

## CFA® SAMPLE QUESTION – LEVEL I

# Ethical and Professional Standards

**Q:** Nancy Westfall is an individual investment advisor who uses mutual funds for her clients. She typically chooses funds from a list of 40 funds that she has thoroughly researched.

The Craigs, a married couple that is a client, asked her to consider the Eligis fund for their portfolio. Westfall had not previously considered the fund because when she first conducted her research three years ago, Eligis was too small to be considered.

However, the fund has now grown in value, and after doing thorough research on the fund, she finds the fund has suitable characteristics to be included in her acceptable list of funds. She puts the fund in the Craigs' portfolio but not in any of her other clients' portfolios.

The fund ends up being the poorest performing fund in the Craigs' portfolio. Has Westfall violated any Standards? Westfall has:

### CORRECT ANSWER:

**(a) not a violation of any Standard.**

Again for these type of Ethical related questions, we need to read the question carefully word by word... Because Westfall performed the same degree of research as she did for the other funds on her list, she provided a reasonable and adequate basis for her recommendation. There is not enough information given about the Eligis fund and how it fits in with the other funds on Westfall's list to determine whether or not the standard on Fair Dealing was broken. It was the Craigs who wanted the Eligis fund and Westfall found it to be acceptable for them and thus added it to her list of acceptable funds. If the Eligis fund was found to possess unique characteristics that were not found in any of the other funds on Westfall's list and the Eligis fund was suitable for some of Westfall's other clients and Westfall hadn't added it to their portfolios after their periodic review then a violation of fair dealing would have occurred.



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