

Question #1 of 19

Question ID: 1581456

Paul Salyer, a portfolio manager, is making a presentation to a prospective client. Paul says that as a new portfolio manager, he made an average annual rate of return of 50% in the last two years at his previous firm and that based on this, he can guarantee a 50% return to the client. Which of the following statements is in accordance with Standard III(D), Performance Presentation?

- A)** Imputing his past performance to future performance.
 - B)** Stating his past performance as long as it is fact.
 - C)** Implying that he can guarantee a return.
-

Question #2 of 19

Question ID: 1574864

According to Standard III(C) Suitability, which of the following is *least likely* to be considered a relevant factor in determining the appropriateness and suitability of investment recommendations or actions for each portfolio or client?

- A)** Basic characteristics of the total portfolio.
 - B)** Needs and circumstances of the portfolio or client.
 - C)** Best interests of the investment professional.
-

Question #3 of 19

Question ID: 1581460

A CFA charterholder may disclose confidential information about a client when:

- A)** the information is nonmaterial.
 - B)** the CFA Institute Professional Conduct Program requests it.
 - C)** it is a necessary step in proceeding with research on client preferences.
-

Question #4 of 19

Question ID: 1574869

A money manager, who is a member of CFA Institute, states that, "Our aggressive growth fund produced a 12% annualized return last quarter. This illustrates the superior results our firm produces." The fund return stated by the manager is accurate. Is this a violation of Standard III(D) Performance Presentation?

- A)** No, because a brief summary of results is acceptable as long as more complete information is made available.
 - B)** No, because the manager has stated a fact.
 - C)** Yes.
-

Question #5 of 19

Question ID: 1581453

Bob Hatfield, CFA, has his own money management firm with two clients. The accounts of the two clients are equal in value. One of the clients gets married and the assets of the new spouse and the client are combined. With the larger portfolio of the now married client, Hatfield determines that they can assume a higher level of risk and begins a change in the policy concerning that portfolio. Which of the following would violate Standard III(C), Suitability?

- A)** Assess the time horizon of the newly married client and his spouse.
 - B)** Implement a similar policy for the other client who did not just get married.
 - C)** Assess the return objectives of the newly married client and his spouse.
-

Question #6 of 19

Question ID: 1574874

The Standard concerning preservation of confidentiality states that members and candidates must keep information confidential about:

- A)** current and former clients, but not prospective clients.
 - B)** prospective and current clients, but not former clients.
 - C)** current clients, former clients, and prospective clients.
-

Question #7 of 19

Question ID: 1581461

While servicing his clients' accounts, an analyst who is a CFA charterholder, determines that one client is probably involved in illegal activities. According to Standard III(E), Preservation of Confidentiality, the analyst may NOT do which of the following?

- A)** Contact the appropriate governmental authorities about the determination.
 - B)** Contact CFA Institute about the determination.
 - C)** There are no exceptions in this list.
-

Question #8 of 19

Question ID: 1574862

Paula Munson, CFA, manages a mutual fund with an objective to emphasize income over capital gains. Magic Technologies is a growth stock that pays no dividend, but Republic's research department believes the stock will dramatically outperform the S&P 500 over the next 12 to 18 months. Based on this strong recommendation and believing Magic stock will improve the fund's diversification, Munson adds the stock to her fund's portfolio. Munson has:

- A)** violated the Standards by failing to comply with her portfolio's style mandate.
 - B)** not violated the Standards because she is making investment decisions in a portfolio context.
 - C)** violated the Standards by relying on research that she did not perform herself.
-

Question #9 of 19

Question ID: 1581454

Janet Reilly has just approached Betty Miller, CFA, about purchasing 10,000 shares of Brookshire Co., a newly incorporated real estate development firm. Reilly is a retired schoolteacher living off the income from her late husband's life insurance policy. This investment will represent a significant shift in her investment portfolio. Miller believes this trade is unsuitable with respect to Reilly's investment policy statement. Consistent with the Standards, Miller should *most appropriately*:

- A)** discuss with Reilly whether she wishes to update her investment policy statement.

- follow her firm's procedures for obtaining Reilly's approval to carry out the
- B)** unsolicited trade request.
 - C)** not accept the order, because it is not a suitable investment for Reilly.
-

Question #10 of 19

Question ID: 1581459

Greg Stiles, CFA, may withhold from CFA Institute information about a client acquired in the regular performance of his duties:

- A)** for neither of the reasons listed.
 - B)** only if Stiles has a special confidentiality agreement with the client.
 - C)** only if Stiles is a relative of the client.
-

Question #11 of 19

Question ID: 1581458

A money manager is meeting with a prospect. She gives the client a list of stocks and says, "These are the winners I picked this past year for my clients. Their double-digit returns indicate the type of returns I can earn for you." The list includes stocks the manager had picked for her clients, and each stock has listed with it an accurately measured return that exceeds 10%. Is this a violation of Standard III(D), Performance Presentation?

- A)** No, because the manager had the historical information in writing.
 - B)** Yes, because the manager cannot reveal historical returns of recent stock picks.
 - C)** Yes, unless the positions listed constitute a complete presentation (i.e., there were no stocks omitted that did not perform in the double digits).
-

Question #12 of 19

Question ID: 1581462

Greg Stiles, CFA, keeps a list of his clients' birthdays and has personally sent them a birthday card each year at the appropriate time. With respect to this action, which of the following may be a violation of Standard III(E), Preservation of Confidentiality?

- A)** Hiring a company outside the firm to perform the task.

- B)** Sending a gift along with the card.
 - C)** The mere act of sending a birthday card each year.
-

Question #13 of 19

Question ID: 1581457

A money management firm creates a new high-yield bond fund. The firm accurately computed the returns from the past three years for each of the bonds in the fund. The firm uses the current portfolio weights to determine an average annual historical return equal to 18%. When the firm advertises the new fund at its issuance, they state an 18% annual historical return. With respect to performance presentation, this is:

- A)** a violation of the Standards because they prohibit advertising historical returns on high-risk assets.
 - B)** a violation of the Standards because the advertisement implies the firm generated this return.
 - C)** in compliance with the Standards.
-

Question #14 of 19

Question ID: 1574858

Millie Walker, CFA, established an aggressive growth portfolio for her client, Jesse Wilmer, over three years ago. Wilmer was placed on Walker's employer's client mailing list, and received monthly account statements and the firm's newsletter, which regularly informed clients that they should contact their account representative with any change in their personal circumstances or investment objectives. As of January, of this year, Walker had not spoken to Wilmer nor received any correspondence from Wilmer since the account was established. Walker has:

- A)** violated the Code and Standards because the manager has not performed an update of Wilmer's financial situation and investment objectives.
 - B)** not violated the Code and Standards because there has been regular correspondence from Walker's firm to Wilmer.
 - C)** not violated the Code and Standards because Wilmer has been reminded regularly about the opportunity to inform Walker about any changes.
-

Question #15 of 19

Question ID: 1574863

Compliance with the Standard concerning suitability *least likely* includes determining a client's:

- A) social habits and interests.
 - B) liquidity needs.
 - C) return objectives.
-

Question #16 of 19

Question ID: 1581455

Nancy Korthauer, CFA, has launched a new hedge fund called the Korthauer Tautology Fund and is actively soliciting clients from competitor's firms. Client presentations are necessarily brief and often take place with the prospective client's current investment advisor in the room. The Code and Standards require that:

- A) a prospective client's current investment advisor not participate in meetings.
 - B) member or candidate provide (on request) additional detail information which supports the abbreviated presentation.
 - C) all client presentations provide a thorough review of all elements of the investment management process. Abbreviated presentations are forbidden.
-

Question #17 of 19

Question ID: 1574859

The O'Douls (husband and wife) have decided to work with Jane Mack, CFA, to have her recommend an investment portfolio for them. The O'Douls are novice investors and Mack has determined their asset allocation model falls into the conservative category. After researching various investment options for the O'Douls, Mack has made a recommendation that they divide their account on a 25%/75% basis between shares of a computer peripherals manufacturing company her brokerage firm is underwriting and investment grade corporate bonds. The O'Douls are not aware that Mack's firm is underwriting an offering of the company in question. Which CFA Institute Standard(s) has Mack violated given her actions?

- A) Standard III(B), Fair Dealing, and III(A), Loyalty, Prudence, and Care.

B) Standard V(A), Diligence and Reasonable Basis, and I(D), Misconduct.

C) Standard VI(A), Disclosure of Conflicts, and III(C), Suitability.

Question #18 of 19

Question ID: 1574873

A candidate or member is *least likely* violating the Standard regarding the confidentiality of client information if he shares confidential client information, when not required by law, with:

A) the CFA Institute Professional Conduct Program.

B) the client's attorney.

C) the co-owner of the client's account.

Question #19 of 19

Question ID: 1574875

Greg Stiles, CFA, is liquidating a large portion of a client's portfolio because the client is planning to buy a vacation home. Stiles informs one of his colleagues at the firm that the client is looking for a vacation home, because the colleague's wife is a licensed real estate broker. Does this violate the Standard concerning preservation of confidentiality?

A) No, because he did not disclose any details about the client's portfolio or other financial resources.

B) No, because his colleague is also working on the client's behalf.

C) Yes.