Investing in Tomorrow  
- A Presentation on Thematic Investing

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CFA Institute is a global not-for-profit organization and the world’s largest association of investment professionals. We are dedicated to developing and promoting the highest standards of ethics, education, and professional excellence in the investment industry, for the ultimate benefit of society. Our goal is to create an environment where investors’ interests come first, markets function at their best, and economies grow.

Being a CFA charter holder means more than earning the right to use the CFA designation. Charter holders are committed to uphold the CFA’s ‘Code of Ethics and Standards of Professional Conduct’. This is a pledge that each charter holder needs to recommit every year.
Ethics in Practice:
Would you like to analyze an ethics case study?
ETHICS IN PRACTICE:
Oh No! Accidental Facebook Post!

CASE STUDY
John Walsh, CFA, is the Chief Financial Officer of TrueTech Corporation, a leading semiconductor manufacturer in the United States. For the past few months, Walsh has led the TrueTech team in talks to buy a majority stake in Veridy Corporation, a smaller, privately owned semiconductor company that has a patented technology that could potentially cut the chip manufacturing costs of TrueTech by almost 40%. After intense negotiations, TrueTech is able to close the deal with Veridy late on a Friday night. Walsh wants to share the good news with his wife, so he takes out his phone and types "Finally! TrueTech has acquired a majority stake in Veridy. The deal is sealed!" But instead of sending the message to his wife, he accidentally posts it on his personal Facebook page. The next morning (a Saturday), he wakes up and discovers the blunder. Did Walsh violate any part of the CFA Institute Code of Ethics or Standards of Professional Conduct?

A. No, this was an honest mistake.

B. Yes, but Walsh does not need to do anything to rectify the matter because the posting was unintentional.

C. Yes, Walsh should immediately disclose his actions to TrueTech and Veridy.

D. Yes, Walsh should post the merger information on the company website and make a public announcement about the transaction.
ANALYSIS FOR THE CASE STUDY

Please visit the CFA Society St. Louis website for a detail analysis on the case study that you just read.

http://www.cfasociety.org/stlouis/Pages/Ethics_in_Practice.aspx
UPCOMING EVENTS

• February 13, 2019, **2019 US Equity Outlook**
  - Jon Erickson, CFA, First Trust Advisors, LLP
  - Breakfast event hosted by FSP St. Louis at Des Peres Lodge

• February 20, 2019, **An Investment Odyssey – early 2019 Global Market Perspective**
  - Chris Dillon, Fixed Income Portfolio Specialist, T. Rowe Price
  - Luncheon event at Hilton Frontenac

• March 7, 2019, **Examining ESG: The Good, the Bad, and the Impact**
  - Katherine Collins, Maria Negrete-Gruson, Priya Parrish,
  - Expert Panel, Luncheon event at St. Louis Club

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ETHICS IN PRACTICE: Oh No! Accidental Facebook Post!

ANALYSIS
This case involves **Standard IV(A): Duties to Employers – Loyalty**, which states that CFA Institute members must not "divulge confidential information or otherwise cause harm to their employer." Even though his action was unintentional, Walsh violated his duty of loyalty to his employer because he disclosed confidential information about TrueTech outside the company. The honest mistake does not exonerate him from violation. Walsh is also in danger of violating **Standard II(A): Material Nonpublic Information**, which states that CFA Institute members must "not act or cause others to act" on material nonpublic information. Walsh inadvertently leaked material nonpublic information to the select group of people who are his friends on Facebook. But there is no indication from the facts given that any of Walsh's Facebook friends who received the merger information tried to take advantage of that information. Walsh should take steps to attempt to rectify his mistake. Although Walsh should notify TrueTech and Veridy of his error, that does not go far enough. The most appropriate course of action is for Walsh to publicly disseminate the news of the merger as quickly as possible so that the information is available to all investors. Answer D is the best choice.

*This case was written by Tanuj Kholsa, CFA, CAIA, and the facts are not based on any particular case.*