ETHICS IN PRACTICE:
When Is Scrutinizing Risk Not Enough?

CASE STUDY
Aaron Bouchard is a portfolio manager with discretionary control over the portfolios of more than 400 clients. Bouchard pursues a "medium risk, value" strategy for his clients, and they hire him on that basis. After scrutinizing the risk of potential investments, he makes a risk assessment for each of the securities he recommends based on the risks facing the issuer's business. The majority of securities Bouchard invests his clients’ assets in are small-cap companies in the oil and gas sector and in commodities that he considers "medium" risk. As a result, Bouchard's client accounts are concentrated in those sectors. Bouchard’s actions are

A. acceptable if he discloses his investment strategy to his clients.

B. unacceptable because he does not exercise diligence and thoroughness in executing his investment strategy.

C. acceptable if he maintains appropriate records to support his investment recommendations and actions.

D. unacceptable because he does not have a reasonable and adequate basis to support his investment recommendations and actions.