## Question #1 of 5

Question ID: 1910604

Which fiduciary practice does not create value?

**A)** Making decisions in the client's best interest. ✗

**B)** Using models based on multiple objectives. ✗

**C)** Charging reasonable fees consistent with results. ✗

**D)** Providing incomplete investment summaries that omit material risks. ✓

**Explanation**

A fiduciary can create value when making decisions in the client's best interest, using models based on multiple objectives instead of a single objective, charging reasonable fees consistent with the results produced, taking public responsibility seriously, and providing clients with clear, timely, and thorough communication. Providing summary information may fail to create value because it can overlook material risks (e.g., illiquidity).

(LO 1.1.4)

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## Question #2 of 5

Question ID: 1910601

Which of the following best describes the role of sustainable finance?

**A)** Manage investment risk and return. ✗

**B)** Educate society on ESG investments. ✗

**C)** Create value for the investor and society. ✓

**D)** Allocate capital for long-term growth. ✗

**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 contribute to creating value. ESG investments can help meet sustainability goals 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)

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## Question #3 of 5

Question ID: 1910605

Which of the following statements correctly describes trust in the manager-client relationship?

**A)** Technology can build trust and client engagement. ✓

**B)** A more informed client has less trust in the manager. ✗

**C)** Trust is especially important during market upturns. ✗

**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)

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## Question #4 of 5

Question ID: 1910602

Which standard is best described as requiring that conflicts of interest between the client and the investment professional be avoided?

**A)** Professionalism. ✗

**B)** Impartiality. ✗

**C)** Prudence and Care. ✗

**D)** Loyalty. ✓

**Explanation**

Fiduciary duties typically cover four 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)

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## Question #5 of 5

Question ID: 1910603

Which of the following should a fiduciary with a professional mindset specifically value?

**A)** Communication.

**B)** Credibility.

**C)** Putting the client first.

**D)** Culture.

**Explanation**

The five 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)