



2025 CFA Program Level I Candidate Notice

30 SEPTEMBER 2025

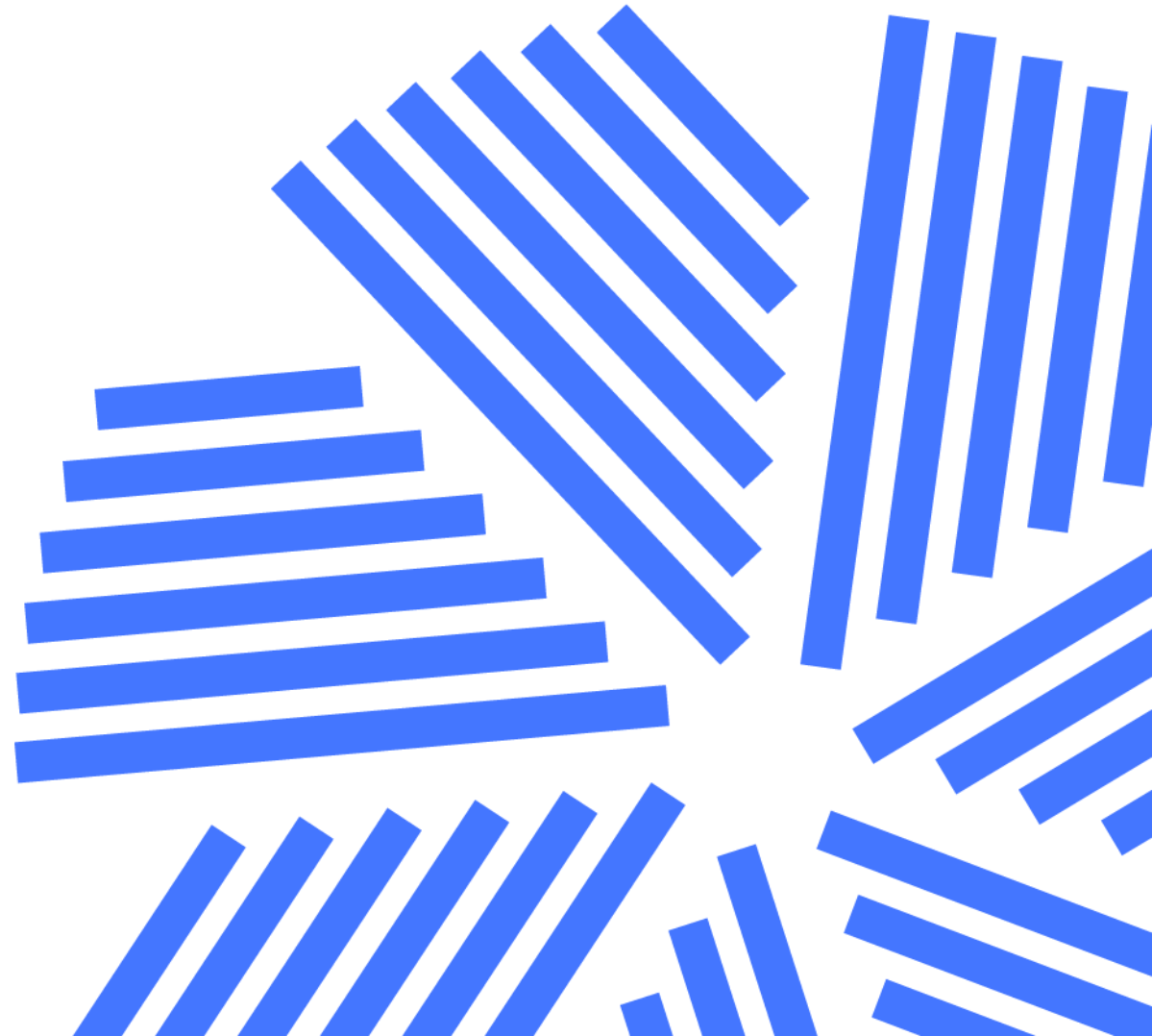


This document outlines the errors submitted to CFA Institute that have been corrected.

Due to the nature of our publishing process, we may not be able to correct errors submitted after 1 September 2024 in time for the publication of the following year's print materials. We do make it known in this notice when changes have been published in the curriculum and when they are still pending corrections. We release a new notice every two weeks.

We recommend checking either the LES or this document regularly for the most current information. Depending on when you purchase the print materials, they may or may not have the errors corrected.

Quantitative Methods



Rates and Returns

Revised Date	Location	Page(s)	Replace	With
26 August 2024	Third Paragraph	9	For example, an analyst may need to compute a one-year holding period return from three annual returns. In that case, the one-year holding period return is computed by compounding the three annual returns...	For example, an analyst may need to compute a three-year holding period return from three annual returns. In that case, the three-year holding period return is computed by compounding the three annual returns...
1 November 2024	First sentence after Exhibit 2	10	Beginning with an initial investment of EUR1.0000, we will have a balance of EUR0.8573 at the end of the three-year period as shown in the fourth column of Exhibit 2.	Beginning with an initial investment of EUR1.0000, we will have a balance of EUR0.8574 at the end of the three-year period as shown in the fourth column of Exhibit 2.
18 August 2025	Solution to Example 2	11	C is correct. Applying Equation 2, the holding period return is –10.1 percent, calculated as follows:	C is correct. Applying Equation 1 , the holding period return is –10.1 percent, calculated as follows:
20 August 2025	Exhibit 3 Title & Table	11	Exhibit 3: Mutual Fund Performance, 20X8–20X0 20X0	Exhibit 3: Mutual Fund Performance, 20X8–20Y0 20Y0
18 August 2025	Solution to Example 4	12	A is correct. Applying Equation 4, the fund's geometric mean return over the three-year period is 0.52 percent, calculated as follows:	A is correct. Applying Equation 3 , the fund's geometric mean return over the three-year period is 0.52 percent, calculated as follows:

Rates and Returns

Revised Date	Location	Page(s)	Replace	With
14 August 2025	Paragraph and equation below example 6	16	Because they use the same data but involve different progressions in their respective calculations, the arithmetic, geometric, and harmonic means are mathematically related to one another. We will not go into the proof of this relationship, but the basic result follows: Arithmetic mean \times Harmonic mean = (Geometric mean) ² .	Because they use the same data but involve different progressions in their respective calculations, the arithmetic, geometric, and harmonic means are mathematically related to one another. We will not go into the proof of this relationship, but the basic result follows: Arithmetic mean \times Harmonic mean = (Geometric mean)².
26 August 2024	Example 8, Solution 4	23	Replace the sum in the second calculation: 1.1471	1.1476
26 August 2024	In-text Equation callouts	29	Equation numbering in-text	Starting on page 29, in-text equation callouts mismatched. Starting on page 29, the equation is labeled as equation “7” but the text below it refers to it as “Equation 8.” Throughout the rest of the LM, in-text callouts should be one less than the current number

Rates and Returns

Revised Date	Location	Page(s)	Replace	With
26 August 2024	First paragraph	33	The first paragraph under Gross and Net Return should read:	A gross return is the return on assets managed less any trading expenses and commissions. Gross return is intended to reflect the investment skill of the manager. Expenses including management fees, custody fees, and taxes are not included in the gross return because they may be different for different investors. For example, most asset managers provide lower management fee rates to larger accounts. Excluding these expenses in gross returns provides a basis for evaluation and comparison of investment management skill.
26 August 2024	Equation 14	34	$(1 + \text{real return}) = \frac{(1 + \text{real risk-free rate})(1 + \text{risk premium})}{1 + \text{inflation premium}}$	$(1 + \text{real return}) = (1 + \text{real risk-free rate})(1 + \text{risk premium})$
22 September 2025	First sentence under Real Returns	34	Previously this learning module approximated the relationship between the nominal rate and the real rate by the following relationship:	Previously the learning model approximated defined the relationship between the nominal rate and the real rate by the following relationship equation:
26 August 2025	Paragraph under Equation 15	36	For example, for a EUR10 million equity portfolio that generates an 8 percent total investment return,	For example, for a leveraged EUR10 million equity portfolio that generates an 8 percent total investment return,

Time Value of Money in Finance

Revised Date	Location	Page(s)	Replace	With
26 August 2024	Example 2, Solution 1	51	$PV = EUR100 = \frac{2}{1.20} + \frac{2}{1.02^2} + \frac{2}{1.02^3} + \frac{2}{1.02^4} + \frac{2}{1.02^5} + \frac{2}{1.02^6} + \frac{2}{1.02^7}$	$PV = EUR100 = \frac{2}{1.20} + \frac{2}{1.02^2} + \frac{2}{1.02^3} + \frac{2}{1.02^4} + \frac{2}{1.02^5} + \frac{2}{1.02^6} + \frac{102}{1.02^7}$
26 August 2024	Example 2, Question 2	51	<p>Question 2 should begin:</p> <hr/> <p>The solution to Question 2 should read:</p>	<p>Next, let's assume that, exactly two years later, a sharp rise....</p> <hr/> <p>3.2876 percent</p> <p>In this case, we must solve for r using Equation 6, with PV equal to 93.09, as follows:</p> $PV = 93.091 = 2/(1+r) + 2/(1+r)^2 + 2/(1+r)^3 + 2/(1+r)^4 + 2/(1+r)^5 + 102/(1+r)^6.$ <p>Here we may use the Microsoft Excel or Google Sheets RATE function (RATE (6,2,93.091,100,0,0.1)) to solve for r of 3.2876 percent. Investors in fixed coupon bonds face a capital loss when investors expect a higher YTM.</p>

Time Value of Money in Finance

Revised Date	Location	Page(s)	Replace	With
1 November 2024	Example 3, Question 3	52	Recalculate the discount bond price for the final principal payment in 20 years from Example 1 using a 6.70 percent semiannual discount rate.	Recalculate the discount bond price for the single principal payment in 20 years from Example 1, where YTM = 6.70, and discounting is done semiannually.
1 November 2024	Example 3, Solution 3	52	<p>INR26.77</p> <p>Note that the PV calculation using the same annual discount rate for 40 semiannual periods will differ slightly using Equation 5, as follows:</p> $PV = \text{INR}27.66 = (PMT_{40} + FV_{40}) / (1 + r/2)^{40},$ $PV(PMT_{40}) = \text{INR}0.90 = 3.35 / (1.0335)^{40},$ $PV(FV_{40}) = \text{INR}26.77 = 100 / (1.0335)^{40}.$ <p>Compounding on a semiannual basis for 40 periods, $PV(FV_{40})$ of 26.77 is less than the original PV of 27.33 using 20 annual periods from Example 1 (since $1/(1+r)^t > 1/(1+r/2)^{2t}$ when $r \geq 0$).</p>	<p>INR26.77</p> <p>Using Equation 5:</p> $PV = \text{INR}27.66 = (PMT_{40} + FV_{40}) / (1 + r/2)^{40},$ $PV(PMT_{40}) = \text{INR}0.90 = 3.35 / (1.0335)^{40},$ $PV(FV_{40}) = \text{INR}26.77 = 100 / (1.0335)^{40}.$ <p>Discounting on a semiannual basis for 40 periods, $PV(FV_{40})$ of 26.77 is less than the original PV of 27.33 using 20 annual periods from Example 1 (since $1/(1+r)^t > 1/(1+r/2)^{2t}$ when $r \geq 0$).</p>
31 January 2024	Exhibit 6	58	Within the exhibit, the bar representing the fifth year is incorrectly labeled. The exponent 4 should be 3, so replace this expression on top of the bar: $D(1+g_s)^4(1+g)^2$	$D(1+g_s)^3(1+g)^2$

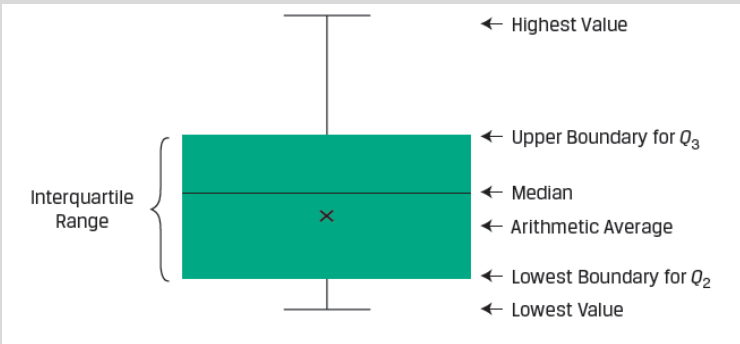
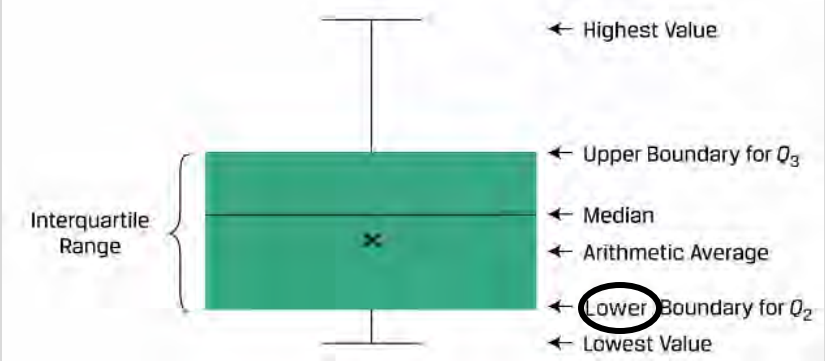
Time Value of Money in Finance

Revised Date	Location	Page(s)	Replace	With
26 September 2025	Equation 15	58	$PV_t = \sum_{i=1}^n \frac{D_t(1+g_s)^i}{(1+r)^i} + \sum_{j=n+1}^{\infty} \frac{D_{t+n}(1+g_l)^j}{(1+r)^j}.$	$PV_t = \sum_{i=1}^n \frac{D_t(1+g_s)^i}{(1+r)^i} + \sum_{j=n+1}^{\infty} \frac{D_{t+n}(1+g_l)^{j-n}}{(1+r)^j}.$
31 January 2024	Example 7, Solution 2	59	<p>We may solve for D4 as GBP1.894 (=1.787 × 1.02 = D3(1 + gl)) and the second expression to be GBP9.22 as follows:</p> $\text{GBP9.22} = \frac{1.894/(0.15 - 0.02)}{(1.15)^3}.$	<p>We may solve for D4 as GBP1.823 (=1.787 × 1.02 = D3(1 + gl)) and the second expression to be GBP9.22 as follows:</p> $\text{GBP9.22} = \frac{1.823/(0.15 - 0.02)}{(1.15)^3}.$
24 September 2025	Example 7, Solution 2	59	<p>Step 2 As shown in Equation 17, the second expression simplifies as follows:</p> $\frac{E(S_4)}{(1+r)^3}, \text{ with } E(S_4) = \frac{D_4}{r - g_l}.$	<p>Step 2 As shown in Equation 17, the second expression simplifies as follows:</p> $\frac{E(S_4)}{(1+r)^3}, \text{ with } E(S_4) = \frac{D_5}{r - g_l}.$

Time Value of Money in Finance

Revised Date	Location	Page(s)	Replace	With
22 September 2025	Exhibit 10	72	<p>Time $t=0$ $t=1$ $t=2$</p> <p>Strategy 1.)</p> <p>GBP100</p> <p>1-year rate</p> <p>Implied forward rate $F_{1,1}$</p> <p>GBP102.5 $\text{GBP}100(1+r_1)$</p> <p>GBP102.5 $(1+F_{1,1})$</p> <p>Strategy 2.)</p> <p>GBP100</p> <p>2-year rate</p> <p>GBP107.12 $\text{GBP}100(1+r_2)^2$</p>	<p>Time $t=0$ $t=1$ $t=2$</p> <p>Strategy 1.)</p> <p>GBP100</p> <p>2-year rate</p> <p>GBP107.12 $\text{GBP}100(1+r_2)^2$</p> <p>Strategy 2.)</p> <p>GBP100</p> <p>1-year rate</p> <p>Implied forward rate $F_{1,1}$</p> <p>GBP102.5 $\text{GBP}100(1+r_1)$</p> <p>GBP102.5 $(1+F_{1,1})$</p>
26 August 2024	Example 14, Solution 1	76	Foreign Strategy: Convert GBP1,000 at 1.2602 to receive USD1,260.20, which invested at the one-year US-dollar risk-free rate of 2.667 percent returns USD1,294.27 $(=1,260.20 e(0.02667))$ in one year.	Foreign Strategy: Convert GBP1,000 at 1.2602 to receive USD1,260.20, which invested at the one-year US-dollar risk-free rate of 2.667 percent returns USD1,294.26 $(=1,260.20 e(0.02667))$ in one year.
26 August 2024	Solution 5	85	2.29 percent $= (92.25/89)^{(1/3)} - 1$.	2.29 percent $= (\mathbf{95.25}/89)^{(1/3)} - 1$.

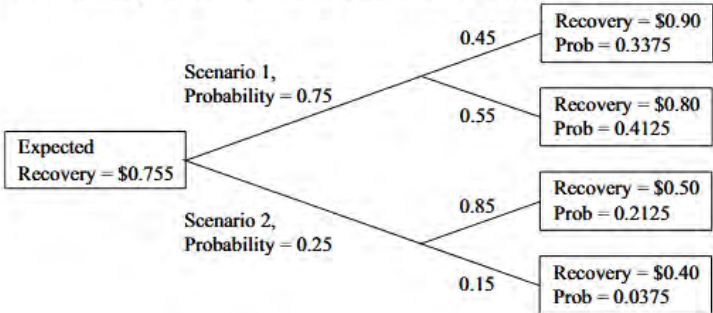
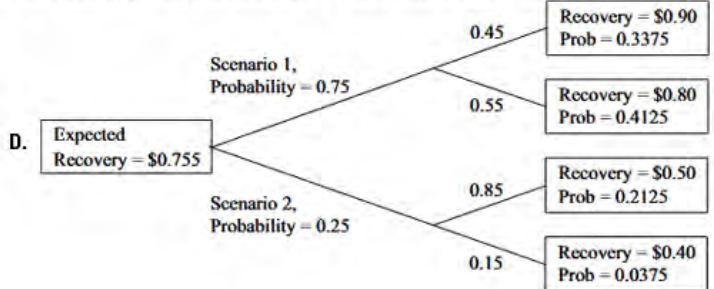
Statistical Measures of Asset Returns

Revised Date	Location	Page(s)	Replace	With
31 January 2024	Paragraph following Exhibit 2	91	The modal interval always has the highest bar in the histogram; in this case, the modal interval is 0.0 to 0.9 percent, and this interval has 493 observations out of a total of 1,258 observations.	The modal interval always has the highest bar in the histogram; in this case, the modal interval is 0.0 to 1.0 percent, and this interval has 555 observations out of a total of 1,258 observations.
24 September 2025	Exhibit 5: Box and Whisker Plot	95	 <p>A box and whisker plot diagram. The box is green. A horizontal line inside the box represents the Median. A small 'x' inside the box represents the Arithmetic Average. The top of the box is labeled 'Upper Boundary for Q_3'. The bottom of the box is labeled 'Lower Boundary for Q_2'. The whiskers extend to the 'Highest Value' (top) and 'Lowest Value' (bottom). A bracket on the left side of the box is labeled 'Interquartile Range'.</p>	 <p>A box and whisker plot diagram, identical to the one in the 'Replace' column. The 'Lower Boundary for Q_2' label is circled in black.</p>
26 August 2024	Question Set, Question 2	109	2. The fund with the mean absolute deviation (MAD) is Fund:	2. The fund with the highest mean absolute deviation (MAD) is Fund:
26 August 2024	Interpreting Skewness and Kurtosis – Question 2	115	2. Does the distribution displays kurtosis? Explain.	2. Does the distribution display kurtosis? Explain.

Portfolio Mathematics

Revised Date	Location	Page(s)	Replace	With
2 September 2025	Equation 2	155	$\sigma^2(R_p) = E\{[R_p E(R_p)]^2\}.$	$\sigma^2(R_p) = E[(R_p E(R_p))^2].$
2 September 2025	Equation 5	156	$\begin{aligned}\sigma^2(R_p) &= E[(R_p - E R_p)^2] \\ &= E\{[w_1 R_1 + w_2 R_2 + w_3 R_3 - E(w_1 R_1 + w_2 R_2 + w_3 R_3)]^2\} \\ &= E\{[w_1 R_1 + w_2 R_2 + w_3 R_3 - w_1 E R_1 - w_2 E R_2 - w_3 E R_3]^2\}.\end{aligned}$	$\begin{aligned}\sigma^2 &= E[(R_p - E(R_p))^2] \\ &= E[(w_1 R_1 + w_2 R_2 + w_3 R_3 - E(w_1 R_1 + w_2 R_2 + w_3 R_3))^2] \\ &= E[(w_1 R_1 + w_2 R_2 + w_3 R_3 - w_1 E R_1 - w_2 E R_2 - w_3 E R_3)^2]\end{aligned}$
22 August 2025	Equation under Exhibit 3	157	$\sigma^2(R_p) = w_1^2 \sigma^2(R_1) + w_2^2 \sigma^2(R_2) + w_3^2 \sigma^2(R_3) + 2w_1 w_2 \text{Cov}(R_1, R_2)$	$\sigma^2(R_p) = w_1^2 \sigma^2(R_1) + w_2^2 \sigma^2(R_2) + w_3^2 \sigma^2(R_3) + 2w_1 w_2 \text{Cov}(R_1, R_2)$

Probability Trees and Conditional Expectations

Revised Date	Location	Page(s)	Replace	With
11 April 2025	Question Set Solution	139	<p>Using the data for Scenario 1 and Scenario 2, calculate the following:</p> <ol style="list-style-type: none"> Compute the expected recovery, given the first scenario. Compute the expected recovery, given the second scenario. Compute the expected recovery. Graph the information in a probability tree diagram. Compute the probability of each of the four possible recovery amounts: USD0.90, USD0.80, USD0.50, and USD0.40. <p>Solution:</p> <p>A. Outcomes associated with Scenario 1: With a 0.45 probability of a USD0.90 recovery per USD1 principal value, given Scenario 1, and with the probability of Scenario 1 equal to 0.75, the probability of recovering USD0.90 is $0.45(0.75) = 0.3375$. By a similar calculation, the probability of recovering USD0.80 is $0.55(0.75) = 0.4125$.</p> <p>Outcomes associated with Scenario 2: With a 0.85 probability of a USD0.50 recovery per USD1 principal value, given Scenario 2, and with the probability of Scenario 2 equal to 0.25, the probability of recovering USD0.50 is $0.85(0.25) = 0.2125$. By a similar calculation, the probability of recovering USD0.40 is $0.15(0.25) = 0.0375$.</p> <p>B. $E(\text{recovery} \mid \text{Scenario 1}) = 0.45(\text{USD}0.90) + 0.55(\text{USD}0.80) = \text{USD}0.845$</p> <p>C. $E(\text{recovery} \mid \text{Scenario 2}) = 0.85(\text{USD}0.50) + 0.15(\text{USD}0.40) = \text{USD}0.485$</p> <p>D. $E(\text{recovery}) = 0.75(\text{USD}0.845) + 0.25(\text{USD}0.485) = \text{USD}0.755$</p> 	<p>Using the data for Scenario 1 and Scenario 2, calculate the following:</p> <ol style="list-style-type: none"> Compute the expected recovery, given the first scenario. Compute the expected recovery, given the second scenario. Compute the expected recovery. Graph the information in a probability tree diagram. Compute the probability of each of the four possible recovery amounts: USD0.90, USD0.80, USD0.50, and USD0.40. <p>Solution:</p> <p>A. $E(\text{recovery} \mid \text{Scenario 1}) = 0.45(\text{USD}0.90) + 0.55(\text{USD}0.80) = \text{USD}0.845$</p> <p>B. $E(\text{recovery} \mid \text{Scenario 2}) = 0.85(\text{USD}0.50) + 0.15(\text{USD}0.40) = \text{USD}0.485$</p> <p>C. $E(\text{recovery}) = 0.75(\text{USD}0.845) + 0.25(\text{USD}0.485) = \text{USD}0.755$</p> <p>D.</p>  <p>E. Outcomes associated with Scenario 1: With a 0.45 probability of a USD0.90 recovery per USD1 principal value, given Scenario 1, and with the probability of Scenario 1 equal to 0.75, the probability of recovering USD0.90 is $0.45(0.75) = 0.3375$. By a similar calculation, the probability of recovering USD0.80 is $0.55(0.75) = 0.4125$.</p> <p>Outcomes associated with Scenario 2: With a 0.85 probability of a USD0.50 recovery per USD1 principal value, given Scenario 2, and with the probability of Scenario 2 equal to 0.25, the probability of recovering USD0.50 is $0.85(0.25) = 0.2125$. By a similar calculation, the probability of recovering USD0.40 is $0.15(0.25) = 0.0375$.</p>

Probability Trees and Conditional Expectations

Revised Date	Location	Page(s)	Replace	With
22 September 2025	Equation 8	145	<p>This is the total probability rule in action. Now you can answer your question by applying Bayes' formula, Equation 8:</p> <p>$P(\text{EPS} \text{ "exceeded" "consensus" } \setminus \text{DriveMed} \text{ "expands"})$</p>	<p>This is the total probability rule in action. Now you can answer your question by applying Bayes' formula, Equation 8:</p> <p>$P(\text{EPS exceeded consensus} \mid \text{DriveMed expands})$</p>
30 September 2025	Example 4 – Question 1	146	<p>1. What is your estimate of the probability $P(\text{EPS exceeded consensus} \mid \text{DriveMed expands})$</p>	<p>1. What is your estimate of the probability $P(\text{EPS met consensus} \mid \text{DriveMed expands})$</p>

Portfolio Mathematics

Revised Date	Location	Page(s)	Replace	With
31 January 2024	Equation 2	153	$\sigma^2(R_p) = E\{[R_p - E(R_p)]^2\}.$	$\sigma^2(R_p) = E\{[R_p - E(R_p)]^2\}.$
31 January 2024	Equation 4	154	$\text{Cov}(R_i, R_j) = \sum_{t=1}^n (R_{i,t} - \bar{R}_i)(R_{j,t} - \bar{R}_j) / (n - 1).$	$\text{Cov}(R_i, R_j) = \sum_{t=1}^n (R_{i,t} - \bar{R}_i)(R_{j,t} - \bar{R}_j) / (n - 1).$
31 January 2024	Calculation under Equation 5	156	$\begin{aligned} &= w_1^2 \sigma^2(R_1) + w_1 w_2 \text{Cov}(R_1, R_2) + w_1 w_3 \text{Cov}(R_1, R_3) \\ &+ w_1 w_2 \text{Cov}(R_1, R_2) + w_2^2 \sigma^2(R_2) + w_2 w_3 \text{Cov}(R_2, R_3) \\ &+ w_1 w_3 \text{Cov}(R_1, R_3) + w_2 w_3 \text{Cov}(R_2, R_3) + w_3^2 \sigma^2(R_3). \end{aligned}$	$\begin{aligned} &= w_1^2 \sigma^2(R_1) + w_1 w_2 \text{Cov}(R_1, R_2) + w_1 w_3 \text{Cov}(R_1, R_3) \\ &+ w_1 w_2 \text{Cov}(R_1, R_2) + w_2^2 \sigma^2(R_2) + w_2 w_3 \text{Cov}(R_2, R_3) \\ &+ w_1 w_3 \text{Cov}(R_1, R_3) + w_2 w_3 \text{Cov}(R_2, R_3) + w_3^2 \sigma^2(R_3) \end{aligned}$
18 August 2025	Last sentence in paragraph starting with "For example, given independence,"	165	The following condition holds for independent random variables and, therefore, also holds for uncorrelated random variables.	The following condition holds for independent random variables and, therefore, also holds for uncorrelated random variables, since for two variables $E(XY) = E(X)E(Y) + \text{Cov}(X, Y)$, and when the variables are uncorrelated, $\text{Cov}(X, Y) = 0$.

Estimation and Inference

Revised Date	Location	Page(s)	Replace	With
22 September 2025	Solution to Question 1	212	Option 2: Apply the bootstrap method to construct the sampling distribution of the sample median, and then compute the standard error using Equation 7.	Option 2: Apply the bootstrap method to construct the sampling distribution of the sample median, and then compute the standard error using Equation 4 .

Hypothesis Testing

Revised Date	Location	Page(s)	Replace	With
18 September 2025	Learning Module Overview	218	To determine whether the difference between two population means from normally distributed populations with unknown but equal variances, the appropriate test is a t-test based on pooling the observations of the two samples to estimate the common but unknown variance. This test is based on an assumption of independent samples.	To determine whether the difference between two population means from normally distributed populations with unknown but equal variances is significant , the appropriate test is a t-test based on pooling the observations of the two samples to estimate the common but unknown variance. This test is based on an assumption of independent samples.

Hypothesis Testing

Revised Date	Location	Page(s)	Replace	With
26 August 2024	Exhibit 6	226	<p>Replace the text in “Step 4: State the decision rule.”:</p> <p>We reject the null hypothesis if the calculated χ^2 statistic is less than 13.09051.</p> <hr/> <p>Replace the text in “Step 6: Make a decision.”:</p> <p>Fail to reject the null hypothesis because the calculated χ^2 statistic is greater than the critical value. There is insufficient evidence to indicate that the variance is less than 16% (or, equivalently, that the standard deviation is less than 4%).</p>	<p>We reject the null hypothesis if the calculated χ^2 statistic is greater than 13.09051.</p> <hr/> <p>“Reject the null hypothesis because the calculated χ^2 statistic is greater than the critical value. There is sufficient evidence to indicate that the variance is less than 16% (or, equivalently, that the standard deviation is less than 4%).”</p>
26 August 2024	Question Set, Solution 4	234	<p>Because 5.06 is not less than 3.325, we do not reject the null hypothesis; the calculated test statistic falls to the right of the critical value, where the critical value separates the left-side rejection region from the region where we fail to reject.</p>	<p>Because 5.06 is greater than 3.325, we reject the null hypothesis; the calculated test statistic falls to the right of the critical value, where the critical value separates the left-side region from the region where we reject the null.</p>
26 August 2026	Solutions, Solution 10	243	<p>B is correct. The level of significance is used to establish the rejection points of the hypothesis test. A is correct because the significance level is not used to calculate the test statistic; rather, it is used to determine the critical value. C is incorrect because the significance level specifies the probability of making a Type I error.</p>	<p>B is correct. The level of significance is used to establish the rejection points of the hypothesis test. A is incorrect because the significance level is not used to calculate the test statistic; rather, it is used to determine the critical value. C is incorrect because the significance level specifies the probability of making a Type I error.</p>

Parametric and Non-Parametric Tests of Independence

Revised Date	Location	Page(s)	Replace	With
26 August 2024	Question Set, Solution 2	255	$r_s = 1 - \frac{6(144.5)}{9(80)} = -0.20416$	$r_s = 1 - \frac{6(144.5)}{9(80)} = -0.20417$
26 August 2024	Question Set, Solution 3	255	$t = \frac{r\sqrt{n-2}}{\sqrt{1-r^2}} \text{ is } t = \frac{-0.2416\sqrt{7}}{\sqrt{1-0.041681}} = \frac{-0.540156}{0.978937} = -0.55177.$	$t = \frac{r\sqrt{n-2}}{\sqrt{1-r^2}} \text{ is } t = \frac{-0.20417\sqrt{7}}{\sqrt{1-0.041681}} = \frac{-0.540183}{0.978937} = -0.55181.$
26 August 2024	Exhibit 9, Step 4	260 & 261	<p>We reject the null hypothesis if the calculated $\div 2$ statistic is greater than 9.4877.</p> <p>Reject the null hypothesis because the calculated $\div 2$ test statistic is greater than 9.487729.</p>	<p>We reject the null hypothesis if the calculated x2 statistic is greater than 9.4877.</p> <p>Reject the null hypothesis because the calculated x2 test statistic is greater than 9.487729.</p>

Simple Linear Regression

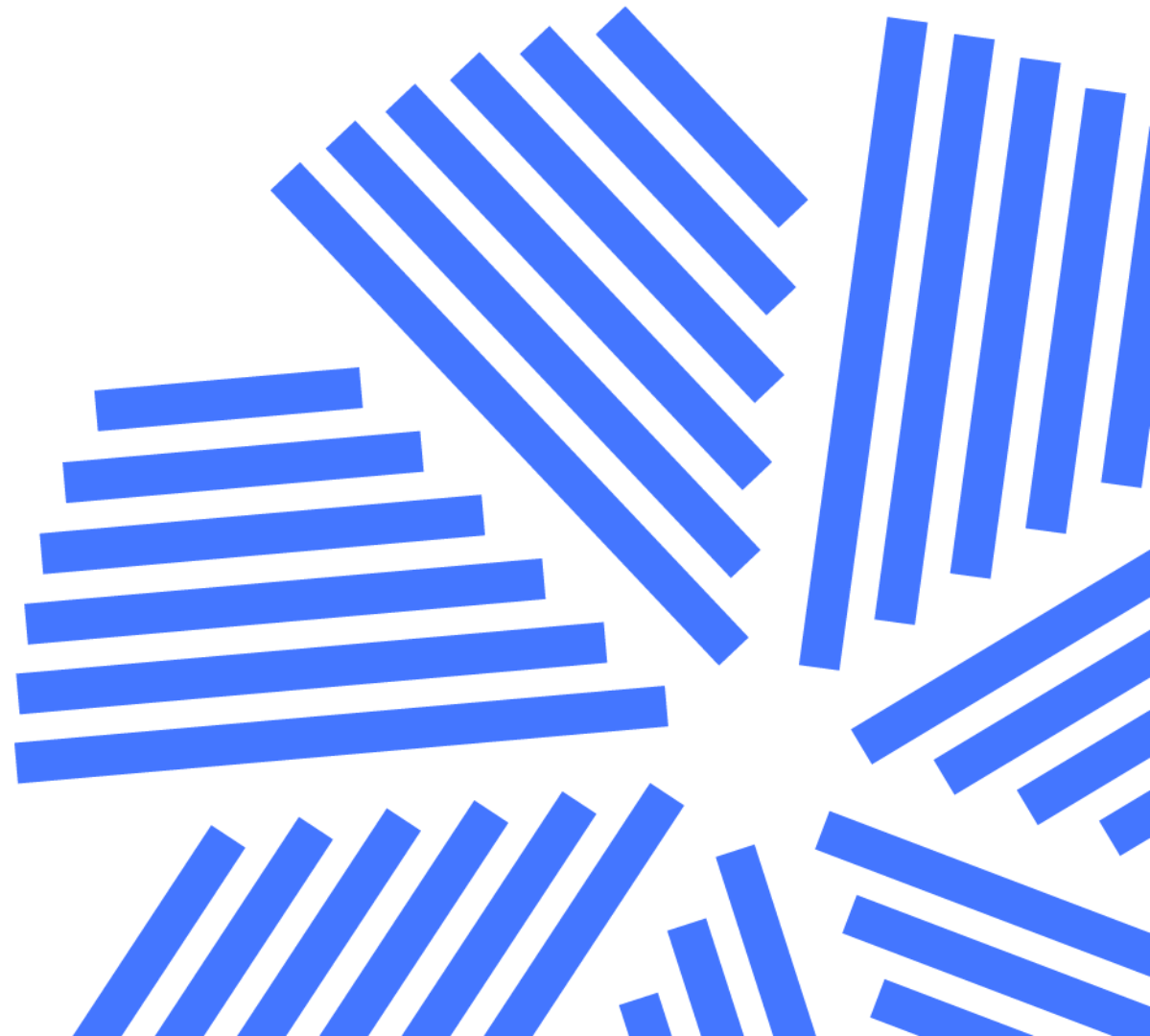
Revised Date	Location	Page(s)	Replace	With
1 November 2024	Exhibit 22, Step 5	289	= 4.00131	= 4.00163
26 August 2024	Equation 20	290	$t_{intercept} = \frac{\hat{b}_0 - B_0}{s\hat{b}_0} = \frac{\hat{b}_0 - B_0}{\sqrt{\frac{1}{n} + \frac{X^2}{\sum_{i=1}^n (X_i - \bar{X})^2}}}$	$t_{intercept} = \frac{\hat{b}_0 - B_0}{s\hat{b}_0} = \frac{\hat{b}_0 - B_0}{\mathbf{s} \sqrt{\frac{1}{n} + \frac{X^2}{\sum_{i=1}^n (X_i - \bar{X})^2}}}$
26 August 2024	Exhibit 24, Step 5	290	$t_{intercept} = \frac{4.875 - 3.0}{\sqrt{\frac{1}{6} + \frac{6.1^2}{122.64}}} = \frac{1.875}{0.68562} = 2.73475$	$t_{intercept} = \frac{4.875 - 3.0}{\mathbf{3.4596} \times \sqrt{\frac{1}{6} + \frac{6.1^2}{122.64}}} = \frac{1.875}{\mathbf{3.4596} \times 0.68562} = \mathbf{0.7905}$
26 August 2024	Exhibit 24, Step 6	290	Reject the null hypothesis. There is sufficient evidence to indicate that the intercept is greater than 3%.	Do not reject the null hypothesis. There is not sufficient evidence to indicate that the intercept is greater than 3%.

Simple Linear Regression

Revised Date	Location	Page(s)	Replace	With																																																												
26 August 2024	Test of Hypotheses: Level of Significance and p-Values, Second Sentence, Third Paragraph	293	The p-value corresponding to this test statistic is 0.016, which means there is just a 0.16 percent chance of rejecting the null hypotheses when it is true.	The <i>p</i> -value corresponding to this test statistic is 0.016, which means that, assuming the null hypothesis is true, there is a 1.6% chance of observing a test statistic as extreme as the one observed, or more extreme.																																																												
23 September 2025	Information paragraph for Questions 35-38	323	<p>Espey Jones is examining the relation between the net profit margin (NPM) of companies, in percent, and their fixed asset turnover (FATO). He collected a sample of 35 companies for the most recent fiscal year and fit several different functional forms, settling on the following model:</p> $\ln(\text{NPM}_i) = b_0 + b_1 \text{FATO}_i.$ <p>The results of this estimation are provided in Exhibit 1.</p> <table><tr><th colspan="6">Exhibit 1: Results of Regressing NPM on FATO</th></tr><tr><th>Source</th><th>df</th><th>Sum of Squares</th><th>Mean Square</th><th>F</th><th>p-Value</th></tr><tr><td>Regression</td><td>1</td><td>102.9152</td><td>102.9152</td><td>1,486.7079</td><td>0.0000</td></tr><tr><td>Residual</td><td>32</td><td>2.2152</td><td>0.0692</td><td></td><td></td></tr><tr><td>Total</td><td>33</td><td>105.1303</td><td></td><td></td><td></td></tr></table>	Exhibit 1: Results of Regressing NPM on FATO						Source	df	Sum of Squares	Mean Square	F	p-Value	Regression	1	102.9152	102.9152	1,486.7079	0.0000	Residual	32	2.2152	0.0692			Total	33	105.1303				<p>Espey Jones is examining the relation between the net profit margin (NPM) of companies, in percent, and their fixed asset turnover (FATO). He collected a sample of 34 companies for the most recent fiscal year and fit several different functional forms, settling on the following model:</p> $\ln(\text{NPM}_i) = b_0 + b_1 \text{FATO}_i.$ <p>The results of this estimation are provided in Exhibit 1.</p> <table><tr><th colspan="6">Exhibit 1: Results of Regressing NPM on FATO</th></tr><tr><th>Source</th><th>df</th><th>Sum of Squares</th><th>Mean Square</th><th>F</th><th>p-Value</th></tr><tr><td>Regression</td><td>1</td><td>102.9152</td><td>102.9152</td><td>1,486.7079</td><td>0.0000</td></tr><tr><td>Residual</td><td>32</td><td>2.2151</td><td>0.0692</td><td></td><td></td></tr><tr><td>Total</td><td>33</td><td>105.1303</td><td></td><td></td><td></td></tr></table>	Exhibit 1: Results of Regressing NPM on FATO						Source	df	Sum of Squares	Mean Square	F	p-Value	Regression	1	102.9152	102.9152	1,486.7079	0.0000	Residual	32	2.2151	0.0692			Total	33	105.1303			
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Economics



Monetary Policy

Revised Date	Location	Page(s)	Replace	With
31 January 2024	Practice Problem 7	137 - 138	Answer options: accurately determine the neutral rate of interest. A. regulate the willingness of financial institutions to lend. B. control amounts that economic agents deposit into banks.	A. accurately determine the neutral rate of interest. B. regulate the willingness of financial institutions to lend. C. control amounts that economic agents deposit into banks.

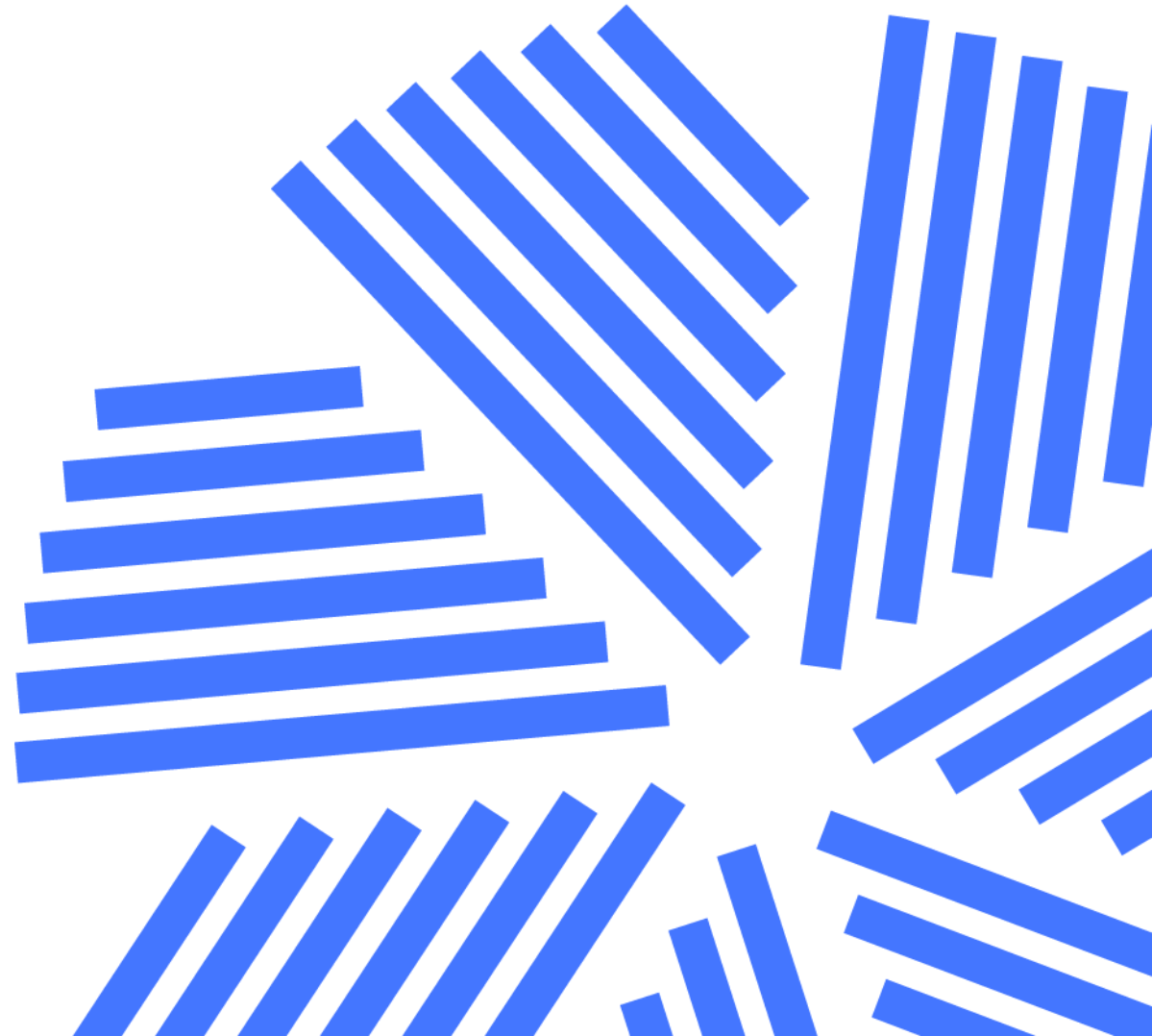
Introduction to Geopolitics

Revised Date	Location	Page(s)	Replace	With
30 May 2024	Exhibit 14	183	<p>Pipeline Disruption Takes Several Quarters to Fix, Impacting the Energy Sector of Impacting Countries</p> <p>Low Velocity/Short-Term Impacts</p> <div data-bbox="835 614 1612 939" data-label="Figure"> <p>Exhibit 14: Risk Velocity</p> <p>High Velocity Short-Term Impacts</p> <p>Low Velocity Short-Term Impacts</p> <p>An Unexpected Protest Event May Increase Investor Concern right Away, and Then Resolve</p> <p>Pipeline Disruption Takes Several Quarters to Fix, Impacting the Energy Sector of Impacting Countries</p> <p>Pattern Migration Unfolds Over Years Impacting Countries' Political Processes and Economic Growth</p> </div>	<p>Pipeline Disruption Takes Several Quarters to Fix, Impacting the Energy Sector of Impacted Countries</p> <p>Low Velocity/Long-Term Impacts</p> <div data-bbox="1735 614 2466 939" data-label="Figure"> <p>Exhibit 14: Risk Velocity</p> <p>High Velocity Short-Term Impacts</p> <p>Low Velocity Long-Term Impacts</p> <p>An Unexpected Protest Event May Increase Investor Concern right Away, and Then Resolve</p> <p>Pipeline Disruption Takes Several Quarters to Fix, Impacting the Energy Sector of Impacted Countries</p> <p>Pattern Migration Unfolds Over Years Impacting Countries' Political Processes and Economic Growth</p> </div>

Exchange Rate Calculations

Revised Date	Location	Page(s)	Replace	With
4 June 2025	Practice Problems, Solution 6	268	$F_{f/d} / S_{f/d} = (1 + r_f \tau / 1 + r_d \tau)$	$F_{f/d} / S_{f/d} = (1 + r_f \tau / 1 + r_d \tau)$

Corporate Issuers



Working Capital and Liquidity

Revised Date	Location	Page(s)	Replace	With
4 March 2024	Question Set, Solution 3	109	B is correct. The issuer that uses the vendor financing by delaying payments is increasing its days payable outstanding and thus lengthening its cash conversion cycle. The issuer is reducing its need for liquidity by taking advantage of the vendor financing at the cost of the forgone discount.	A is correct. The issuer that uses the vendor financing by delaying payments is increasing its days payable outstanding and thus shortening its cash conversion cycle. The issuer is reducing its need for liquidity by taking advantage of the vendor financing at the cost of the forgone discount.

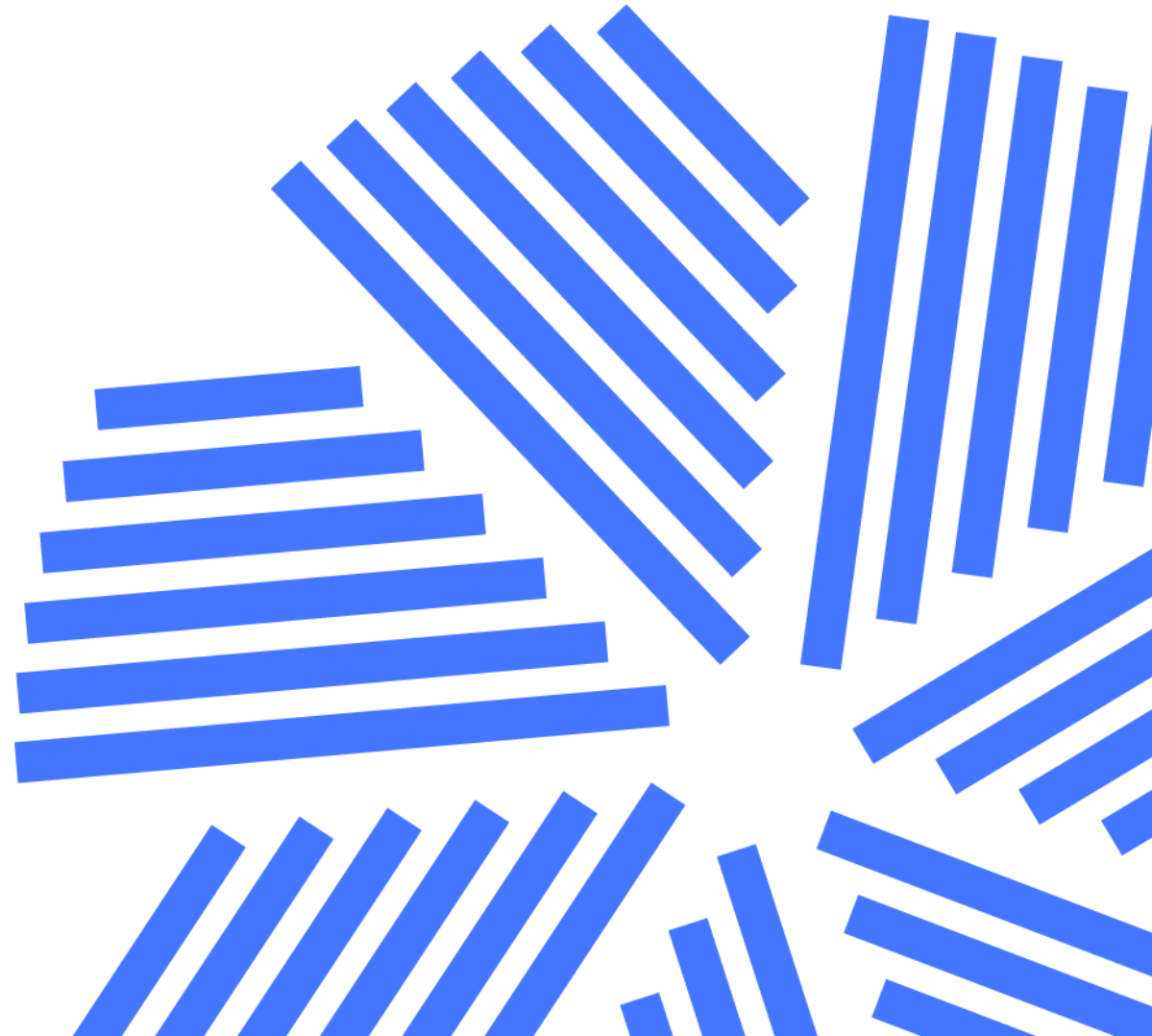
Capital Structure

Revised Date	Location	Page(s)	Replace	With
4 November 2024	Question Set, Solution 3	181	A is correct.	C is correct.
25 November 2024	Firm Value with Taxes (MM Proposition II with Taxes)	197	Firm Value with Taxes (MM Proposition II with Taxes)	Firm Value with Taxes (MM Proposition I with Taxes)
4 March 2024	Paragraph following Exhibit 7	204	However, as debt increases, the possible financial distress costs rise substantially and equal the tax benefit of debt at D^* . Beyond this point, greater leverage reduces firm value, the present value of financial distress costs outweigh the tax benefit.	However, as debt increases, the present value of expected financial distress costs begins to rise and offset the tax benefit of debt, with the optimal amount of debt D^* at the point at which the marginal benefit of the tax shield equals the marginal cost of expected financial distress. Beyond this point, greater leverage reduces firm value, as the increased present value of expected financial distress costs outweighs the marginal tax benefit.

Business Models

Revised Date	Location	Page(s)	Replace	With
4 April 2025	Paragraph 1	234	Network effects capitalize on both economics of scale and scope.	Network effects capitalize on both economies of scale and economies of scope.

Financial Statement Analysis



Analyzing Income Statements

Revised Date	Location	Page(s)	Replace	With
30 May 2024	Example 10, first sentence	71	1. Assume the same facts as Example 7 except that on 1 December 2018, a previously declared 2-for-1 stock split took effect.	1. Assume the same facts as Example 9 except that on 1 December 2018, a previously declared 2-for-1 stock split took effect.

Analyzing Statements of Cash Flows I

Revised Date	Location	Page(s)	Replace	With																								
8 March 2024	Exhibit 4, table headers	128	Income Statement for year ended 31 December 20X1 Statement of Cash Flows for year ended 31 December 20X1	Income Statement for year ended 31 December 20X2 Statement of Cash Flows for year ended 31 December 20X2																								
26 September 2024	Exhibit 5, table, last statement of cash flows item	128	Cash flows from operating activities increases by USD100	Cash flows from operating activities increases by USD150																								
24 September 2025	Exhibit 8, Mountain Company Financial Statement	130	<div><div>Exhibit 8: Mountain Company Financial Statement</div><table><tr><th>Date</th><th>Balance Sheet</th><th>Income Statement</th><th>Statement of Cash Flows</th></tr><tr><td>1 October</td><td>Cash (asset) increases by USD300 Deferred revenue (liability) increases by USD300</td><td>N/A</td><td>Cash flows from operating activities increases by USD300</td></tr><tr><td>30 September</td><td>Cash (asset) increases by USD700 Deferred revenue (liability) decreases by USD300</td><td>Revenue increases by USD1,000</td><td>Cash flows from operating activities increases by USD700</td></tr></table></div>	Date	Balance Sheet	Income Statement	Statement of Cash Flows	1 October	Cash (asset) increases by USD300 Deferred revenue (liability) increases by USD300	N/A	Cash flows from operating activities increases by USD300	30 September	Cash (asset) increases by USD700 Deferred revenue (liability) decreases by USD300	Revenue increases by USD1,000	Cash flows from operating activities increases by USD700	<div><div>Exhibit 8: Mountain Company Financial Statement</div><table><tr><th>Date</th><th>Balance Sheet</th><th>Income Statement</th><th>Statement of Cash Flows</th></tr><tr><td>1 October</td><td>Cash (asset) increases by USD300 Deferred revenue (liability) increases by USD300</td><td>N/A</td><td>Cash flows from operating activities increases by USD300</td></tr><tr><td>30 November</td><td>Cash (asset) increases by USD700 Deferred revenue (liability) decreases by USD300</td><td>Revenue increases by USD1,000</td><td>Cash flows from operating activities increases by USD700</td></tr></table></div>	Date	Balance Sheet	Income Statement	Statement of Cash Flows	1 October	Cash (asset) increases by USD300 Deferred revenue (liability) increases by USD300	N/A	Cash flows from operating activities increases by USD300	30 November	Cash (asset) increases by USD700 Deferred revenue (liability) decreases by USD300	Revenue increases by USD1,000	Cash flows from operating activities increases by USD700
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Analyzing Statements of Cash Flows II

Revised Date	Location	Page(s)	Replace	With
8 March 2024	Paragraph under Exhibit 5	162 - 163	The common-size statement in Exhibit 5 has been developed based on Acme's cash flow statement using the indirect method for operating cash flows and using net revenue (cash received from customers) for the company in 2018 of USD23,598 from Exhibit 3.	The common-size statement in Exhibit 5 has been developed based on Acme's cash flow statement using the indirect method for operating cash flows and using net revenue (cash received from customers) for the company in 2018 of USD23,543 from Exhibit 3.

Analysis of Inventories

Revised Date	Location	Page(s)	Replace	With
8 March 2024	Practice Problem 34	203	<p>B is correct.</p> <hr/> <p>Explanatory text should read:</p>	<p>C is correct.</p> <hr/> <p>In a period of rising inventory costs, inventory valued using FIFO would have relatively higher values compared to inventory valued using LIFO. Thus, any mark downs of inventory values to NRV would have the least impact on inventories valued using the LIFO method as they are already conservatively valued.</p>

Analysis of Long-Term Assets

Revised Date	Location	Page(s)	Replace	With																				
18 September 2025	Information for Questions 14-19	238	<p>A financial analyst at BETTO S.A. is analyzing the result of the sale of a vehicle for 85,000 Argentine pesos (ARP) on 31 December 2021. The analyst compiles the following information about the vehicle:</p> <table><tr><td>Acquisition cost of the vehicle</td><td>ARP100,000</td></tr><tr><td>Acquisition date</td><td>1 January 2019</td></tr><tr><td>Estimated residual value at acquisition date</td><td>ARP10,000</td></tr><tr><td>Expected useful life</td><td>9 years</td></tr><tr><td>Depreciation method</td><td>Straight-line</td></tr></table>	Acquisition cost of the vehicle	ARP100,000	Acquisition date	1 January 2019	Estimated residual value at acquisition date	ARP10,000	Expected useful life	9 years	Depreciation method	Straight-line	<p>A financial analyst at BETTO S.A. is analyzing the result of the sale of a vehicle for 85,000 Argentine pesos (ARS) on 31 December 2021. The analyst compiles the following information about the vehicle:</p> <table><tr><td>Acquisition cost of the vehicle</td><td>ARS100,000</td></tr><tr><td>Acquisition date</td><td>1 January 2019</td></tr><tr><td>Estimated residual value at acquisition date</td><td>ARS10,000</td></tr><tr><td>Expected useful life</td><td>9 years</td></tr><tr><td>Depreciation method</td><td>Straight-line</td></tr></table>	Acquisition cost of the vehicle	ARS100,000	Acquisition date	1 January 2019	Estimated residual value at acquisition date	ARS10,000	Expected useful life	9 years	Depreciation method	Straight-line
Acquisition cost of the vehicle	ARP100,000																							
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Expected useful life	9 years																							
Depreciation method	Straight-line																							
18 September 2025	Question 14	238	<p>The result of the sale of the vehicle is <i>most likely</i>:</p> <p>A. a loss of ARP 15,000 B. a gain of ARP 15,000 C. a gain of ARP 18,333</p>	<p>The result of the sale of the vehicle is <i>most likely</i>:</p> <p>A. a loss of ARS 15,000 B. a gain of ARS 15,000 C. a gain of ARS 18,333</p>																				

Analysis of Income Tax

Revised Date	Location	Page(s)	Replace	With
26 August 2024	First paragraph under Realizability of Deferred Tax Assets	288	Assume Pinto Construction (a hypothetical company) depreciates equipment on a straight-line basis of 10 percent per year. The tax authorities allow depreciation of 15 percent per year. At the end of the fiscal year, the carrying amount of the equipment for accounting purposes would be greater than the tax base of the equipment thus resulting in a temporary difference.	Pinto Construction receives advance payments from customers that are immediately taxable but these payments are not recognized as accounting income until Pinto Construction fulfills its obligations in later reporting periods.

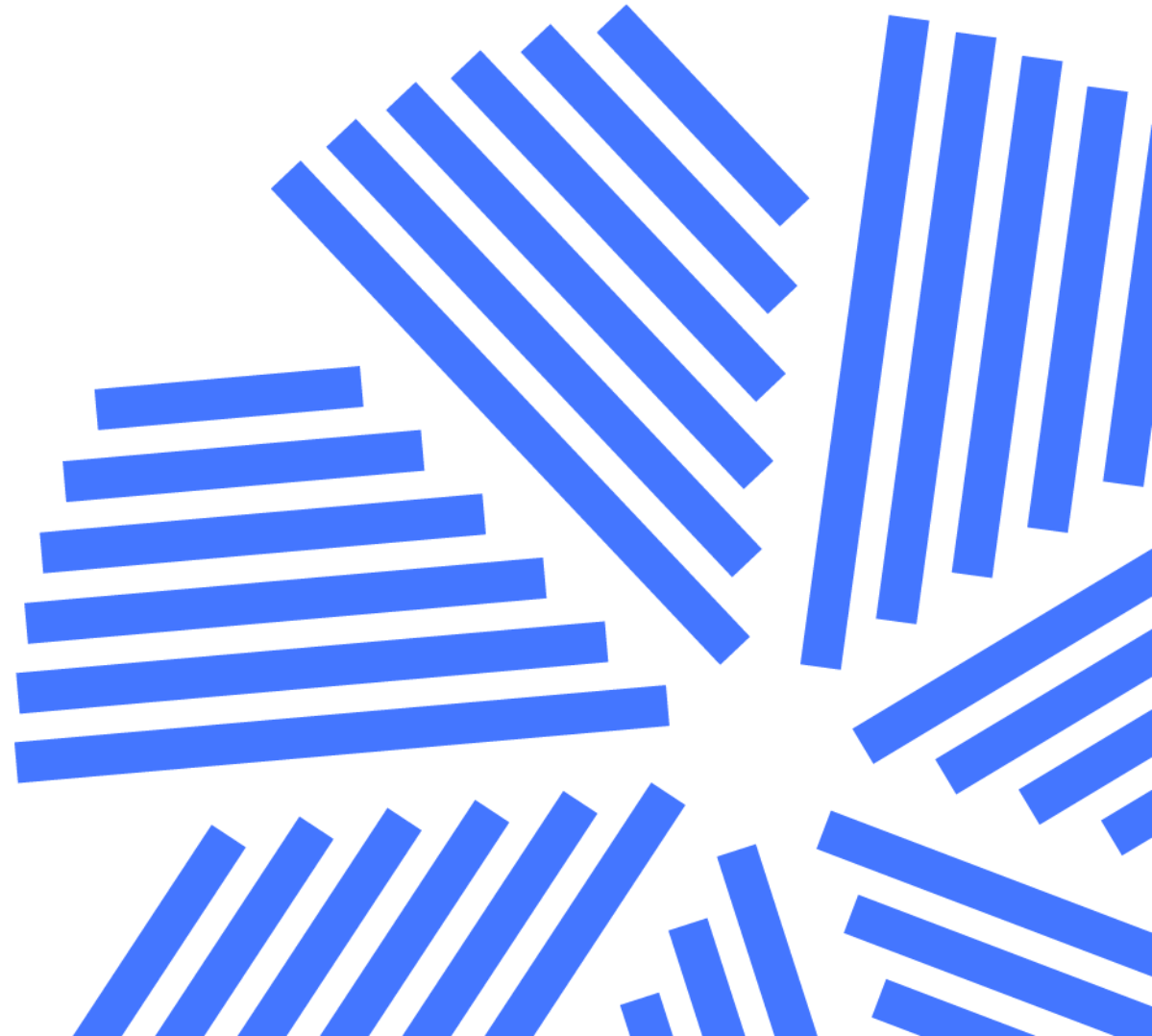
Financial Analysis Techniques

Revised Date	Location	Page(s)	Replace	With
12 September 2024	Example 14, Solution last sentence	432	Choices B and C are incorrect because DOH and receivables turnover are misinterpreted.	Choices A and C are incorrect because DOH and receivables turnover are misinterpreted.

Introduction to Financial Statement Modeling

Revised Date	Location	Page(s)	Replace	With
12 September 2024	Example 8, Solution 3	489	The highest gross profit is projected by Analyst D.	The highest gross profit is projected by Analyst C.

Equity Investments



Company Analysis: Past and Present

Revised Date	Location	Page(s)	Replace	With
17 September 2025	Question 3	240	Iliso's degree of financial leverage in 2X19 is closest to: A. 0.77. B. 1.13. C. 1.84.	Iliso's degree of financial leverage in 2X19 is closest to: A. 0.77. B. 1.15. C. 1.84.

Industry and Competitive Analysis

Revised Date	Location	Page(s)	Replace	With
29 September 2025	First sentence in third paragraph	276	Clearly, the analysis and the answers to these questions are company and industry specific (CFA Institute has published a helpful industry-by-industry reference titled <i>Sector Analysis: A Framework for Investors</i> with examples).	Clearly, the analysis and the answers to these questions are company and industry specific (CFA Institute has published a helpful industry-by-industry reference titled <i>Sector Analysis: A Framework for Investors</i> with examples).

Equity Valuation: Concepts and Basic Tools

Revised Date	Location	Page(s)	Replace	With
26 September 2025	Question 3-Solution	349	$V_0 = \left[\frac{¥79.5}{1.01525} + \frac{¥79.5}{1.01525^2} + \frac{¥106}{1.01525^3} + \frac{¥106}{1.01525^4} + \frac{¥132.5}{1.01525^5} + \frac{¥132.5}{1.01525^6} + \frac{¥10,598}{1.01525^6} \right]$ $\approx ¥10,279$	$V_0 = \left[\frac{¥79.5}{1.01525^{0.5}} + \frac{¥79.5}{1.01525^{1.5}} + \frac{¥106}{1.01525^{2.5}} + \frac{¥106}{1.01525^{3.5}} + \frac{¥132.5}{1.01525^{4.5}} + \frac{¥132.5}{1.01525^{5.5}} + \frac{¥10,598}{1.01525^6} \right]$ $\approx ¥10,279$

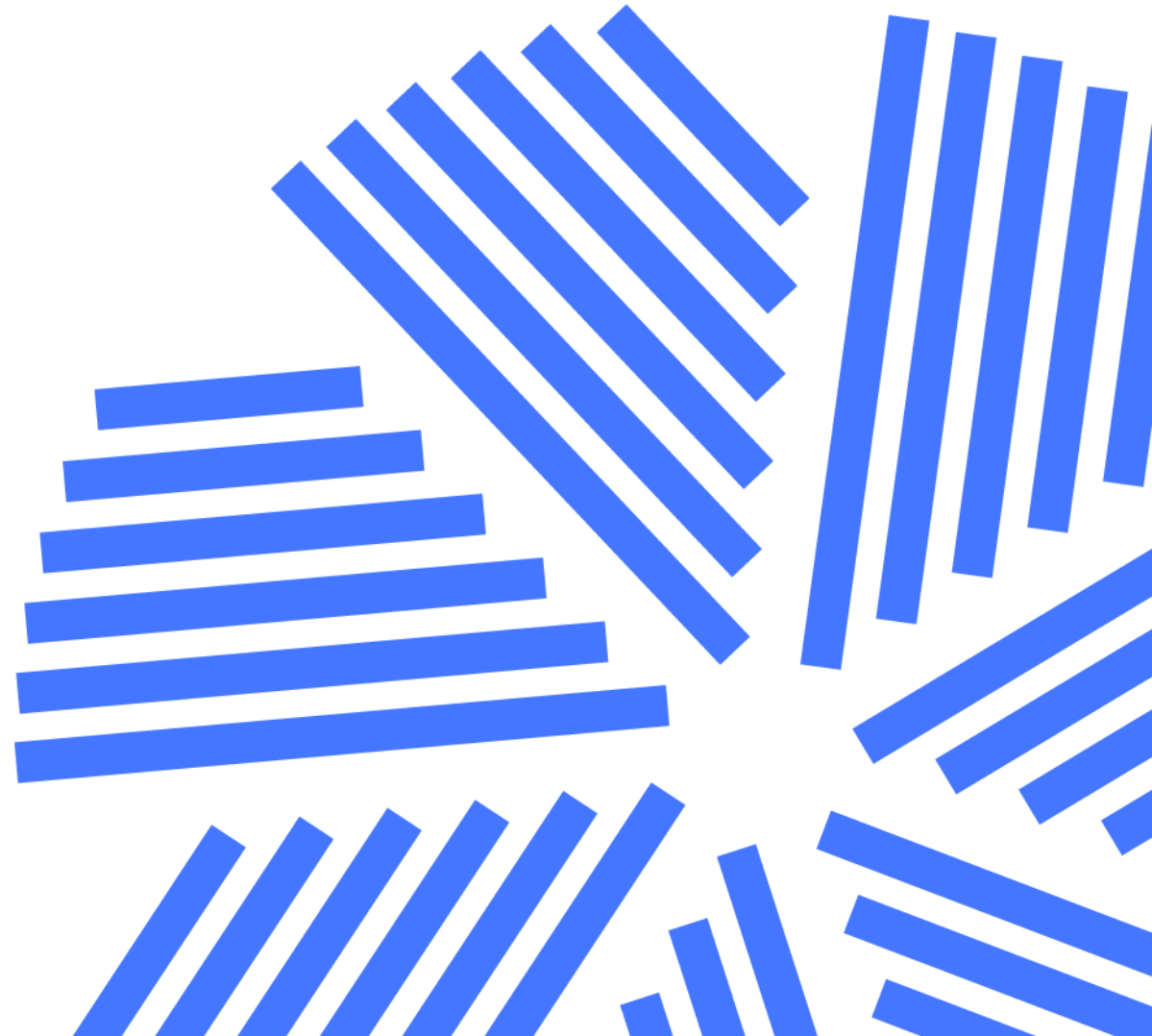
Company Analysis: Past and Present

Revised Date	Location	Page(s)	Replace	With
4 June 2024	Example 3, Solution 4	460	<p>C is correct.</p> <p>Last 12 months' sales: \$7,688</p> <p>Last 12 months' operating profit: \$1,244</p> <p>Low end of guidance</p> <p>Next 12 months' sales: $156.360 \times \\$62.50 = \\$9,773$</p> <p>Next 12 months' operating profit: $\\$9,773 - (156.360 \times 17.34) - 1,565 = 5,496$</p> <p>Degree of operating leverage: $(5,496/1,244 - 1)/(9,773/7,688 - 1) = 1.95$</p> <p>High end of guidance</p> <p>Next 12 months' sales: $167.197 \times \\$62.50 = \\$10,450$</p> <p>Next 12 months' operating profit: $\\$10,450 - (167.197 \times 17.34) - 1,565 = 5,986$</p> <p>Degree of operating leverage: $(5,986/1,244 - 1)/(10,450/7,688 - 1) = 1.85$</p>	<p>C is correct.</p> <p>Last 12 months' sales: \$7,688</p> <p>Last 12 months' operating profit: \$3,594</p> <p>Low end of guidance</p> <p>Next 12 months' sales: $156.360 \times \\$62.50 = \\$9,773$</p> <p>Next 12 months' operating profit: $\\$9,773 - (156.360 \times 17.34) - 1,565 = 5,496$</p> <p>Degree of operating leverage: $(5,496/\mathbf{3,594} - 1)/(9,773/7,688 - 1) = 1.95$</p> <p>High end of guidance</p> <p>Next 12 months' sales: $167.197 \times \\$62.50 = \\$10,450$</p> <p>Next 12 months' operating profit: $\\$10,450 - (167.197 \times 17.34) - 1,565 = 5,986$</p> <p>Degree of operating leverage: $(5,986/\mathbf{3,594} - 1)/(10,450/7,688 - 1) = 1.85$</p>

Company Analysis: Past and Present

Revised Date	Location	Page(s)	Replace	With
31 January 2024	Practice Problem, first passage	474	On average, NewShips' commission, which it receives as a broker from the customer, was 6% of the freight rate.	On average, NewShips' commission, which it receives as a broker from the customer, was 5% of the freight rate.
31 January 2024	Practice Problem	475 - 476	Question should be disregarded as there is not sufficient information about Net Profit to provide a complete answer.	

Fixed Income



Fixed-Income Issuance and Trading

Revised Date	Location	Page(s)	Replace	With
18 September 2025	Solution to Question 1	76	A. III B. I C. II	A. III B. II C. I

Yield and Yield Spread Measures for Fixed-Rate Bonds

Revised Date	Location	Page(s)	Replace	With
29 August 2024	Learning Module Self-Assessment – Question 3	157	The G-spread for Bond B is $(0.01271 - 0.011) = 173\text{bps}$.	The G-spread for Bond B is $(0.01213 - 0.011) = 11.3\text{bps}$.
4 September 2025	Question Set, Solution 4, Equation	171	$\frac{101.5 + 2}{(1 + r)^2}$	$\frac{101.25 + 2}{(1 + r)^2}$
26 August 2024	Question Set, Solution 4, Answer	171	$r = 0.0762 \times 2 = 0.1512$. The yield-to-first call for the bond is 15.12%.	$r = 0.0762 \times 2 = \mathbf{0.1525}$. The yield-to-first call for the bond is 15.25% .
1 November 2024	Example 9	177	$100.45 = \frac{0.375}{(1 + r)^1} + \frac{0.375}{(1 + r)^2} + \frac{0.375}{(1 + r)^3} + \frac{100.375}{(1 + r)^4}$ $r = 0.0018662 \times 2 = 0.00373$.	$\mathbf{100.75} = \frac{0.375}{(1 + r)^1} + \frac{0.375}{(1 + r)^2} + \frac{0.375}{(1 + r)^3} + \frac{100.375}{(1 + r)^4}$ $r = 0.0018662 \times 2 = 0.00373$.
26 August 2024	Example 9, Solution 1	177	$R = 0.0018662 \times 2 = 0.00373$. $0.01271 - 0.00373 = 89\text{ bps}$.	$R = 0.002618 \times 2 = 0.005235$. Therefore, the G-spread is $0.01271 - 0.005235 = 75\text{ bps}$.

Yield and Yield Spread Measures for Floating-Rate Instruments

Revised Date	Location	Page(s)	Replace	With
30 October 2024	Second equation from top	191	$PV = \frac{\frac{(0.0125 + 0.0050) \times 100}{2}}{\left(1 + \frac{0.0125 + 0.040}{2}\right)^1} + \frac{\frac{(0.0125 + 0.0050) \times 100}{2}}{\left(1 + \frac{0.0125 + 0.040}{2}\right)^2} + \frac{\frac{(0.0125 + 0.0050) \times 100}{2}}{\left(1 + \frac{0.0125 + 0.040}{2}\right)^3} + \frac{\frac{(0.0125 + 0.0050) \times 100}{2} + 100}{\left(1 + \frac{0.0125 + 0.040}{2}\right)^4}$	$PV = \frac{\frac{(0.0125 + 0.0050) \times 100}{2}}{\left(1 + \frac{0.0125 + \mathbf{0.0040}}{2}\right)^1} + \frac{\frac{(0.0125 + 0.0050) \times 100}{2}}{\left(1 + \frac{0.0125 + \mathbf{0.0040}}{2}\right)^2} + \frac{\frac{(0.0125 + 0.0050) \times 100}{2}}{\left(1 + \frac{0.0125 + \mathbf{0.0040}}{2}\right)^3} + \frac{\frac{(0.0125 + 0.0050) \times 100}{2} + 100}{\left(1 + \frac{0.0125 + \mathbf{0.0040}}{2}\right)^4}$
26 August 2025	Example 2	196	<p>Suppose that after 45 days, the CD investor sells the CD to a dealer. At that time, the quoted add-on rate for a 45-day CD is 0.06%. The sale price for the CD can be calculated using Equation 4 for $FV = 20,004,918$, Days = 45, Year = 365, and AOR = 0.0012. The sale price is EUR20,002,958.</p> <p>$PV = 20,004,918 / (1 + 45/365 \times 0.0006)$.</p> <p>$PV = 20,003,438$.</p>	<p>Suppose that after 45 days, the CD investor sells the CD to a dealer. At that time, the quoted add-on rate for a 45-day CD is 0.12%. The sale price for the CD can be calculated using Equation 4 for $FV = 20,005,918$, Days = 45, Year = 365, and AOR = 0.0012. The sale price is EUR20,002,958.</p> <p>$PV = \mathbf{20,005,918} / (1 + 45/365 \times \mathbf{0.0012})$.</p> <p>$PV = \mathbf{20,002,958}$.</p>

Yield-Based Bond Duration Measures and Properties

Revised Date	Location	Page(s)	Replace	With
26 August 2024	Example 3	197 - 198	<p>The price of the commercial paper is 98.560 per 100 of face value, calculated using Equation 2 and entering $FV = 100$, $Days = 90$, $Year = 360$, and $DR = 0.0012$.</p> $PV = FV \times (1 - \frac{Days}{Year} \times DR).$ $PV = 100 \times (1 - \frac{90}{360} \times 0.0012).$ $PV = 99.970.$ <p>Next, use Equation 5 to solve for AOR for a 365-day year, where $Year = 365$, $Days = 90$, $FV = 100$, and $PV = 99.970$.</p> $AOR = \frac{Year}{Days} \times \frac{FV - PV}{PV}.$ $AOR = \frac{365}{90} \times \frac{100 - 99.970}{99.970}.$ $AOR = 0.00122.$ <p>The 90-day commercial paper discount rate of 0.120% converts to an add-on rate for a 365-day year of 0.122%.</p>	<p>The price of the commercial paper is 99.975 per 100 of face value, calculated using Equation 2 and entering $FV = 100$, $Days = 90$, $Year = 360$, and $DR = \mathbf{0.0010}$.</p> $PV = FV \times (1 - \frac{Days}{Year} \times DR).$ $PV = 100 \times (1 - \frac{90}{360} \times \mathbf{0.0010})$ $PV = \mathbf{99.975}$ <p>Next, use Equation 5 to solve for AOR for a 365-day year, where $Year = 365$, $Days = 90$, $FV = 100$, and $PV = \mathbf{99.975}$.</p> $AOR = \frac{Year}{Days} \times \frac{FV - PV}{PV}.$ $AOR = \frac{365}{90} \times \frac{100 - \mathbf{99.975}}{\mathbf{99.975}}.$ $AOR = 0.00122.$ <p>The 90-day commercial paper discount rate of 0.10% converts to an add-on rate for a 365-day year of 0.1014%.</p>

Yield and Yield Spread Measures for Floating-Rate Instruments

Revised Date	Location	Page(s)	Replace	With
1 November 2024	Question Set, Question 6	201	6. A portfolio manager has asked you to evaluate the following Thai baht–denominated money market instruments with equivalent credit risk.	6. A portfolio manager has asked you to evaluate the following Thai baht–denominated 180 days money market instruments with equivalent credit risk.
19 September 2024	Practice Problems, Solution 1	205	<p>The estimated discount margin is 195 bps.</p> $\frac{(MRR + QM) \times FV}{m} = \frac{(-0.0055 + 0.016) \times 100}{4} = 0.275.$ <p>...</p> <p>DM=0.4525.DM=0.502144</p> <p>The estimated discount margin is 50.2 bps.</p>	<p>The estimated discount margin is 195 bps.</p> $\frac{(MRR + QM) \times FV}{m} = \frac{(-\mathbf{0.055} + 0.016) \times 100}{4} = \mathbf{0.2625}.$ <p>...</p> <p>DM=0.4525.DM=0.4525.</p> <p>The estimated discount margin is 45.25 bps.</p>
26 August 2024	Practice Problems, Question and Solution 5	204 - 206	<p>Replace the answer C: 0.28%.</p> <p>Replace the solution: C is correct. The bond equivalent yield is closest to 0.28%.</p> <p>The present value of the banker's certificate of deposit is calculated as follows:</p> <div><p>The bond equivalent yield (AOR using a 365-day year) is calculated to be approximately 0.28%:</p>$AOR = \frac{\text{Year}}{\text{Days}} \times \frac{FV - PV}{PV}$$AOR = \frac{365}{90} \times \frac{100 - 99.8625}{99.8625}$$AOR = 0.0028.$</div>	<p>With: 0.56%.</p> <p>With: C is correct. The bond equivalent yield is closest to 0.56%.</p> <p>The present value of the banker's certificate of deposit is calculated as follows:</p> <div><p>The bond equivalent yield (AOR using a 365-day year) is calculated to be approximately 0.56%:</p>$AOR = \frac{\text{Year}}{\text{Days}} \times \frac{FV - PV}{PV}$$AOR = \frac{365}{90} \times \frac{100 - 99.8625}{99.8625}$$AOR = 0.0056.$</div>

The Term Structure of Interest Rates: Spot, Par, and Forward- Curves

Revised Date	Location	Page(s)	Replace	With
25 September 2024	Learning Module Self-Assessment, Solution 3	209	$IFR_{2,1} = 3.01\%$.	$IFR_{2,1} = \mathbf{2.50\%}$.
26 August 2024	Example 1, Solution 2	218	$PV = 100.01$	$PV = \mathbf{99.99}$
26 August 2024	Example 2, Solution 1	218	$100 = \frac{PMT}{(1 + z_1)^1} + \frac{PMT}{(1 + z_2)^2} + \cdots + \frac{PMT + 100}{(1 + z_N)^N}$ $100 = \frac{PMT}{(1 + 0.003117)^1} + \frac{PMT}{(1 + 0.568)^2} + \frac{PMT + 100}{(1 + 0.7977)^3}$ <p>We can factor out PMT and then solve for it:</p> $100 = PMT \times \left(\frac{1}{(1 + 0.003117)^1} + \frac{1}{(1 + 0.568)^2} + \frac{1}{(1 + 0.7977)^3} \right) + \frac{100}{(1 + 0.7977)^3}$ $PMT = 0.7952.$	$100 = \frac{PMT}{(1 + z_1)^1} + \frac{PMT}{(1 + z_2)^2} + \cdots + \frac{PMT + 100}{(1 + z_N)^N}$ $100 = \frac{PMT}{(1 + 0.003117)^1} + \frac{PMT}{(1 + \mathbf{0.00568})^2} + \frac{PMT + 100}{(1 + \mathbf{0.007977})^3}$ <p>We can factor out PMT and then solve for it:</p> $100 = PMT \times \left(\frac{1}{(1 + 0.003117)^1} + \frac{1}{(1 + \mathbf{0.00568})^2} + \frac{1}{(1 + \mathbf{0.007977})^3} \right) + \frac{100}{(1 + \mathbf{0.007977})^3}$ $PMT = 0.7952.$

The Term Structure of Interest Rates: Spot, Par, and Forward- Curves

Revised Date	Location	Page(s)	Replace	With
26 August 2024	Example 3, Solution 1	220	Therefore, A = 1, B = 3, Z _A is the two-year spot rate, and Z _B is the three-year spot rate:	Therefore, A = 2 , B = 3, Z _A is the two-year spot rate, and Z _B is the three-year spot rate:
26 August 2024	Example 3, Solution 1, Second from last equation	220	$(1 + 0.00568)^2 \times (1 + \text{IFR}_{2,1})^1 = (1 + 0.007977)^3$	$(1+0.0188) \times (1+0.0277)=(1+Z_2)^2$

Interest Rate Risk and Return

Revised Date	Location	Page(s)	Replace	With
26 August 2024	Equation 3	254	$MacDur = \left\{ \frac{1+r}{r} - \frac{1+r + [N \times (c-r)]}{c \times [(1+r)^N - 1 + r]} \right\} - \frac{t}{T}$	$MacDur = \left\{ \frac{1+r}{r} - \frac{1+r + [N \times (c-r)]}{c \times [(1+r)^N - \mathbf{1}] + r} \right\} - \frac{t}{T}$
26 August 2024	Practice Problems, Solution 2	260	A is correct. The future value of reinvested coupon interest is $= FV(0.054, 6, 6.4, 0, 0) = 46.245.$	A is correct. The future value of reinvested coupon interest is $= FV(\mathbf{0.074}, 6, 6.4, 0, 0) = 46.245.$

Yield-Based Bond Duration Measures and Properties

Revised Date	Location	Page(s)	Replace	With
26 August 2024	Learning Module Self-Assessment, Solution 3	265	C is correct. The money duration is 380: $MoneyDur = 308$. $\Delta PVFull \approx -308 \times 0.005$.	C is correct. The money duration is 380: $MoneyDur = \mathbf{380}$. $\Delta PVFull \approx \mathbf{-380} \times 0.005$.
26 August 2024	Example 1	269	<div> Row in first table: Maturity 15 Oct. 2035 </div> <hr/> <div> Row in third table: Settlement date 15 Oct. 2025 Maturity 15 Oct. 2035 </div>	<div> Maturity 15 Oct. 2030 </div> <hr/> <div> Settlement date 11 Dec. 2025 Maturity 15 Oct. 2030 </div>
24 September 2024	Equation 7	278	$\% \Delta PVFull \approx -MoneyDur \times \Delta Yield$	$\mathbf{\Delta PVFull \approx -MoneyDur \times \Delta Yield}$
26 August 2024	Lesson's first paragraph	284	$MacDur = \left\{ \frac{1+r}{r} - \frac{1+r + [N \times (c-r)]}{c \times [(1+r)^N - 1 + r]} \right\} - \frac{t}{T}$	$MacDur = \left\{ \frac{1+r}{r} - \frac{1+r + [N \times (c-r)]}{c \times [(1+r)^N - \mathbf{1}] + r} \right\} - \frac{t}{T}$

Yield-Based Bond Duration Measures and Properties

Revised Date	Location	Page(s)	Replace	With
26 August 2024	Question Set, Solution 1, last cell "Second Bond" column	287	4% coupon, paid semiannually, and five years to maturity, priced to yield 4%	4% coupon, paid semiannually, and five years to maturity, priced to yield 8%

Yield-Based Bond Convexity and Portfolio Properties

Revised Date	Location	Page(s)	Replace	With
24 September 2024	Knowledge Check	305 - 306	<div><p>1. Calculate the full price of the bond per 100 of par value.</p><p>Solution:</p><p>Because Excel's PRICE function does not work for negative yields, the equation for PV of a zero-coupon bond must be used. There are five annual periods, settlement is 30 days into the 365-day year, and because $1 + r = 1 + (-0.0072) = 0.9928$, the full price of the bond is 103.6175 per 100 of par value:</p>$PV_0 = \left[\frac{100}{(0.9928)^5} \right] \times (0.9928)^{\frac{30}{365}}$$PV_0 = 103.6175.$</div> <div><p>2. Calculate <i>ApproxModDur</i> and <i>ApproxCon</i> using a 1 bp increase and decrease in the yield-to-maturity.</p><p>Solution:</p><p>$PV_+ = 103.5662$, and $PV_- = 103.6689$:</p>$PV_+ = \left[\frac{100}{(0.9929)^5} \right] \times (0.9929)^{\frac{30}{365}}$$PV_+ = 103.5662.$$PV_- = \left[\frac{100}{(0.9927)^5} \right] \times (0.9927)^{\frac{30}{365}}$$PV_- = 103.6689.$<p>The approximate modified duration is 4.9535:</p>$ApproxModDur = \frac{103.6689 - 103.5662}{2 \times (0.0001) \times 103.6175} = 4.9535.$<p>The approximate convexity is 29.918:</p>$ApproxCon = \frac{103.6689 + 103.5662 - (2 \times 103.6175)}{(0.0001)^2 \times 103.6175} = 29.918.$</div>	<div><p>1. Calculate the full price of the bond per 100 of par value.</p><p>Solution:</p><p>Because Excel's PRICE function does not work for negative yields, the equation for PV of a zero-coupon bond must be used. There are five annual periods, settlement is 30 days into the 365-day year, and because $1 + r = 1 + (-0.0072) = 0.9928$, the full price of the bond is 103.6175 per 100 of par value:</p>$PV_0 = \left[\frac{100}{(0.9928)^5} \right] \times (0.9928)^{\frac{30}{365}}$$PV_0 = 103.617526.$</div> <div><p>2. Calculate <i>ApproxModDur</i> and <i>ApproxCon</i> using a 1 bp increase and decrease in the yield-to-maturity.</p><p>Solution:</p><p>$PV_+ = 103.566215$, and $PV_- = 103.668868$:</p>$PV_+ = \left[\frac{100}{(0.9929)^5} \right] \times (0.9929)^{\frac{30}{365}}$$PV_+ = 103.566215.$$PV_- = \left[\frac{100}{(0.9927)^5} \right] \times (0.9927)^{\frac{30}{365}}$$PV_- = 103.668868.$<p>The approximate modified duration is 4.9535:</p>$ApproxModDur = \frac{103.668868 - 103.566215}{2 \times (0.0001) \times 103.617526} = 4.9535.$<p>The approximate convexity is 29.918:</p>$ApproxCon = \frac{103.668868 + 103.566215 - (2 \times 103.617526)}{(0.0001)^2 \times 103.617526} = 29.918.$</div>

Yield-Based Bond Convexity and Portfolio Properties

Revised Date	Location	Page(s)	Replace	With
26 August 2024	Question Set, Intro Text	307	An investor purchases a €10 million semi-annual 3.75% coupon bond with a yield-to-maturity of 2.95%, settling 30 June 2025 and maturing 30 June 2032.	An investor purchases a €10 million semi-annual 2.95% coupon bond with a yield-to-maturity of 2.95%, settling 30 June 2025 and maturing 30 June 2032.
26 August 2024	Question Set, Solution 4	307	$PV_{Full} = \text{PRICE}(\text{DATE}(2025,6,30), \text{DATE}(2032,6,30), 0.0295, 0.0345, 100, 2, 0) = 103.198.$ The actual increase in the bond price is 3.1984%: $\Delta PV_{Full} = 3.1984\% \times \$10,000,000 = \text{EUR}319,840.$ The difference between the actual and the estimated price change is EUR73 (= 319,840 – 319,767).	$PV_{Full} = \text{PRICE}(\text{DATE}(2025,6,30), \text{DATE}(2032,6,30), \mathbf{0.0246}, 0.0345, 100, 2, 0) = \mathbf{103.1333}.$ The actual increase in the bond price is 3.1333% : $\Delta PV_{Full} = \mathbf{3.1333\%} \times \$10,000,000 = \mathbf{\text{EUR}313,330}.$ The difference between the actual and the estimated price change is EUR6,437 (= 313,330 – 319,767).
24 September 2024	Practice Problems, Question 1	312	For a 5bps increase and decrease in yield-to-maturity, PV_+ and PV_- are 98.245077 and 101.792534, respectively.	For a 50bps increase and decrease in yield-to-maturity, PV_+ and PV_- are 99.82283 and 100.177546 , respectively.
26 August 2024	Practice Problems, Question 2	312	A bond pays a semiannual fixed coupon of 4.75%.	A bond pays a semiannual fixed coupon of 4.70% .

Yield-Based Bond Convexity and Portfolio Properties

Revised Date	Location	Page(s)	Replace	With
24 September 2024	Practice Problems, Solution 1	314	$\text{ApproxCon} = \frac{101.792534 + 98.245077 - (2 \times 100)}{(0.0005)^2 \times 100}$ $= 15.044498$	$\text{ApproxCon} = \frac{100.177546 + 98.82283 - (2 \times 100)}{(0.005)^2 \times 100}$ $= 15.04$
26 August 2024	Practice Problems, Solution 8	315	All else equal, the portfolio should outperform the lower-duration benchmark portfolio in both rising and falling interest rate environments.	All else equal, the portfolio should outperform the lower-convexity benchmark portfolio in both rising and falling interest rate environments.

Curve-Based and Empirical Fixed-Income Risk Measures

Revised Date	Location	Page(s)	Replace	With
26 August 2024	Example 1	324	<div> $EffDur = \frac{(PV_-) - (PV_+)}{2 \times (\Delta Curve) \times (PV_0)}$ $EffDur = \frac{(102.891) - (99.050)}{2 \times (0.00025) \times (101.060)}$ $EffDur = 7.601.$ $EffCon = \frac{[(PV_-) + (PV_+) - 2 \times (PV_0)]}{(\Delta Curve)^2 \times (PV_0)}$ $EffCon = \frac{[(102.891) + (99.050)] - [2 \times (101.060)]}{(0.00025)^2 \times (101.060)}$ $EffCon = -283.$ </div>	<div> $EffDur = \frac{(PV_-) - (PV_+)}{2 \times (\Delta Curve) \times (PV_0)}$ $EffDur = \frac{(102.891) - (99.050)}{2 \times (0.0025) \times (101.060)}$ $EffDur = 7.601.$ $EffCon = \frac{[(PV_-) + (PV_+) - 2 \times (PV_0)]}{(\Delta Curve)^2 \times (PV_0)}$ $EffCon = \frac{[(102.891) + (99.050)] - [2 \times (101.060)]}{(0.0025)^2 \times (101.060)}$ $EffCon = -283.$ </div>
26 August 2024	Question Set, Solution 2	325	<div> $EffDur = \frac{(PV_-) - (PV_+)}{2 \times (\Delta Curve) \times (PV_0)}$ $EffDur = \frac{(103.891) - (100.004)}{2 \times (0.00025) \times (102.208)}$ $EffDur = 76.061.$ </div>	<div> $EffDur = \frac{(PV_-) - (PV_+)}{2 \times (\Delta Curve) \times (PV_0)}$ $EffDur = \frac{(103.891) - (100.004)}{2 \times (0.0025) \times (102.208)}$ $EffDur = 7.6061.$ </div>

Curve-Based and Empirical Fixed-Income Risk Measures

Revised Date	Location	Page(s)	Replace	With
26 August 2024	Question Set, Solution 4	326	<p>Solution:</p> $EffCon = \frac{[(PV_-) + (PV_+)] - [2 \times (PV_0)]}{(\Delta Curve)^2 \times (PV_0)}$ $EffCon = \frac{[(103.891) + (98.504)] - [2 \times (102.208)]}{(0.00025)^2 \times (102.208)}$ $EffCon = -3,164.$	<p>Solution:</p> $EffCon = \frac{[(PV_-) + (PV_+)] - [2 \times (PV_0)]}{(\Delta Curve)^2 \times (PV_0)}$ $EffCon = \frac{[(103.891) + (98.504)] - [2 \times (102.208)]}{(0.0025)^2 \times (102.208)}$ $EffCon = -3,164.$
26 August 2024	Exhibit 5	331	<p>Assume the portfolio is weighted by the prices of the respective 2-, 5-, and 10-year bonds for a total portfolio value of \$293 million, or \$1 million \times (99.50 + 98.31 + 95.43). The portfolio's modified duration is calculated as $5.345 = [1.991 \times (99.5/293.2)] + [4.869 \times (98.3/293.2)] + [9.333 \times (95.4/293.2)]$. Alternatively, we could calculate each key rate duration by maturity. For example, the two-year key rate duration (KeyRateDur2) is $0.676 = 1.991 \times (99.5/293.2)$. Note that the three key rate duration values sum to the portfolio duration value of 5.345.</p>	<p>Assume the portfolio is weighted by the prices of the respective 2-, 5-, and 10-year bonds for a total portfolio value of \$277 million, or \$1 million \times (99.006 + 93.96 + 81.01). The portfolio's modified duration is calculated as $5.368 = [1.990 \times (99.006/277)] + [4.938 \times 93.96/277] + [9.828 \times (84.01/277)]$. Alternatively, we could calculate each key rate duration by maturity. For example, the two-year key rate duration (KeyRateDur2) is $0.711 = 1.990 \times (99.006/277)$. Note that the three key rate duration values sum to the portfolio duration value of 5.368.</p>

Curve-Based and Empirical Fixed-Income Risk Measures

Revised Date	Location	Page(s)	Replace	With
15 October 2024	Practice Problems, Solution 3	339	$\% \Delta PV_{Full} \text{ Bond A} \approx (-7.48621 \times 0.0100) + [\tfrac{1}{2} \times 29.35972 \times (-0.0100)^2]$ $= -7.33941\%.$ $\% \Delta PV_{Full} \text{ Bond B} \approx (-7.23853 \times 0.0100) + [\tfrac{1}{2} \times -321.75618 \times (0.0100)^2]$ $= -8.84730\%.$	$\% \Delta PV_{Full} \text{ Bond A} \approx (-7.48621 \times \mathbf{0.0200}) + [\tfrac{1}{2} \times 29.35972 \times (\mathbf{-0.0200})^2]$ $= -7.33941\%.$ $\% \Delta PV_{Full} \text{ Bond B} \approx (-7.23853 \times \mathbf{0.0200}) + [\tfrac{1}{2} \times -321.75618 \times (\mathbf{0.0200})^2]$ $= -8.84730\%.$

Credit Risk

Revised Date	Location	Page(s)	Replace	With
26 August 2024	Learning Module Self-Assessment, Question and Solution 2	342 - 343	<p>A EUR500,000 loan has the following characteristics:</p> <ul style="list-style-type: none"><input type="checkbox"/> Probability of default 5%<input type="checkbox"/> Collateral EUR100,000<input type="checkbox"/> Recovery rate 90%<input type="checkbox"/> Expected exposure EUR400,000 <p>The expected loss for this loan in event of default is: A. EUR1,500 B. EUR2,000</p> <hr/> <p>Replace solution:</p> <p>The correct answer is A. We solve for expected loss (EL) as follows: $EL = POD \times (EE - \text{Collateral}) \times (1 - RR)$. Since probability of default (POD) is 5%, expected exposure (EE) is EUR400,000, collateral is EUR100,000, and the recovery rate (RR) is 90%: $EL = EUR1,500 = 0.05 \times (400,000 - 100,000) \times (1 - 0.9)$. B is incorrect as it fails to reduce the expected exposure by the collateral, while C is incorrect as it simply multiplies EE and POD.</p>	<p>A EUR500,000 loan has the following characteristics:</p> <ul style="list-style-type: none"><input type="checkbox"/> Probability of default 5%<input checked="" type="checkbox"/> Collateral EUR100,000<input type="checkbox"/> Recovery rate 90%<input type="checkbox"/> Expected exposure EUR400,000 <p>The expected loss for this loan in event of default is: A. EUR1,500 B. EUR2,000</p> <hr/> <p>With:</p> <p>The correct answer is B. We solve for expected loss (EL) as follows: $EL = POD \times LGD = POD \times EE \times (1 - RR)$. Since probability of default (POD) is 5%, expected exposure (EE) is EUR400,000, collateral is EUR100,000, and the recovery rate (RR) is 90%: $EL = \mathbf{EUR2,000} = 0.05 \times (400,000 - \mathbf{100,000}) \times (1 - 0.9)$</p>

Credit Risk

Revised Date	Location	Page(s)	Replace	With
26 August 2024	Question Set, Question and Solution 2	373 - 374	<p>C. 54 bps.</p> <hr/> <p> Bid yield: $93.75 = 100 / (1 + r)^5$ $r_{\text{bid}} = 1.2937\%$ Offer yield: $93.75 = 100 / (1 + r)^5$ $r_{\text{offer}} = 1.2991\%$ </p> <p>The liquidity spread of 54 bps (0.0054%) is equal to the difference in the bid yield and the offer yield ($= 1.2991\% - 1.2937\%$).</p>	<p>C. 0.54 bps</p> <hr/> <p> Bid yield: $93.75 = 100 / (1 + r)^5$ $r_{\text{bid}} = \mathbf{1.2991\%}$ Offer yield: $93.7755 = 100 / (1 + r)^5$ $r_{\text{offer}} = \mathbf{1.2937\%}$ </p> <p>The liquidity spread of 0.54 bps (0.0054%) is equal to the difference in the bid yield and the offer yield ($= 1.2991\% - 1.2937\%$).</p>
26 August 2024	Practice Problems, Solution 6	377 - 378	<p>$\Delta\text{Spread} = -0.015 = -1.5\%$.</p> <p>Lower spreads make the first expression in the equation positive, along with the equation's second convexity-based term. The answer must therefore involve a decline in spreads as in answers A and B. However, B is incorrect since it fails to rescale convexity.</p>	<p>$\Delta\text{Spread} = \mathbf{-0.0135 = -1.35\%}$</p> <p>Lower spreads make the first expression in the equation positive, along with the equation's second convexity-based term. The answer must therefore involve a decline in spreads as in answers A. and B. However, B is incorrect since it fails to rescale convexity.</p>

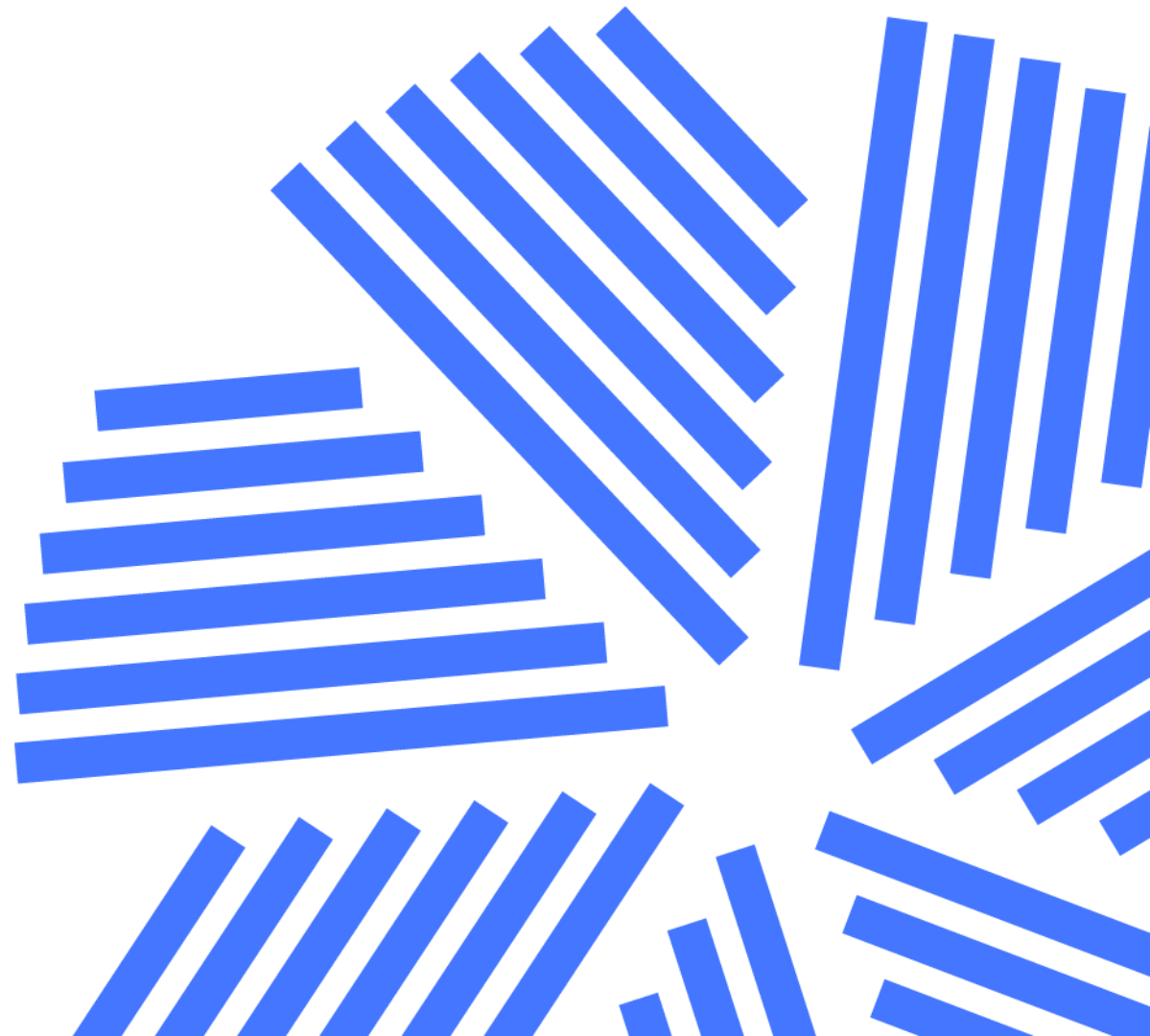
Credit Analysis for Corporate Issuers

Revised Date	Location	Page(s)	Replace	With																																										
19 September 2025	Example 4	420																																												
			<table><tr><td></td><td>Year 0</td><td>Year 1</td><td>Year 2</td><td>Year 3</td><td>Year 4</td><td>Year 5</td></tr><tr><td>EBIT</td><td>1,330</td><td>1,122</td><td>890</td><td>632</td><td>346</td><td>364</td></tr><tr><td>EBITDA</td><td>1,730</td><td>1,589</td><td>1,407</td><td>1,180</td><td>906</td><td>916</td></tr></table>		Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	EBIT	1,330	1,122	890	632	346	364	EBITDA	1,730	1,589	1,407	1,180	906	916	<table><tr><td></td><td>Year 0</td><td>Year 1</td><td>Year 2</td><td>Year 3</td><td>Year 4</td><td>Year 5</td></tr><tr><td>EBIT</td><td>930</td><td>655</td><td>373</td><td>86</td><td>-212</td><td>-189</td></tr><tr><td>EBITDA</td><td>1,330</td><td>1,122</td><td>890</td><td>633</td><td>347</td><td>363</td></tr></table>		Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	EBIT	930	655	373	86	-212	-189	EBITDA	1,330	1,122	890	633	347	363
				Year 0	Year 1	Year 2	Year 3	Year 4	Year 5																																					
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19 September 2025	Example 4	421																																												
			<table><tr><td></td><td>Year 0</td><td>Year 1</td><td>Year 2</td><td>Year 3</td><td>Year 4</td><td>Year 5</td></tr><tr><td>Debt to EBITDA</td><td>0.36</td><td>0.43</td><td>0.54</td><td>0.71</td><td>1.06</td><td>1.21</td></tr></table>		Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Debt to EBITDA	0.36	0.43	0.54	0.71	1.06	1.21	<table><tr><td></td><td>Year 0</td><td>Year 1</td><td>Year 2</td><td>Year 3</td><td>Year 4</td><td>Year 5</td></tr><tr><td>Debt to EBITDA</td><td>0.47</td><td>0.61</td><td>0.85</td><td>1.32</td><td>2.77</td><td>3.04</td></tr></table>		Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Debt to EBITDA	0.47	0.61	0.85	1.32	2.77	3.04														
				Year 0	Year 1	Year 2	Year 3	Year 4	Year 5																																					
			Debt to EBITDA	0.36	0.43	0.54	0.71	1.06	1.21																																					
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5																																								
Debt to EBITDA	0.47	0.61	0.85	1.32	2.77	3.04																																								
5 August 2025	Paragraph above Example 6	429	An issuer rating usually applies to its senior unsecured debt and addresses an obligor’s overall creditworthiness. On the other hand, an individual issue rating refers to specific financial obligations of an issuer and takes such factors as seniority into account.	An issuer rating addresses an obligor’s overall creditworthiness. Rating agencies typically map it to the senior-unsecured debt level for consistency across issuers. On the other hand, an individual issue rating refers to specific financial obligations of an issuer and takes such factors as seniority into account.																																										

Mortgage-Backed Security (MBS) Instrument and Market Features

Revised Date	Location	Page(s)	Replace	With
26 August 2024	Practice Problems 7 – 8	524	Practice Problems 7 and 8 should be together as one question. The solution to this Practice Problem appears as the solution to 7, and the subsequent solutions are all off one number: (Solution to 8 in print is actually the solution to Practice Problem 9, solution to 9 is actually the solution to Practice Problem 10, etc.)	

Derivatives



Derivative Instrument and Derivative Market Features

Revised Date	Location	Page(s)	Replace	With
4 June 2025	Paragraph under Exhibit 4	14	London Metals Exchange (LME)	London Metal Exchange (LME)

Forward Commitment and Contingent Claim Features and Instruments

Revised Date	Location	Page(s)	Replace	With
4 June 2025	Example 2 image, paragraph under Ex. 2 image, Paragraph under Ex. 2, Example 3 image	30, 31, 32	London Metals Exchange (LME)	London Metal Exchange (LME)

Derivative Benefits, Risks, and Issuer and Investor Uses

Revised Date	Location	Page(s)	Replace	With
26 August 2024	Question Set, Solution 2	66	The seller of a call option receives an upfront premium in exchange for the right to purchase the underlying at the exercise price at maturity. Once the seller of a call option receives the premium from the option buyer, it has no further counterparty credit risk to the option buyer.	The seller of a call option receives an upfront premium in exchange for the obligation to sell the underlying asset at the exercise price if the option is exercised . Once the seller of a call option receives the premium from the option buyer, it has no further counterparty credit risk to the option buyer.

Arbitrage, Replication, and the Cost of Carry in Pricing Derivatives

Revised Date	Location	Page(s)	Replace	With
31 January 2024	Example 6	90	$F_{0,(f/d)}(T) = 1.3325 = \frac{\text{AUD1,333.80}}{\text{AUD1,001}}$	$F_{0,(f/d)}(T) = 1.3325 = \frac{\text{AUD1,333.83}}{\text{USD1,001}}$
22 August 2024	Question Set, Question 2	93	B. A foreign currency forward where the domestic risk-free rate is greater than the foreign risk-free rate	B. A foreign currency forward where the foreign risk-free rate is greater than the domestic risk-free rate

Pricing and Valuation of Forward Contracts

Revised Date	Location	Page(s)	Replace	With
8 March 2024	Solution 5	110-111	Replace all references to “gain” in the answer with “loss”	<p>An immediate appreciation in the ZAR/EUR spot price after contract inception will result in an MTM loss from Rook Point's perspective as the forward seller of ZAR/EUR.</p> <p>The FX forward MTM from Rook Point's perspective equals the present value of the forward price discounted at the interest rate differential between the foreign currency and the domestic currency minus the spot price:</p> $V_0(T) = F_{0,f/d}(T) e^{-(r_f - r_d)T} - S_{0,f/d}$ <p>Note that ZAR is the price, or foreign, currency and EUR is the base, or domestic, currency, so we can rewrite the equation as:</p> $V_0(T) = F_{0,ZAR/EUR}(T) e^{-(r_{ZAR} - r_{EUR})T} - S_{0,ZAR/EUR}$ <p>If the ZAR price ($S_{0,ZAR/EUR}$) appreciates from 16.909 to 16.5, we can show that Rook Point would have a 0.4090 loss, as follows:</p> $\begin{aligned} V_t(T) &= 17.2506e^{-(0.035 - -0.005) \times (0.5)} - 16.5 \\ &= 16.909 - 16.5 \\ &= 0.4090 \end{aligned}$

Pricing and Valuation of Forward Contracts

Revised Date	Location	Page(s)	Replace	With
15 October 2024	Exhibit 9	118	Mentions of the word “player”	The word “payer”
31 January 2024	Example 2, Solution 1	131	$f_0(T) = (\$1,770.00 + \$1.99)(1.02)^{-0.24982}$	$f_0(T) = (\$1,770.00 + \$1.99)(1.02)^{0.24982}$ = \$1,780.78 per ounce.

Pricing and Valuation of Options

Revised Date	Location	Page(s)	Replace	With
29 September 2025	Equation 3	178	$\text{Max}\left(0, S_t - X(1 + r)^{-(T-t)}\right)$	$\mathbf{c_t} - \text{Max}\left(0, S_t - X(1 + r)^{-(T-t)}\right)$

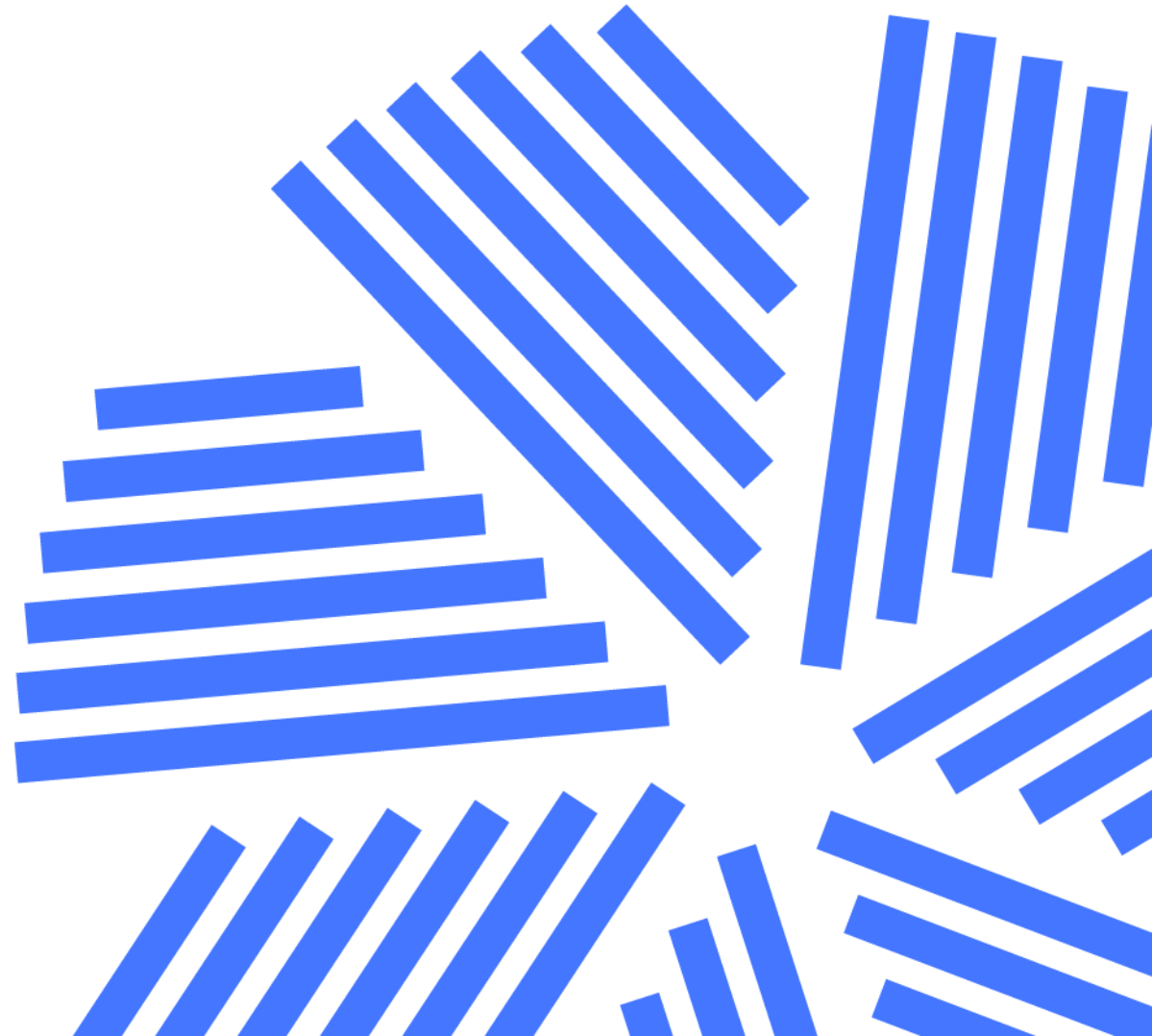
Option Replication Using Put-Call Parity

Revised Date	Location	Page(s)	Replace	With
26 September 2025	Question 3	199	<p>Which of the following statements correctly describes a synthetic protective put position according to put–call forward parity?</p> <p>A.A long forward contract on the underlying, a long put option on the underlying, and short a risk-free bond</p> <p>B.A short forward contract on the underlying, a long put option on the underlying, and short a risk-free bond</p> <p>C.A short forward contract on the underlying, a short put option on the underlying, and short a risk-free bond</p> <p>Solution:</p> <p>A is correct. The formula for put–call forward parity is as follows:</p> $F_0(T)(1 + r)^{-T} + p_0 = c_0 + X(1 + r)^{-T}.$ <p>Rearranging the terms as follows shows the synthetic protective put position on the left-hand side of the equation:</p> $F_0(T)(1 + r)^{-T} + p_0 - X(1 + r)^{-T} = c_0.$	<p>Which of the following statements correctly describes a synthetic protective put position according to put–call forward parity?</p> <p>A.A long forward contract on the underlying, a long put option on the underlying, and long a risk-free bond</p> <p>B.A short forward contract on the underlying, a long put option on the underlying, and short a risk-free bond</p> <p>C.A short forward contract on the underlying, a short put option on the underlying, and short a risk-free bond</p> <p>Solution:</p> <p>A is correct. The formula for put–call forward parity is as follows:</p> $F_0(T)(1 + r)^{-T} + p_0 = c_0 + X(1 + r)^{-T}.$ <p>Rearranging the terms as follows shows the synthetic protective put position on the left-hand side of the equation:</p> $F_0(T)(1 + r)^{-T} + p_0 - X(1 + r)^{-T} = c_0.$

Valuing a Derivative Using a One-Period Binomial Model

Revised Date	Location	Page(s)	Replace	With
23 September 2024	Second sentence	223	Equation 4 gives us the hedge ratio of the option, or the proportion of the underlying that will offset the risk associated with an option.	Equation 6 gives us the hedge ratio of the option, or the proportion of the underlying that will offset the risk associated with an option.
30 September 2026	Solution to Question 5 in Question Set	229	$\frac{\pounds 3}{\pounds 4} = -0.75$	$-\frac{\pounds 3}{\pounds 4} = -0.75$

Alternative Investments



Alternative Investment Features, Methods, Structures

Revised Date	Location	Page(s)	Replace	With
31 January 2024	Solution 6	32	<p>A. 2 is correct. In alternative fund investing, the fund manager pays the net return (gross return less management fees) to investors.</p> <p>B. 3 is correct. The returns generated by fund investments are gross returns. From these, management deducts its fees, paying the remainder (net fees) to fund investors.</p> <p>C. 1 is correct. Management fees and performance fees are how alternative fund managers are compensated for managing the fund and its investments.</p>	<p>A. 3 is correct. The returns generated by fund investments are gross returns. From these, management deducts its fees, paying the remainder (net fees) to fund investors.</p> <p>B. 2 is correct. In alternative fund investing, the fund manager pays the net return (gross return less management fees) to investors.</p> <p>C. 1 is correct. Management fees and performance fees are how alternative fund managers are compensated for managing the fund and its investments.</p>

Alternative Investment Performance and Returns

Revised Date	Location	Page(s)	Replace	With
28 July 2025	Knowledge Check: MOIC Calculation	39	IRR 20%	IRR 6.82%
31 January 2024	Example 4, Question 2	47	In the second year, Kettleside fund value declines to \$110 million. The fee structure is as specified in Question 1 but also includes the use of a high-water mark (PHWM) computed net of fees.	In the second year, Kettleside fund value declines to \$110 million. The fee structure is as specified in Question 1 of Example 3 but also includes the use of a high-water mark (PHWM) computed net of fees.

Alternative Investment Performance and Returns

Revised Date	Location	Page(s)	Replace	With
8 March 2024	Example 4, Solution 2	48	<p>We must again alter Equation 4 to include the high-water mark (P_{HWM}) provision, as follows:</p> $R_{GP(Net\ with\ High-Water\ Mark)} = (P_2 \times r_m) + \max[0, (P_2 - P_{HWM}) \times p]$ <p>where P_{HWM} is defined as the maximum fund value at the end of any previous period net of fees. We may solve for investor return r_i in Period 2 as follows:</p> $r_i = (P_2 - P_1 - R_{GP})/P_1,$ $R_{GP(Net\ with\ High-Water\ Mark)}$ $= \$110\ million \times 1\% + \max[0, (\$110\ million - \$122.7\ million) \times 20\%]$ $= \$1.1\ million.$ $r_i = (\$110\ million - \$122.7\ million - \$1.1\ million)/\$122.7\ million$ $= -11.247\%.$ <p>The beginning capital position in the second year for the investors is $\\$130\ million - \\$7.3\ million = \\$122.7\ million$. The ending capital position at the end of the second year is $\\$110\ million - \\$1.1\ million = \\$108.9\ million$.</p>	<p>We must again alter Equation 4 to include the high-water mark (P_{HWM}) provision, as follows:</p> $R_{GP(Net\ with\ High-Water\ Mark)} = (P_2 \times r_m) + \max\{0, P_2(1 - r_m) - P_{HWM}\} \times p]$ <p>where P_{HWM} is defined as the maximum fund value at the end of any previous period net of fees. We may solve for investor return r_i in Period 2 as follows:</p> $r_i = (P_2 - P_1 - R_{GP})/P_1,$ $R_{GP(Net\ with\ High-Water\ Mark)}$ $= \$110\ million \times 1\% + \max[0, [\$110 \times 0.99 - \$124.16] \times 20\%]$ $= \$1.1\ million.$ $r_i = (\$110\ million - \$124.16\ million - \$1.1\ million)/\$124.16\ million$ $= -12.291\%$ <p>The beginning capital position in the second year for the investors is $\\$130\ million - \\$5.84\ million = \\$124.16\ million$.</p> <p>The ending capital position at the end of the second year is $\\$110\ million - \\$1.1\ million = \\$108.9\ million$.</p>

Alternative Investment Performance and Returns

Revised Date	Location	Page(s)	Replace	With																
18 September 2025	Example 4, Solution 3	48 - 49	<p>We amend Equations 8 and 9 to reflect returns for the third period and calculate as follows:</p> $R_{GP(\text{High-Water Mark})} = (P_3 \times r_m) + \max[0, (P_3 - P_{HWM}) \times p].$ $r_i = (P_3 - P_2 - RGP)/P_2.$ <p>Note that the high-water mark, PHWM, is the highest value of the fund after fees in all previous years. In Kettleside's case, it was \$122.7 million, the ending value in the first year, P1.</p> <div><p>Kettleside Timberland LP Performance Fee Modifications</p><table><tr><th>Year</th><th>Fund Value (\$m), after Fees</th></tr><tr><td>0</td><td>100.00</td></tr><tr><td>1</td><td>122.70</td></tr><tr><td>2</td><td>108.90</td></tr></table><p>← High-Water Mark</p></div> <p>$RGP(\text{High-Water Mark})$ = \$128 million × 1% + max[0, (\$128 million – \$122.7 million) × 20%] = \$2.34 million. $r_i = (\\$128 \text{ million} - \\$108.9 \text{ million} - \\$2.34 \text{ million})/\\$108.9 \text{ million}$ = 15.39%.</p> <p>The beginning capital position in the third year for the investors is \$110 million – \$1.1 million = \$108.9 million. The ending capital position for the third year is \$128 million – \$2.34 million = \$125.66 million, which represents a new high-water mark to be applied the following year for this investor.</p>	Year	Fund Value (\$m), after Fees	0	100.00	1	122.70	2	108.90	<p>We amend Equations 8 and 9 to reflect returns for the third period and calculate as follows:</p> $R_{GP(\text{Net with High-Water Mark})} = (P_3 \times r_m) + \max [0, P_3(1-r_m) - P_{HWM}) \times p]$ $r_i = (P_3 - P_2 - RGP)/P_2.$ <p>Note that the high-water mark, PHWM, is the highest value of the fund after fees in all previous years. In Kettleside's case, it was \$124.16 million, the ending value in the first year, P1.</p> <div><p>Kettleside Timberland LP Performance Fee Modifications</p><table><tr><th>Year</th><th>Fund Value (\$m), after Fees</th></tr><tr><td>0</td><td>100.00</td></tr><tr><td>1</td><td>124.16</td></tr><tr><td>2</td><td>108.90</td></tr></table><p>← High-Water Mark</p></div> <p>$RGP(\text{High-Water Mark})$ = \$128 million × 1% + max[0, (\$128 × 0.99 – \$124.16) × 20%] = \$1.792 million. $r_i = (\\$128 \text{ million} - \\$108.9 \text{ million} - \\$1.792 \text{ million})/\\108.9 million = 15.89%.</p> <p>The beginning capital position in the third year for the investors is \$110 million – \$1.1 million = \$108.9 million. The ending capital position for the third year is \$128 million – \$1.792 million = \$126.208 million, which represents a new high-water mark to be applied the following year for this investor.</p>	Year	Fund Value (\$m), after Fees	0	100.00	1	124.16	2	108.90
Year	Fund Value (\$m), after Fees																			
0	100.00																			
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8

Investments in Private Capital: Equity and Debt

Revised Date	Location	Page(s)	Replace	With
4 November 2024	Self-Assessment, Question 4	67	As the loan amortizes, its outstanding principal declines, increasing LTV.	As the loan amortizes, its outstanding principal declines, decreasing LTV.
18 September 2025	First sentence in Public Listing section	75	Public listing on an exchange can take place either as an initial public offering (IPO), a direct listing, or a special acquisition company (SPAC).	Public listing on an exchange can take place either as an initial public offering (IPO), a direct listing, or a special purpose acquisition company (SPAC) .
29 August 2024	Example 4	81	As Peterburgh amortizes the loan, the outstanding principal of the mortgages decline, which increases the LTV value.	As Peterburgh amortizes the loan, the outstanding principal of the mortgages decline, which decreases the LTV value.
8 March 2024	Solution 7	90	A is correct. While private capital can have overall positive contributions to diversification, direct lending can involve a large capital commitment to a single borrower, with increased concentration risk and reduced diversification. Investors attempt to protect against the risk of direct lending by having the debt itself classified as senior and secured with protective covenants in place to benefit from the associated higher interest rates while reducing non-diversifiable specific risk associated with a single borrower	C is correct. Private capital can have overall positive contributions to diversification. Note, however, that direct lending can involve a large capital commitment to a single borrower, with increased concentration risk and reduced diversification.

Real Estate and Infrastructure

Revised Date	Location	Page(s)	Replace	With																																																																																																		
19 September 2025	Exhibit 2	98	<table><tr><th colspan="2">Debt</th><th colspan="2">Equity</th></tr><tr><td rowspan="3">Private</td><td>Mortgage debt</td><td>Direct ownership</td><td></td></tr><tr><td>Construction loans</td><td>Sole ownership</td><td></td></tr><tr><td>Mezzanine debt</td><td>Joint ventures</td><td></td></tr><tr><td rowspan="3">Public</td><td></td><td>Limited partnerships</td><td></td></tr><tr><td></td><td>Indirect ownership</td><td></td></tr><tr><td></td><td>Real estate funds</td><td></td></tr><tr><td rowspan="3">Public</td><td>MBS/CMBS/CMOs</td><td>Private REITs</td><td></td></tr><tr><td>Covered bonds</td><td>Publicly traded shares</td><td></td></tr><tr><td>Mortgage REITs</td><td>Construction</td><td></td></tr><tr><td rowspan="2">Public</td><td>Mortgage ETFs</td><td>Operating</td><td></td></tr><tr><td></td><td>Development</td><td></td></tr><tr><td colspan="2"></td><td>Public REITs</td><td></td></tr><tr><td colspan="2"></td><td>UCITS/Mutual funds/ETFs</td><td></td></tr></table>	Debt		Equity		Private	Mortgage debt	Direct ownership		Construction loans	Sole ownership		Mezzanine debt	Joint ventures		Public		Limited partnerships			Indirect ownership			Real estate funds		Public	MBS/CMBS/CMOs	Private REITs		Covered bonds	Publicly traded shares		Mortgage REITs	Construction		Public	Mortgage ETFs	Operating			Development				Public REITs				UCITS/Mutual funds/ETFs		<table><tr><th colspan="2">Debt</th><th colspan="2">Equity</th></tr><tr><td rowspan="3">Private</td><td>Mortgage debt</td><td>Direct ownership</td><td></td></tr><tr><td>Construction loans</td><td>Sole ownership</td><td></td></tr><tr><td>Mezzanine debt</td><td>Indirect Ownership</td><td></td></tr><tr><td rowspan="3">Public</td><td></td><td>Joint ventures</td><td></td></tr><tr><td></td><td>Limited partnerships</td><td></td></tr><tr><td></td><td>Real estate funds</td><td></td></tr><tr><td rowspan="3">Public</td><td>MBS/CMBS/CMOs</td><td>Private REITs</td><td></td></tr><tr><td>Covered bonds</td><td>Publicly traded shares</td><td></td></tr><tr><td>Mortgage REITs</td><td>Construction</td><td></td></tr><tr><td rowspan="2">Public</td><td>Mortgage ETFs</td><td>Operating</td><td></td></tr><tr><td></td><td>Development</td><td></td></tr><tr><td colspan="2"></td><td>Public REITs</td><td></td></tr><tr><td colspan="2"></td><td>UCITS/Mutual funds/ETFs</td><td></td></tr></table>	Debt		Equity		Private	Mortgage debt	Direct ownership		Construction loans	Sole ownership		Mezzanine debt	Indirect Ownership		Public		Joint ventures			Limited partnerships			Real estate funds		Public	MBS/CMBS/CMOs	Private REITs		Covered bonds	Publicly traded shares		Mortgage REITs	Construction		Public	Mortgage ETFs	Operating			Development				Public REITs				UCITS/Mutual funds/ETFs	
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Real Estate and Infrastructure

Revised Date	Location	Page(s)	Replace	With
31 January 2024	Question 6	117	<p>Akasaka Investment Company established a portfolio of warehouse properties with a total market value of THB3.60 billion. It secured mortgage financing of THB2.61 billion. The terms of the mortgage required Akasaka to maintain a loan-to-value ratio of 0.725.</p> <p>After 18 months, the portfolio value had dropped to THB2.23 billion and the mortgage liability was THB2.35 billion.</p>	<p>Akasaka Investment Company established a portfolio of warehouse properties with a total market value of THB3.60 billion. It secured mortgage financing of THB2.61 billion. The terms of the mortgage required Akasaka to maintain a loan-to-value ratio of 0.725.</p> <p>After 18 months, the portfolio value had dropped to THB3.23 billion and the mortgage liability was THB2.35 billion.</p>

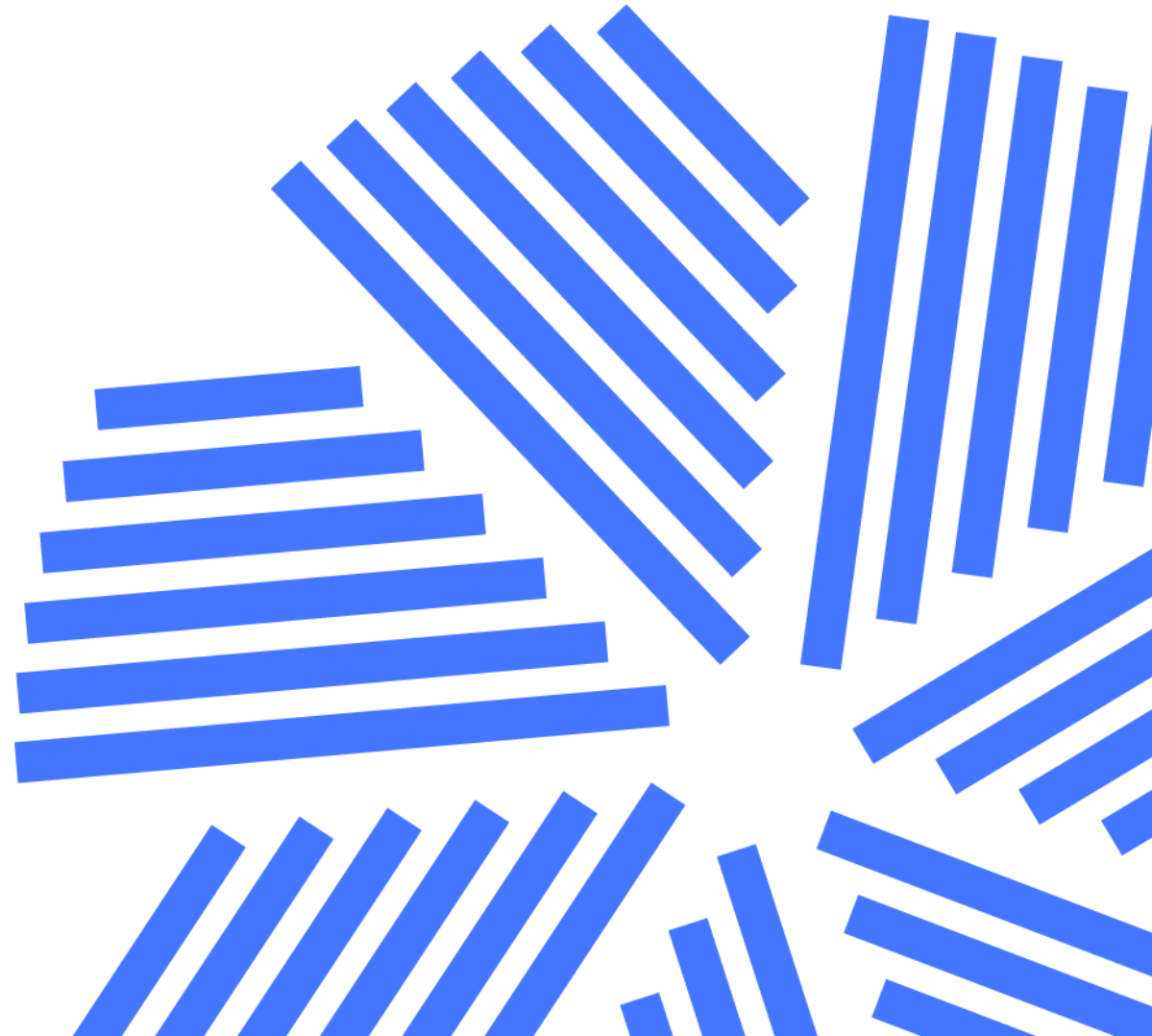
Natural Resources

Revised Date	Location	Page(s)	Replace	With
13 September 2024	Learning Module Self Assessment, Solution 4	123	A and B are both incorrect because interest and storage reflect costs associated with owning the physical commodity.	A and C are both incorrect because interest and storage reflect costs associated with owning the physical commodity.

Hedge Funds

Revised Date	Location	Page(s)	Replace	With
4 June 2025	Learning Module Self Assessment, Question/Solution 5	149 - 150	<p>1. 16.38</p> <p>Return to the investors = 20 million – 3.72 million = 16.38 million. Investors' return = 16.38%.</p>	<p>1. 16.28</p> <p>Return to the investors = 20 million – 3.72 million = 16.28 million. Investors' return = 16.28%.</p>
25 August 2025	Solutions	176	<p>C is correct. Participating in a potential bankruptcy situation would be characteristic of an event-driven hedge fund manager and not a fundamental long/short manager. B is incorrect because a fundamental long/short manager would invest in securities expected to exhibit high growth and capital appreciation. C is incorrect because a fundamental long/short manager would short securities in sectors that project negative growth.</p>	<p>C is correct. Participating in a potential bankruptcy situation would be characteristic of an event-driven hedge fund manager and not a fundamental long/short manager. A is incorrect because a fundamental long/short manager would invest in securities expected to exhibit high growth and capital appreciation. B is incorrect because a fundamental long/short manager would short securities in sectors that project negative growth.</p>

Portfolio Management



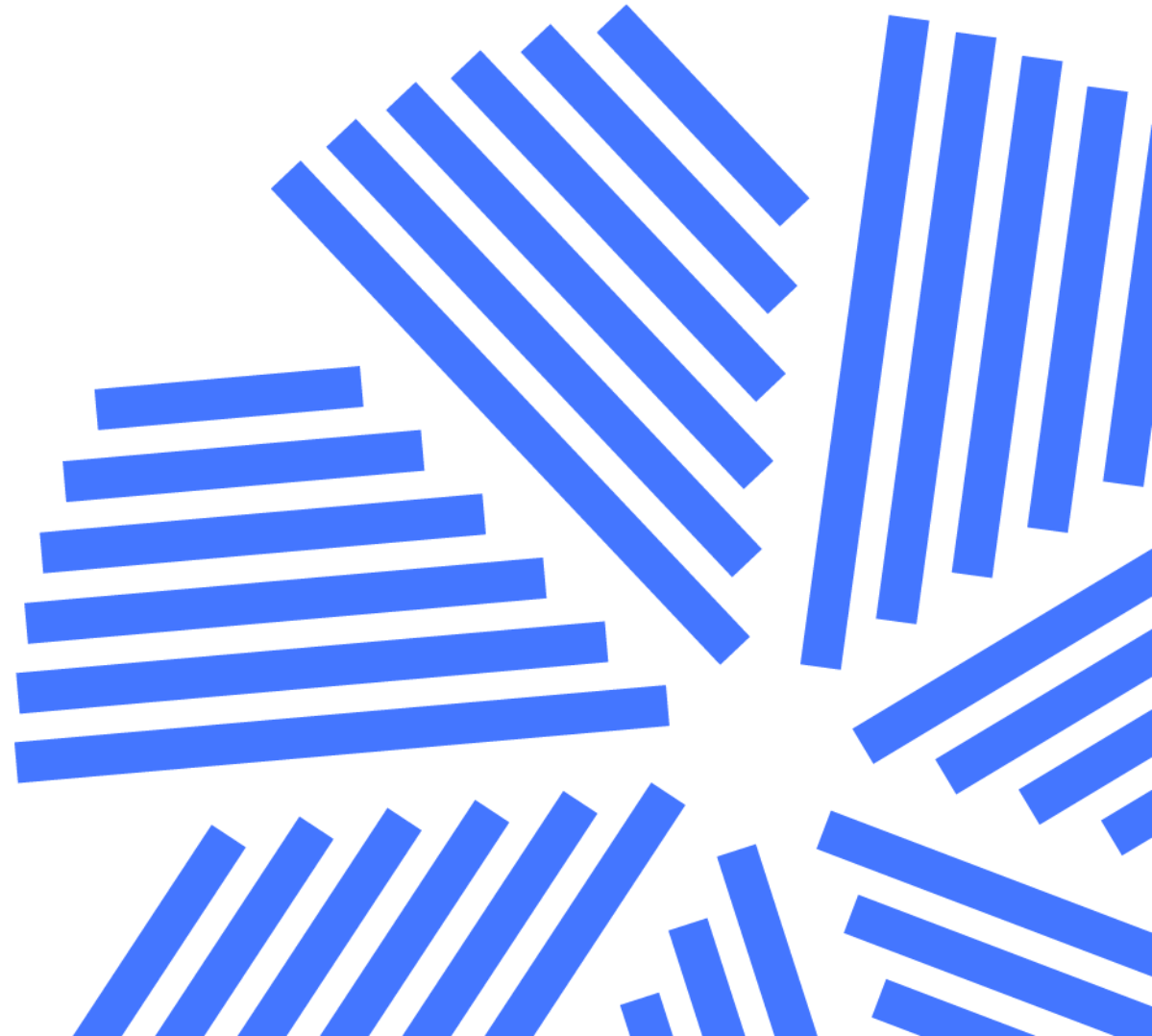
Portfolio Risk and Return: Part I

Revised Date	Location	Page(s)	Replace	With
8 March 2024	Example 5	28	Formula under “The expected return of this portfolio is”: $R_p = w_1 \times R_1 + (1 - w_1) \times R_2$ $= 0.6 \times 0.055 + 0.4 \times 0.07$ $= 0.0358 \approx 3.6\%.$	$R_p = w_1 \times R_1 + (1 - w_1) \times R_2$ $= 0.6 \times 0.055 + 0.4 \times \mathbf{0.007}$ $= 0.0358 \approx 3.6\%.$

Portfolio Risk and Return: Part II

Revised Date	Location	Page(s)	Replace	With
31 January 2024	Example 8, Solution 1	91	Replace the second calculation under Solution: $E(R_i) = R_f + \beta_i[E(R_m) - R_f]$ $= 0.04 + 1.30 \times (0.16 - 0.04)$ $= 0.196$ $= 19.6\%$	$E(R_p) = R_f + \beta_p[E(R_m) - R_f]$ $= 0.04 + 1.30 \times (0.16 - 0.04)$ $= 0.196$ $= 19.6\%$
1 November 2024	Example 10, paragraph after exhibit 8	101	\hat{M}^2 and $\hat{\alpha}_i$ are performance measures relative to the market, so they are both equal to zero for the market portfolio.	\hat{M}^2 alpha and $\hat{\alpha}_i$ are performance measures relative to the market, so they are both equal to zero for the market portfolio.

Ethical and Professional Standards



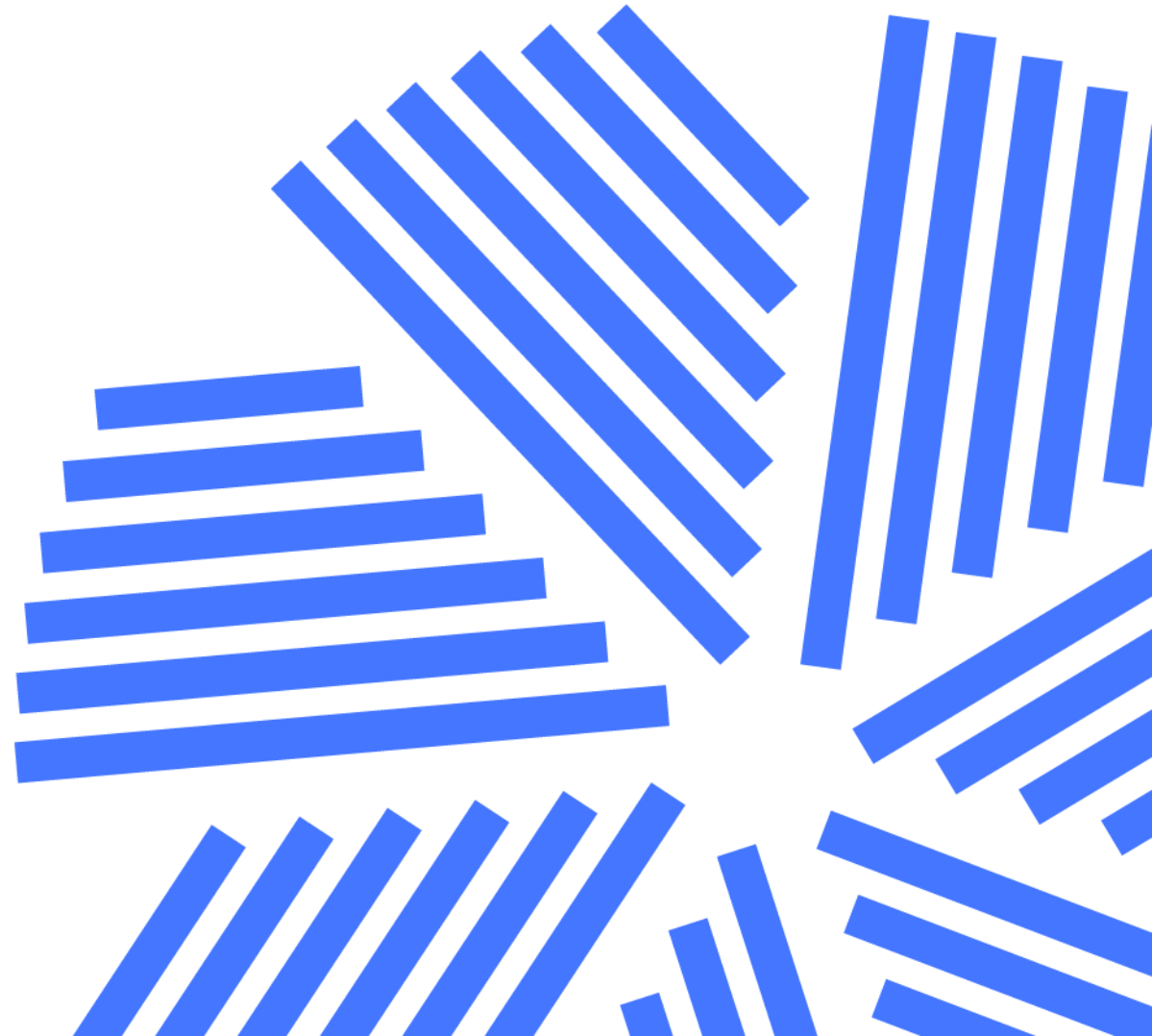
Guidance for Standards I - VII

Revised Date	Location	Page(s)	Replace	With
3 September 2025	Exhibit 1, Row 6, Column 1	57	Member resides in LS country, does business in MS country; LS law applies, but it states that law of locality where business is conducted governs	Member resides in LS country, does business in MS country; MS law applies, but it states that law of locality where business is conducted governs

Ethics Applications

Revised Date	Location	Page(s)	Replace	With
25 August 2025	Analysis under "Taveras"	286	"C is correct..." "B is incorrect..."	" B is correct..." " C is incorrect..."

Glossary



Key Terms

Revised Date	Location	Page(s)	Replace	With
4 November 2024	Amortizing debt	G-1	A loan or bond with a payment schedule that calls for periodic payments of interest and repayments of principal.	A loan or bond with a payment schedule that calls for the complete repayment of principal over the instrument's time to maturity.
19 May, 2025	Hedge ratio	G-14	The proportion of an underlying that will offset the risk associated with a derivative position	The proportion of an underlying investment position that will offset the risk associated with a derivative position
5 August 2025	Issue Rating	G-16	A rating which seeks to capture the probability of default or expected loss of the issuer's senior unsecured bonds	A rating which seeks to capture the credit risk of a specific financial obligation of an issuer which takes such factors as seniority into account.
5 August 2025	Issuer Rating	G-16	A rating which seeks to capture the credit risk of a specific financial obligation of an issuer which takes such factors as seniority into account.	A rating which seeks to capture the probability of default or expected loss of the issuer's overall financial obligations.
20 August 2025	Off-the-run-securities	G-20	Sovereign debt securities outstanding other than on-the-run securities. Off-the-run securities are less liquid than on-the-run securities.	Sovereign debt securities outstanding other than on-the- run securities. Off-the-run securities are less liquid than on-the-run securities.

