



CFA Society
Los Angeles

Mastering the Level II and III CFA Exams

The Keys to CFA Program Success

Average completion time is four years, with most candidates taking between two and five years.

Successful candidates report dedicating more than 300 hours of study per level.

The CFA Program curriculum is the only source material for exam writers.

Study Tools

Learning Ecosystem

Curriculum print book (for purchase)

Digital tests and practice exercises

Scan Me

Scan the QR code for registration dates and exam windows.



CFA Program Scholarships

Access Scholarships

Access scholarships provide needs-based scholarship opportunities for those unable to afford the full program fees.

Award: Waives the program enrollment fee and reduces the exam registration fee to USD 400.

Award Cycle: There are four application windows. Awards are valid for one year.

Timeline: Please see the CFA Institute website for application details and the timeline.

Professor and Student Scholarships

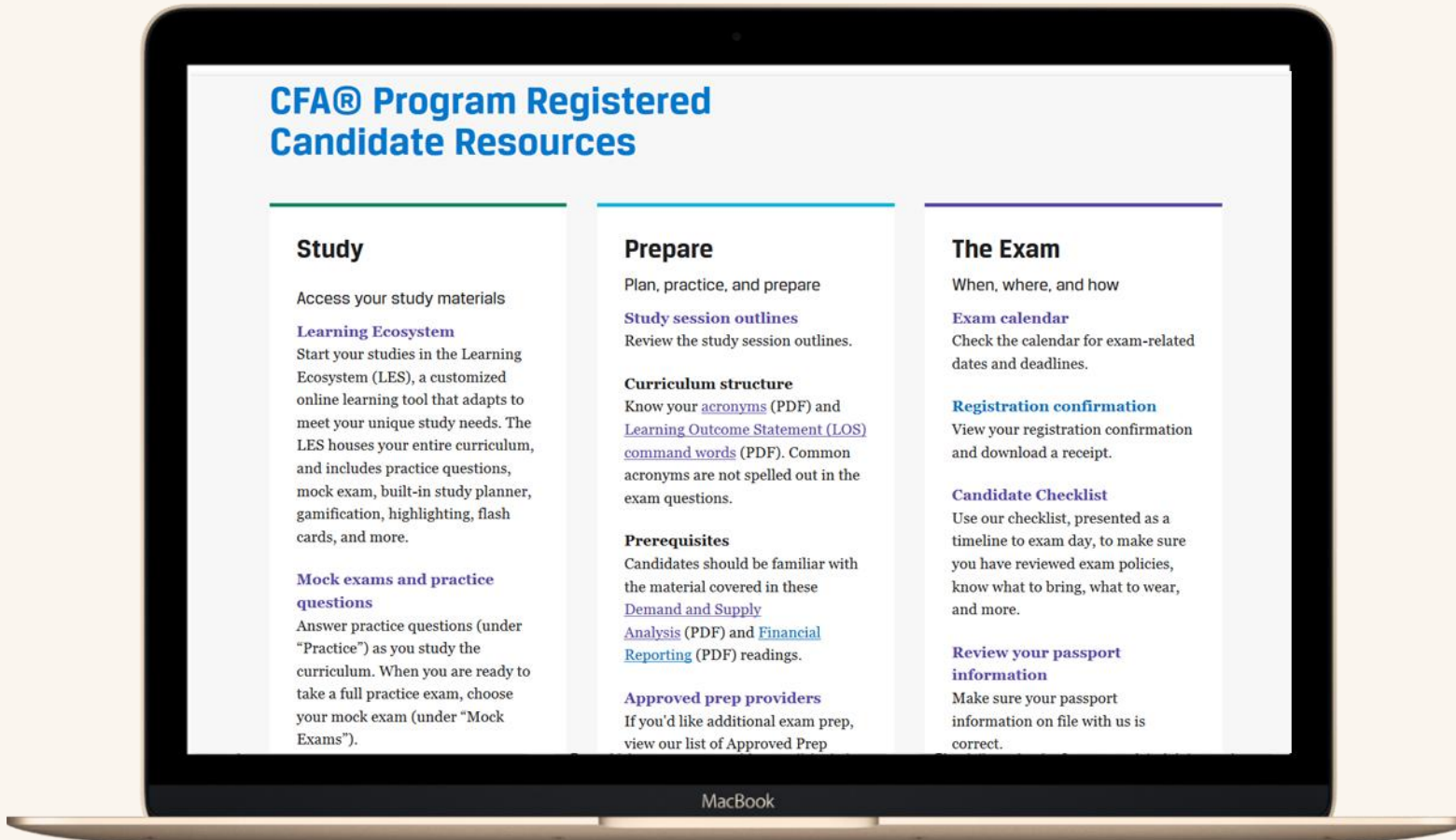
Professor and Student scholarships are offered to key influencers in the academic and financial communities, such as college/university faculty, students enrolled at an Affiliated University.

Award: Waives the program enrollment fee and reduces the exam registration fee to USD 600.

Award Cycle: Awards for student and professor scholarships are made year-round. Awards are valid for one year.

Timeline: Please see the CFA Institute website for application details and timelines.

Candidate Resources Page



- Simple **dashboard** that indicates **progress** and **performance**
- **Consolidates** curriculum and study tools into an **integrated** platform
- **Web-based** and **mobile device agnostic**
- Multiple **device synching**
- **Instructional delivery** best practice (e.g., spaced repetition, gamification)
- **Personalized learning experience** based on behavior and preferences

Testing Rules

Candidates are responsible for understanding and complying with all rules. Testing rules are enforced without exception and failure to comply with the testing policies may result in suspension or termination from the CFA Program.

- Visit www.cfainstitute.org for Candidate Preparation Toolkit that will have current testing information, including exam rules
 - Come prepared (acceptable calculators and ID*)
 - Know what's not permitted (scratch paper, cell phones, etc.)
- Listen carefully to announcements from the exam supervisor

**As of 1 January 2011, a valid international passport is required for CFA Program enrollment, exam registration and admission to the testing facility. This applies to all candidates.*

Test-Taking Strategies for CBT

- Utilize Mock Exams that simulate the CBT experience. Don't have water, a cellphone, or other items that are prohibited during the actual exam during your mocks.
- The CFA Institute's Practice Problems are a good simulations of actual complexity and difficulty.
- Familiarize yourself with the test center location and allow plenty of time to arrive on time.
 - If you arrive after your scheduled appointment time, you may not be able to take the examination due to lateness.
- Be aware that other test takers may be in the testing room with you, and may arrive or depart during your examination.
- Take the "optional" 30 minute break, and bring your own lunch
- If you are concerned about test taking anxiety:
[https://anxietycanada.com/sites/default/files/Test Anxiety Booklet.pdf](https://anxietycanada.com/sites/default/files/Test%20Anxiety%20Booklet.pdf)

What to expect on exam day

- Exams will be delivered in proctored exam centers with robust security measures in place.
- Each test center will closely monitor candidates for cheating in any form.
- Candidates will be provided with writing materials to use during CBT exams, and you will still be allowed to bring a calculator to the exam center.
 - Just as before, the calculator must be either the Texas Instruments BA II Plus or the Hewlett Packard 12C.

Test-Taking Strategies: Level II

- Questions are organized by topic area. Consider starting in your area of expertise. This will help you build confidence.
- If it appears that a question is going to take a long time, continue to shorter questions and come back to the longer one when you are done.
- Answer all questions – there is no penalty for guessing. Stay calm
- Allocate time wisely.
- Don't look for tricks.

Item Sets-Testing Higher Order Knowledge

- Case study or vignette followed by individual multiple choice items which require understanding, evaluating and synthesizing information in case study (as contrasted to “stand-alone” multiple choice items).

Questions 7 through 12 relate to Financial Statement Analysis

Bobby Lee Case Scenario

Bobby Lee, CFA, is an equity analyst for the U.S. investment management firm Dumas Freres. Dumas Freres holds a substantial position in Skylark Industries, a U.S.-based company. In reviewing the position, Lee decides to look at how employee benefits and stock option compensation have affected the financial statements. In 2006, Skylark adopted SFAS No. 158 the 2006 standard on pension accounting.

First he collects information regarding Skylark's pension plan (Exhibit 1) and pension plan assumptions (Exhibit 2). Lee specifically wants to consider whether Skylark is using certain assumptions to minimize its:

1. Projected Benefit Obligation (PBO) at year-end 2008, or,
2. pension related compensation expense for 2008.

Exhibit 1
Selected Skylark Pension Plan Data
as of 31 December (U.S.\$ millions)

Funded Status of the Plan	2008	2007
Benefit obligation at end of the year (PBO)	<u>972</u>	<u>902</u>
Fair value of plan assets at beginning of the year	514	430
Actual return on plan assets	56	54
Employer/Employee contributions	78	72
Benefits paid	-44	-42
Other changes to plan assets		
Fair value of plan assets at end of the year	<u>604</u>	<u>514</u>
Funded status	-368	-388
Unrecognized net loss	200	224
Unrecognized prior service cost	7	10
Components of net periodic benefit cost		
Service cost	60	45
Interest cost	54	47
Expected return on plan assets	-51	-43
Other amounts recognized	<u>27</u>	<u>13</u>
Net periodic benefit cost	<u>\$90</u>	<u>\$62</u>

Constructed Response

- Level III also includes discussion-type and problem solving questions.

Level III

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7070 09

QUESTION 7 HAS THREE PARTS (A, B, C) FOR A TOTAL OF 17 MINUTES.

Chandra Pabst, CFA, is an equity portfolio manager at an advisory firm that provides asset management services to nonprofit organizations. The firm was recently hired by the U.S.-based Aberdeen Family Foundation. Aberdeen's board of directors was dissatisfied with its previous equity manager. Pabst is assigned to develop a strategy for the equity portion of the portfolio.

In her initial meeting with the Aberdeen investment committee, Pabst compiled the following notes:

- The committee agrees that security prices reflect publicly available information.
- The committee expects a decline in interest rates.
- The board fired the previous equity manager because the portfolio had tracking risk exceeding 1%.
- Aberdeen pays taxes on interest, dividends, and realized capital gains.
- The board is willing to accept a low information ratio as long as returns are sufficient to maintain targeted spending.

At the end of the meeting, Pabst recommends that the Aberdeen portfolio be managed using a passive approach. The committee agrees with Pabst's recommendation.

- A. Justify, with *three* reasons based only on Pabst's notes, why the use of a passive investment approach is the *most* appropriate for Aberdeen's equity portfolio.

Answer Question 7-A in the Template provided on page 45.

(6 minutes)

Pabst next begins to transition Aberdeen's portfolio holdings. She is constructing the portfolio using individual equities and is considering the following methods: full replication, stratified sampling, and optimization. The benchmark for the portfolio is the Russell 3000 Index, which is based on market capitalization and consists of 3,000 large U.S. publicly-traded companies. The value of Aberdeen's equity portfolio is 3,000,000 U.S. dollars (USD). The board prefers not to use complicated mathematical models that would be challenging to explain to donors.

- B. Determine, from the three methods Pabst is considering, the *most* appropriate method for constructing the equity portfolio. Justify your response with *two* reasons related to Aberdeen's specific circumstances.

Answer Question 7-B in the Template provided on page 46.

(5 minutes)

Test-Taking Strategies: Level III

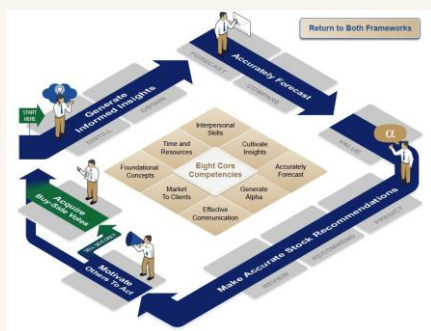
- Do not overlook any questions or question parts; read bold instructions on templates.
- Pay attention to minute allocations for time management; minutes = maximum points.
- Don't worry about grammar, you are graded on content.
- Some questions are related; check before answering questions out of order.

Test-Taking Strategies: Level III (cont'd)

- Pay attention to command words.
- Do not provide more than the required number of responses.
- Inconsistent or illogical answers may receive no credit.
- Answer the questions asked, not the question you wish had been asked.
- Show all calculations and state any assumptions you think are necessary.

Practical Skills Modules - Topics Covered

Level II



Analyst Skills

- Critical Factors of a Stock
- Generating Insights
- Choosing Valuation Methodology
- Target Prices
- Communicating Stock Calls
- Time and Information Management

Python, Data Science & AI

- Financial Data Scraping, Wrangling, Cleaning
- Dividend Payout Predication Using Machine Learning Regression & Artificial Neural Networks
- Edgar Data Ingestion & Sentiment Analysis Using AWS Comprehend and LSTM Neural Networks

calculate the dividends per share for ABC Inc. given the following assumptions:

- Next year's sales revenue = \$150 million
- Next year's net profit margin = 10%
- Dividend payout ratio = 50%
- Number of outstanding shares = 6 million

• Write a Python code that:

- 1. Defines Python variables for: (1) next year's sales revenue, (2) next year's net profit margin, (3) dividend payout ratio and (4) number of outstanding shares and assigns values to them. For Example, next year's sales revenue can be defined as follows:

```
sales_revenue = 150000000
```

- 2. Calculates ABC Inc. net earnings
- 3. Calculates ABC Inc. dividends per share

• Hint:

- Net earnings = Sales Revenue * Net Profit Margin
- Dividends Per Share = (Net earnings * Payout ratio) * Number of Outstanding Shares

```
In [20]: # Let's define our variables first
sales_revenue = 150000000
net_profit_margin = 0.1
dividend_payout_ratio = 0.5
num_outstanding_shares = 6000000
```

Level III

Solve Three-Asset Portfolio's Return and Risk

We can now use the equations from MPT to solve for the portfolio's return and risk. We need to revise our formulas for portfolio return, since this is calculated as the sum of all the weighted returns (based on the proportion of each asset in the portfolio). We will clear the contents of the cells (using the "delete" key on the keyboard) containing the old formulas where we previously calculated variance, volatility, and return on the portfolios.

The new formula for portfolio return in cell H13, which incorporates all three assets' weights and returns will look like this: `=B13*B$B3+C13*C$B3+D13*D$B3`

Note that instead of doing this manually, we could use the Excel function `(SUMPRODUCT())` which sums the products of two or more arrays.

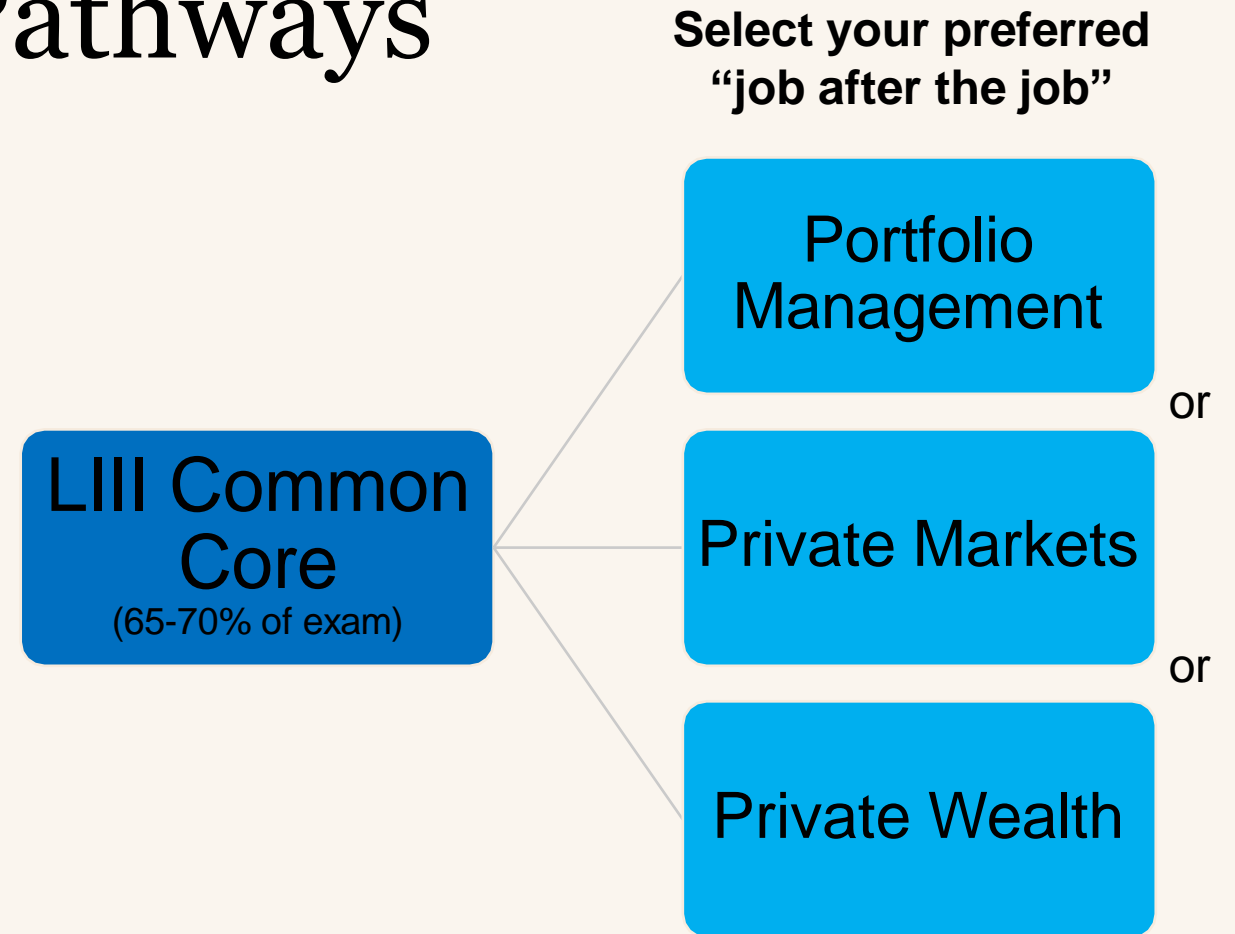
Assets	Weights	Returns	Risks
Asset 1	0.33	10.00%	10.00%
Asset 2	0.33	10.00%	10.00%
Asset 3	0.33	10.00%	10.00%
Portfolio		10.00%	10.00%

Portfolio Development and Construction

- Investment Policy Statement
- Data Analysis
- Strategic Asset Allocation
- Capital Markets Expectations
- Sensitivity analysis
- Performance Evaluation

Level III Specialized Pathways

- We did not want to simply add pages to Level III.
- So instead, we identified the things the three job roles had in common. Tasks that transcend the three job roles such as asset allocation and portfolio construction. This we made the “common core” for Level III, taken by all candidates.
- We then made three “specialized pathways” of Level III, similar to the specializations available towards the end of most Masters programs.





Mission Statement

CFA Society Los Angeles promotes integrity, professional excellence and engagement among its members and within the community.

About CFA Society Los Angeles

CFA Society Los Angeles is an association of local investment professionals, consisting of portfolio managers, security analysts, investment advisors and other financial practitioners, that has served CFA Charterholders and CFA Program candidates locally since 1931.

What are the benefits of joining CFALA?



CFALA Signature Events

- CFA Society Los Angeles' Signature events are attended by 300+ investment professionals who are seeking thought-provoking content and quality networking opportunities. The Forecast Dinner features esteemed panels and future projections, ALTSLA, the West Coast's premier alternative investment all-day conference, and our latest conference, Portfolio which launched in 2019. It's a full day conference with 30+ speakers, immersive panel discussions, and insightful keynotes all talking

Topical Programs

- Current issues in the investment industry are presented virtually and in-person throughout the Los Angeles area. Previous presentations include topics on Wealth Management, Alternative Investments, Fintech, ESG and Ethical Decision Making and Behavioral Finance.

Continuing Education Programs

- Educational classes are available to members at a discounted rate. Courses have included Fixed Income Series, Alternative Investment Series, Data Science, Intro to Python, and Valuation and Modeling Boot Camps.

Career Development

- CFA Society Los Angeles has a job board that allows you to search for jobs in southern CA as well as globally. We regularly offer soft skill classes on speed reading, note taking, presentation skills, salary negotiations and leadership development. We host two Virtual Career Expos Annually

Networking

- We organize a wide variety of networking activities including: hikes, axe throwing, pickleball tournaments, dolphin cruises, wine tasting and golf tournaments.

CFA Society Los Angeles Membership

Regular Membership (\$175 CFALA Member Dues + 299 For CFAI Member Dues Annually)

- Affiliate Membership Requirements +
- Bachelor's degree or equivalent
- Pass Level I of the CFA exam, Level II of the CIPM exam or pass the self-administered Standards of Practice
- 4,000 hours of professional work experience

Affiliate Membership (\$175 CFALA Member Dues + 299 For CFAI Member Dues Annually)

- Dual Membership with CFA institute and CFA Society Los Angeles
- Sign Professional Conduct Statement.

Associate Membership (\$175 a Year*)

- Local Membership
- Bachelor's degree or equivalent
- Can't have passed Level II
- * If you are an ACTIVE candidate currently enrolled in the CFA Program Level I or Level II Exam, you may be eligible for a discounted rate of \$50.

Student Membership (\$50 a Year)

- Local Membership
- Current Full Time Student at a University/College
- Can't have passed Level II



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Thank you

For any additional questions, please email info@cfala.org.