Question #1 of 5

Question ID: 1908179

Ensuring that there are no conflicts of interest between the client and the investment professional best describes the standard of:

A) Impartiality.

B) Loyalty.

C) Professionalism.

D) Prudence and Care.

Explanation

Fiduciary duties typically cover four main areas: loyalty, prudence and care, diversification, and impartiality. Loyalty and impartiality are part of the professional mindset, and diversification and prudence and care are related to exercising professional skills. Under loyalty, clients/beneficiaries always come first, and there should be no conflicts of interest between clients/beneficiaries and the investment professional. Under impartiality, the investment professional does not favor one client over another.

(LO 1.1.3)

Question #2 of 5

Question ID: 1815329

The role of sustainable finance is to:

A) create value for the investor and society.

B) allocate capital for long-term growth.

C) manage investment risk and return.

D) educate society on ESG investments.

Explanation

Sustainable finance satisfies both the asset owner's current needs (i.e., profit) and the interests of future stakeholders (i.e., improving societal well-being). Managing investment risk and return can help create value. ESG investments can help meet sustainability objectives through creating jobs or protecting the environment. Stewardship creates value by focusing on ways to improve societal well-being; this can include promoting sustainability long-term and managing relevant risks.

(LO 1.1.2)

Question #3 of 5

Question ID: 1908180

A fiduciary with a professional mindset should specifically consider the value of:

A) communication.

B) culture.

C) client first.

D) credibility.

Explanation

The five specific values to consider within the professional mindset are (1) ethical and professional behavior, (2) partnership, (3) client first, (4) transparency, integrity, and accountability, and (5) public responsibility and clean license to operate. Ethical and professional behavior (or lack thereof) is often embedded in a firm's culture. Credibility, communication, and professionalism help gain clients' trust.

(LO 1.1.3)

Question #4 of 5

Question ID: 1815333

Which of the following statements about trust in the manager-client relationship is the most accurate?

A) Trust is especially important during market upturns.

B) Technology can build trust and client engagement.

C) A more informed client has less trust in the manager.

D) A manager’s brand does not impact the level of trust.

Explanation

Client trust is gained through both the relationship with the advisor and through technology. Technology can also help increase client engagement. A firm or advisor with a good (bad) brand or reputation can promote (detract from) the level of trust. Trust is especially important in market downturns when the advisor's involvement is crucial. A client's past experience with an investment impacts trust. The more (less) informed the client, the more (less) the client will trust the asset manager and the investment industry in general.

(LO 1.1.4)

Question #5 of 5

Question ID: 1908181

A fiduciary is least likely to create value when the fiduciary:

A) provides incomplete investment summaries that omit material risks.

B) uses models based on multiple objectives.

C) charges reasonable fees consistent with results.

D) makes decisions in the client's best interest.

Explanation

A fiduciary with a professional mindset can create value when it always makes decisions in the client's best interest, uses models based on multiple objectives instead of a single objective, charges reasonable fees consistent with the results produced, takes public responsibility seriously, and provides clients with clear, timely, and thorough communication. A professional and fiduciary mindset creates value through clear, timely, and thorough communication. Incomplete summaries that omit material risks do not meet this standard.

(LO 1.1.4)