CFA INSTITUTE

Setting the global standard for investment professionals

WHAT EVERY INVESTOR SHOULD KNOW

Why Select a CFA® Charterholder?

Successful investors recognize the importance of education and knowledge when it comes to managing financial assets. But while they may spend countless hours learning about markets, securities, and associated risks, investors often overlook the qualifications of the professionals whom they hire to manage their money.

If you work with investment advisors, they will have access to the most personal details of your finances, so their credentials should matter to you. There are a number of reputable and helpful credentials that financial professionals in different disciplines may hold, but none is as rigorously focused on investment knowledge as the Chartered Financial Analyst® (CFA®) designation. Understanding the significance of the CFA charter — and what is required of investment professionals in order to hold it — can be useful information when choosing an investment advisor.

Tradition In the late 1940s, Benjamin Graham, often called the "dean of investment analysis," first proposed a "Qualified Securities Analyst" designation for members of the growing investment profession. After much work from Graham and other dedicated professionals, the first CFA exam was administered in 1963 to 284 candidates, most of them senior-level practitioners.

The backbone of the CFA Program is a three-level examination that measures not only a candidate's understanding of a multi-disciplinary, globally relevant Body of Knowledge™, but also his or her ability to apply this knowledge to the investment decision-making process. A distinguishing characteristic of the program is its uncompromising emphasis on analysis and the application of financial knowledge across core areas of the investment process, particularly in securities valuation and portfolio management. A relevant and evolving curriculum, rigorous examinations, and a stringent *Code of Ethics* have been hallmarks of the CFA Program throughout its history.

Knowledge and Experience To become a CFA charterholder, a candidate must pass a series of three practice-



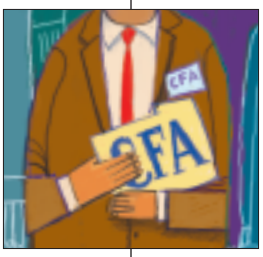
oriented, six-hour examinations, taken in sequential levels. Average completion time is four years. Core elements of the CFA curriculum include investment tools (economics, financial statement analysis, quantitative analysis), asset valuation (analysis of debt investments, equity investments, derivatives, and alternative investments), and portfolio management (both institutional and individual, including performance measurement). Importantly, each examination includes a thorough section testing knowledge and application of ethical and professional standards. To ensure that the CFA Program stays current with the ever-changing dynamics of professional investment practice throughout the world, a team of CFA Institute member volunteers and professional staff annually develops and updates the curriculum and produces the examinations.

Achieving passing scores on all three exams is no small

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Why Select a CFA Charterholder? CONTINUED

feat. Each of the six-hour examinations takes, on average, approximately 250 hours of intensive study and preparation. The combined pass rate (aggregated over all three exam levels) has dropped from over 90 percent in the 1960s to the 60 to 70 percent range in the 1970s and 1980s to under 50 percent in 2003.



As rigorous as the curriculum and examinations are, the CFA Program requires more than academic preparation. Before they earn the right to use the CFA designation, candidates must have three to four years of acceptable professional experience in the investment decision-making process. Additionally, they must fulfill the CFA Institute membership requirements and commit to uphold the CFA Institute stringent *Code* and *Standards*.

Ethics The integrity of investment advisors is of the utmost importance. Their skills and advice directly impact the financial well-being of their clients. That is why every CFA charterholder, CFA Institute member, and CFA candidate is required to sign an annual statement declaring their adherence to the CFA Institute *Code of Ethics* and *Standards of Professional Conduct*.

The *Code* and *Standards* require them to act with integrity, practice in a professional and ethical manner, exercise independent professional judgment, and put client interests before their own. The 300-page CFA Institute *Standards of Practice Handbook* — an "instruction manual" for ethical guidance within the investment community — interprets and expands upon the requirements of the *Code* and *Standards*.

CFA Institute investigates all allegations of violations of the *Code* and *Standards*, whether self-disclosed by the CFA charterholder or raised by an investor or fellow investment professional. Those who are found to have violated the *Code* and *Standards*, or who fail to divulge formal complaints as required in the annual CFA Institute Professional Conduct Statement, are subject to disciplinary sanctions from CFA Institute. Sanctions can range from private censure up to and including losing membership in CFA Institute and the right to use the CFA designation.

Global Relevance With CFA charterholders in more than 100 countries and increasing demand worldwide for the CFA Program, the CFA charter has become ***the*** global professional investment credential. Each June, tens of thousands of candidates sit for the CFA examination at more than 240 sites in more than 70 nations. In 2004, CFA Institute expects more than 100,000 candidates from almost 150 countries to enroll to take one of the three CFA exams. Since 1998, some of the most significant growth in candidate numbers has occurred in Europe, the Middle East, Africa, and Asia. The CFA charter is often referred to as a professional "passport," providing the background that allows CFA charterholders to practice across international boundaries. Others have called it a "union card," a necessary credential to enter or advance within the profession.

Recognition Recognition of the CFA Program's globally relevant Body of Knowledge and the professional standards embodied in the program makes the CFA designation the mark of distinction for investment professionals worldwide. It is a distinction recognized and rewarded by employers, respected by regulators and investment institutions, and, increasingly, demanded by private investors. ■

CFA Institute is the global, non-profit professional association that administers the Chartered Financial Analyst® curriculum and examination program worldwide and sets voluntary, ethics-based professional and performance-reporting standards for the investment industry. CFA Institute was known as AIMR (Association for Investment Management and Research) from 1990 to early 2004, and before that was two separate organizations whose roots go back to 1947. More information may be found at www.cfainstitute.org.

The information contained in this piece is not intended to and does not provide legal, tax or investment advice. If assistance is required, the services of a competent professional should be sought.
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