

Asset Liability Management

Subject Syllabus 2026





1. Overview and aim

The aim of the Asset Liability Management subject, as part of the Actuary level pathway, is to provide students with an understanding of underlying actuarial principles relevant to asset liability management in a range of commercial and business environments.

2. Student outcomes

After successfully completing this subject, students will be able to:

- describe the key components of the asset liability management framework including, understanding the characteristics of the liabilities, and then setting objectives, constraints, strategy, benchmarking, governance, and policy in order to employ an appropriate investment portfolio to provide for liabilities;
- discuss the characteristics of the principal asset classes (debt, equity and property) including risks, long term returns and relationship to cash rates, inflation and each other;
- explain the operation and characteristics of asset markets including the principal economic and policy factors, and influences on asset classes; and
- demonstrate awareness of the assumptions underlying asset valuations, market pricing and theories of investment market behaviour.

3. Prerequisites

While there are no formal prerequisites for this subject, students will be assumed to have studied all Foundation subjects. Actuarial Mathematics (CM1), Financial Engineering and Loss Reserving (CM2), Business Finance (CB1), Business Economics (CB2) and the Actuarial Control Cycle are directly relevant to this subject.



4. Assessment skill level

Assessment of this subject will be split across the following skill levels:

- simple application (30%): demonstration of a detailed knowledge and understanding of the topic;
- application (50%): demonstration of an ability to apply the principles underlying the topic within a given context; and
- higher-order (20%): demonstration of an ability to perform deeper analysis and assessment of situations, including forming judgements, taking into account different points of view, comparing and contrasting situations, suggesting possible solutions and actions and making recommendations.

5. Assessment method

The subject is assessed via a three-hour (plus 15-minute reading time) open-book examination, worth 80% of the mark, and an assignment worth 20% of the mark.

6. Learning objectives

The following is a list of the learning objectives for this subject.

- 1 **Describe the overarching framework for asset liability management**
 - 1.1 Discuss, in general, actuarial models as part of actuarial advice, their inputs and outputs, and how they are affected by professionalism and the external environment
 - 1.2 Discuss the qualitative aspects of providing actuarial advice
 - 1.3 Outline the elements of effective investment governance
 - 1.4 Discuss the complexity of competing investment theories through describing Kuhn's philosophy, the roles of exemplars, distinguishing between causation and correlation as well as the Duhem-Quine thesis



2 Explain the operation and characteristics of asset markets

- 2.1 Explain the operation of government monetary and fiscal policy
- 2.2 Explain how the majority of money is created in the modern economy
- 2.3 Describe the main characteristics of asset markets
- 2.4 Explain the principal economic influences on asset markets
- 2.5 Explain the main market participants
- 2.6 Describe the construction and uses of market indices
- 2.7 Explain the role of regulators in competition, disclosure and consumer protection
- 2.8 Distinguish between the primary and secondary markets
- 2.9 Discuss generic risks such as counterparty, disclosure, fraud and system failure

3 Examine the characteristics of the three main asset classes including their long term returns

Debt securities, equities and property are the three main asset classes and they are discussed in learning objectives 3.1., 3.2., and 3.3.

- 3.1 Examine the characteristics of the three asset classes
- 3.2 Analyse the components and drivers of the three asset classes' risk and return
- 3.3 Examine valuation methods for each asset class including assumptions and limitations
- 3.4 Compare long term returns and risks to returns across the three asset classes

4 Describe the characteristics and uses of derivatives

- 4.1 Describe the characteristics of derivatives
- 4.2 Compare exchange-traded derivatives and over-the-counter derivatives
- 4.3 Compare forwards, futures, swaps and options
- 4.4 Discuss the use of derivatives to manage asset risks and asset-liability mismatches



4.5 Discuss the implications of arbitrage

5 Critique theories of investment market behaviour

5.1 Describe the major theories of how investment markets behave

5.2 Critique each of the theories of investment market behaviour

5.3 Consider how the critiques of the theories will influence the design of methods of selection of assets and asset allocation

6 Consider the principles of asset liability management

6.1 Assess institutional investment objectives in relation to the institution's risk appetite statement

6.2 Examine the factors that influence investment strategies

6.3 Describe the asset/liability matching requirements of the main providers of benefits on contingent events

6.4 Propose appropriate investment objectives based on the liability profile of a fund or situation

6.5 Propose appropriate investment constraints, based on the liability profile of a fund or situation

6.6 Discuss the relationships between capital requirements, risk and investment strategy

6.7 Demonstrate how actuarial techniques and asset/liability modelling may be used to develop an appropriate investment strategy

6.8 Discuss the need for a consistent valuation approach to both assets and liabilities and describe the fair value approach to the valuation of assets.



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