



CFA INSTITUTE

ETHICS IN PRACTICE:

Firm's Funds Are Best Investment, Right?

CASE STUDY

Miriam works as an investment adviser for JVC Wealth Managers. JVC provides wealth management services to high-net-worth clients through discretionary, diversified, risk-adjusted investment management accounts that hold positions in both mutual funds and hedge funds. On average, Miriam has invested 74% of her clients' mutual fund assets and 63% of her clients' hedge fund assets in JVC proprietary funds, earning JVC and its affiliates additional fees. Miriam's actions are

- A. acceptable because clients hiring JVC as an investment manager should expect that the firm will prefer investing in its own funds.
- B. acceptable if Miriam indicates her preference for investing client assets in JVC proprietary funds.
- C. unacceptable if there are non-proprietary mutual funds and hedge funds that meet the clients' investment needs.
- D. unacceptable because the additional fees earned by JVC violate the duty of loyalty, prudence, and care that Miriam owes to her clients.

