Reading 1.1: Professionalism and Fiduciary Responsibilities

Question 1

List and **discuss** the *four* areas of fiduciary obligations.

Explanation

The four areas of fiduciary obligations are as follows:

- *Loyalty*. In the context of investment strategies, clients/beneficiaries always come first, and there should be no conflicts of interest between clients/beneficiaries and the investment professional.
- *Prudence and care*. Perform duties with sufficient care and judgment to the level of a prudent individual.
- *Diversification*. Achieve sufficient diversification consistent with modern portfolio theory and accepted industry practice.
- *Impartiality*. Ensure that the investment professional does not favor any client/beneficiary over another.

(LO 1.1.3)

Question 2

Explain *three* ways in which culture impacts a group, such as a team, company, or industry.

Explanation

Culture impacts a group in three ways:

- Integration of values and beliefs, setting expectations, creating trust, and providing a greater level of certainty.
- Focusing on the most important issues for the group.
- Capitalizing on effective communication and engagement (both internally and externally).

(LO 1.1.3)

Question 3

List and **discuss** *three* elements required to gain a client's trust in an investment setting.

Explanation

Gaining a client's trust requires the following elements:

- *Credibility.* The asset manager is licensed and qualified to provide the service and has met all relevant regulatory requirements. Additionally, there is a sufficient performance history of success to warrant the client placing trust in the asset manager.
- *Communication*. The asset manager communicates with clients on a timely and thorough basis, using relevant technology where applicable.
- *Professionalism*. The asset manager has the ability to deliver the service at the appropriate skill level, together with loyalty, care, and prudence.

(LO 1.1.4)