IFRS) unless otherwise specified.** When a question is based on U.S. GAAP, it will be stated in the question.

• **Answer all questions:** There is no penalty for incorrect answers.
LEVEL 2 EXAM

• Focus: Application of tools and concepts of investment valuation; Industry and company analysis; Analysis of investment vehicles and instruments; Ethics

• Exam:
  - Morning: 60 Multiple Choice Questions in Item Sets of 6 questions per set
  - Afternoon: 60 Multiple Choice Questions in Item Sets of 6 questions per set
  - 3 hours per session
  - 180 seconds per item set question
EXAM TIPS FOR LEVEL 2

Examination Weights

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Subject</th>
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<tbody>
<tr>
<td>10-15%</td>
<td>Ethics and Professional Standards</td>
</tr>
<tr>
<td>5-10%</td>
<td>Quantitative Methods</td>
</tr>
<tr>
<td>5-10%</td>
<td>Economics</td>
</tr>
<tr>
<td>15-20%</td>
<td>Financial Reporting and Analysis</td>
</tr>
<tr>
<td>5-15%</td>
<td>Corporate Finance</td>
</tr>
<tr>
<td>15-25%</td>
<td>Equity</td>
</tr>
<tr>
<td>10-20%</td>
<td>Fixed Income</td>
</tr>
<tr>
<td>5-15%</td>
<td>Derivatives</td>
</tr>
<tr>
<td>5-10%</td>
<td>Alternative Investments</td>
</tr>
<tr>
<td>5-10%</td>
<td>Portfolio Management and Wealth Planning</td>
</tr>
</tbody>
</table>
ITEM SETS

• The length of a vignette ranges from about 1 page to 2.5 pages.
• The longer vignettes are those that include several tables of information, such as for a financial statement analysis, statistics, or fixed-income item set.
• The average length of the vignettes on the exam is about 1.5 pages.
ITEM SET DETAILS

• About 35% of items involve a calculation, and none may be calculation intensive.

• Some item sets have no calculations, and some have as many as 3-4 items that require calculations.

• However, the breadth of application is large, and analytical (non-numerical) questions still require considerable quantitative skill and judgment.

• You may mark up your exam book. Circle or underline important information in the vignette and write down your equations or logic. However, only your final answers recorded on the answer sheets are graded.

• Exam questions referring to Financial Reporting and Analysis (FRA) are based on International Financial Reporting Standards (IFRS) unless otherwise specified. When a question is based on U.S. GAAP, it will be stated in the question.

Source: CFA Institute
CFA LEVEL 3 EXAM

- Individual portfolios; Management of specific asset class portfolios; Ethics

Exam:
- Morning: Written Problems and Essays
- Afternoon: 60 Multiple Choice Questions in Item Sets of 6 Questions per set
- 3 hours per session
- 180 seconds per item set question
EXAM TIPS FOR LEVEL 3

Examination Weights

10-15%   Ethics
5-15%    Economics
5-15%    Equity
10-20%   Fixed Income
5-15%    Derivatives
5-15%    Alternative Investments
40-55%   Portfolio Management and Wealth
PROBLEMS AT LEVEL 3

• Not responsive to command word list (list, define, etc.)
• Answered a question they wish they had been asked instead of the question that was asked.
• No work shown on a calculation question and the answer is incorrect.
• Hedged on questions that asked for a recommendation and justification (e.g., recommended A, but justified B).
PROBLEMS AT LEVEL 3

• Neglected to answer part of the question (especially if a several part question). Note that you can still answer part E, even if you do not know the answer to part D.

• Content area experts spent too much time on their area of expertise, leaving too little time for weak areas.

• Providing more items or responses than requested. If a question asks for three factors, only the first three that you list will be graded.
FINAL THOUGHTS

• Expect the unexpected on exam day
• Study whenever and wherever you can.
• Try to study a bit each day, even if it is only for an hour.
• Remember why you’re doing this (to expand your knowledge and advance your career)
• Stay Focused—develop a study program and stick to it...
FINAL THOUGHTS

- Identify those topics you’re weakest in and study them hard. Objective: to get as many points as you can in these areas.
- Work on your weakest area first—that way you can’t procrastinate on this area.
- Identify those topics you’re strongest in and study them hard, too. Objective: to generate excess returns that can be used to offset some of the points you may lose in other parts of the exam.
FINAL THOUGHTS

• Don’t forget to study your strong areas. You don’t want to lose those points.
• Don’t Get Frustrated when you come across something in your study program that you just don’t understand.
• Focus on the big picture; don’t get bogged down in minutia. If you understand the larger issues, the smaller ones usually take care.
FINAL THOUGHTS

• Know thyself. Know how you learn and choose an approach that fits your learning style.

• Assume that you will not be able to study the two weeks prior to the exam.
EXAM DESIGN BASED ON PRACTICE

• Job analysis survey every 5 years asks, “What knowledge and skills are needed by an investment professional?”

• Survey results are used to define the Candidate Body of Knowledge, the CFA® Curriculum, the Learning Outcome Statements (LOS) and to write the CFA® Exams.

Source: CFA Institute
CONGRATULATIONS!
You’re embarking on an incredible journey!
The pursuit of the CFA® designation is a challenging goal.
You will discover that the process is…

• A triathlon, not a walk in the park
• Difficult by design
• A life-changing experience
BECOME A CFA CHARTERHOLDER
WWW.CFAINSTITUTE.ORG