

Curriculum Errata Notice

2024 Level III CFA Program

UPDATED 28 JANUARY 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. However, we update all errors in the Learning Ecosystem (LES) and in this document at the end of each month.

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.



All errors can be submitted via <https://cfainst.is/errata>

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Portfolio Management, Vol. 1

Capital Market Expectations, Part 1: Framework and Macro Considerations

Lesson	Location	PDF Pg	Revised	Correction
Challenges in Forecasting	The Argentine Peso Devaluations	13	10 May 2024	<p>Replace: The currency was allowed to fluctuate freely, and the peso further depreciated to 3.8 ARS/USD by June 2001.</p> <p>With: The currency was allowed to fluctuate freely, and the peso further depreciated to 3.8 ARS/USD by June 2002.</p>
Analysis of Monetary and Fiscal Policies	Example 12 Guideline - Solution to 3	40	29 July 2024	<p>Replace: Short-term market interest rates will be dragged downward by weak demand and inflation.</p> <p>With: Short-term market interest rates will be dragged downward by weak demand and deflation.</p>

Capital Market Expectations, Part 2: Forecasting Asset Class Returns

Lesson	Location	PDF Pg	Revised	Correction
Forecasting Fixed Income Returns	Example 1 - Solution to 1	71	10 May 2024	<p>Replace: Reinvesting for three more years at the 2.0% higher rate adds another 6.0% to the cumulative return, so the five-year annual return would be approximately 0.46% [= $3.25 + (1 + 1.0 + 6.0)/5$].</p> <p>With an additional two years of reinvestment income, the seven-year annual return would be about 1.99% [= $1 + (-9.68 + 1.0 + 6.0 + 4.0)/7$].</p> <p>With: Reinvesting for three more years at the 2.0% higher rate adds another 6.0% to the cumulative return, so the five-year annual return would be approximately 0.46% [= $1.0 + (-9.68 + 1.0 + 6.0)/5$].</p> <p>With an additional two years of reinvestment income, the seven-year annual return would be about 1.19% [= $1 + (-9.68 + 1.0 + 6.0 + 4.0)/7$].</p>

Lesson	Location	PDF Pg	Revised	Correction
Forecasting Equity Returns	Last sentence on page	87	15 Feb 2024	Replace: Adding in the risk-free rate, the expected returns for German shares and bonds would be 4.93% and 42.16%, respectively.
Solutions	Solution to 1	127	15 Feb 2024	Replace: Estimate of the expected return of an equal-weighted investment in the three securities: $(1\% + 2\% + 3.3\%)/3 = 42.1\%$

Portfolio Management, Vol. 2

Swaps, Forwards, and Future Strategies

Lesson	Location	PDF Pg	Revised	Correction
Practice Problems	Information relating to questions 2-8	125	10 May 2024	Replace: Statement 1 If the basis is positive, a trade would make a profit by “selling the basis.” Statement 2 If the basis is negative, a trader would make a profit by selling the bond and buying the futures.
Practice Problems	Question 24	131	10 May 2024	Replace: Explain how Ko can use this information to understand potential movements in the current federal funds rate.

Currency Management: An Introduction

Lesson	Location	PDF Pg	Revised	Correction												
Foreign Exchange Concepts	Paragraph following bullet number 4	147	10 May 2024	Replace: In the example above, this would be done by redenominating the mark-to-market in USD, by selling 240,000 AUD 90-days forward against the USD at the prevailing USD/AUD 90-day forward bid rate. With: In the example above, this would be done by redenominating the mark-to-market in USD, by selling 206,000 AUD 90-days forward against the USD at the prevailing USD/AUD 90-day forward bid rate.												
Forward Contracts, FX Swaps, and Currency Options	Table within Executing a Hedge	180	29 July 2024	Replace: JPY/HKD 14.4/14.4 -1.2/-1.1 With: JPY/HKD 14.4/14.42 -1.2/-1.1												
Forward Contracts, FX Swaps, and Currency Options	Example 4 - Solution to 1	183	10 May 2024	Replace: Kwun Tong is long the GBP against the HKD, and HKD/GBP is selling at a small forward discount of -0.106% compared with the current spot rate.... However, the firm's market strategist expects the GBP to depreciate by 3.92% against the HKD. With: Kwun Tong is long the GBP against the HKD, and HKD/GBP is selling at a small forward discount of 0.099% compared with the current spot rate.... However, the firm's market strategist expects the GBP to depreciate by 3.77% against the HKD.												
Forward Contracts, FX Swaps, and Currency Options	Example 4 - Solution to 2	184	10 May 2024	Replace: But the firm's strategist also forecasts that the ZAR will depreciate against the HKD by 2.2%. With: But the firm's strategist also forecasts that the ZAR will depreciate against the HKD by 2.11% .												
Currency Management Tools and Strategies: A Summary	Table within Example 8	203	10 May 2024	Replace: <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="border-bottom: 1px solid black;">$s(\% \Delta_{SGBP/USD})$</th> <th style="border-bottom: 1px solid black;">$\sigma(R_{DC})$</th> <th style="border-bottom: 1px solid black;">$\rho(R_{DC}, \% \Delta_{SGBP/USD})$</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2.7%</td> <td style="text-align: center;">4.4%</td> <td style="text-align: center;">0.2</td> </tr> </tbody> </table> With: <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="border-bottom: 1px solid black;">$\sigma(\% \Delta_{SGBP/USD})$</th> <th style="border-bottom: 1px solid black;">$\sigma(R_{DC})$</th> <th style="border-bottom: 1px solid black;">$\rho(R_{DC}, \% \Delta_{SGBP/USD})$</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">2.7%</td> <td style="text-align: center;">4.4%</td> <td style="text-align: center;">0.2</td> </tr> </tbody> </table>	$s(\% \Delta_{SGBP/USD})$	$\sigma(R_{DC})$	$\rho(R_{DC}, \% \Delta_{SGBP/USD})$	2.7%	4.4%	0.2	$\sigma(\% \Delta_{SGBP/USD})$	$\sigma(R_{DC})$	$\rho(R_{DC}, \% \Delta_{SGBP/USD})$	2.7%	4.4%	0.2
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Practice Problems	Practice Problem 14	217	10 May 2024	Replace: Overall returns can be enhanced by capturing opportunities between the US dollar and the Indian rupee (INR) within a range of plus or minus 25% from the neutral position using forward contracts on the currency pair. With: Overall returns can be enhanced by capturing opportunities between the US dollar and the Indian rupee (INR) within a range of plus or minus 25% from the neutral position consisting of 100% of the portfolio as valued in USD.												

Lesson	Location	PDF Pg	Revised	Correction
Practice Problems	Practice Problem 33	223	19 April 2024	Replace: Calculate the net cash flow (in euros) to maintain the desired hedge. With: Calculate the net cash flow (in euros) as of today to maintain the desired hedge.
Solutions	Solution to 33	236	10 May 2024	Replace calculation under 1: $USD2,500,000 / 1.1575 = EUR2,816,901$. Replace calculation under 2: $USD2,650,000 / 1.1583 = EUR2,977,193$. Replace text under 3: Therefore, the net cash flow is equal to $EUR2,977,193 - EUR2,816,901$ which is equal to $EUR160,292$. With: $(USD\ 2,500,000) / (USD\ 1.1575 / EUR) = EUR\ 2,159,827$ With: $(USD\ 2,650,000) / (USD\ 1.1583 / EUR) = EUR\ 2,287,835$. With: Therefore, the net cash flow is equal to $EUR2,287,835 - EUR\ 2,159,827$ which is equal to $EUR128,008$.

Overview of Fixed-Income Portfolio Management

Lesson	Location	PDF Pg	Revised	Correction
Fixed-Income Portfolio Measures	Second bullet	250	26 April 2024	Replace: Coupon-paying bonds have more convexity than zero-coupon bonds of the same duration: A 30-year coupon-paying bond with a duration of approximately 18 years has more convexity than an 18-year zero-coupon bond. With: Coupon-paying bonds have more convexity than zero-coupon bonds of the same duration : A 30-year coupon-paying bond with a duration of approximately 18 years has more convexity than an 18-year zero-coupon bond.

Lesson	Location	PDF Pg	Revised	Correction					
Bond Market Liquidity	Third bullet point	258	1 May 2024	<p>Move the third bullet point: As a funding cost arbitrage transaction, the TRS can allow investors to gain particular access to subsets of the fixed-income markets, such as bank loans or high-yield instruments for which cash markets are relatively illiquid or the cost and administrative complexity of maintaining a portfolio of these instruments is prohibitive for the investor.</p>					
				<p>To the paragraph preceding bulleted list: The potential for both a smaller initial cash outlay and lower swap bid–offer costs compared with the transaction costs of direct purchase or use of a mutual fund or ETF are the most compelling reasons to consider a TRS to add fixed-income exposure. As a funding cost arbitrage transaction, the TRS can allow investors to gain particular access to subsets of the fixed-income markets, such as bank loans or high-yield instruments for which cash markets are relatively illiquid or the cost and administrative complexity of maintaining a portfolio of these instruments is prohibitive for the investor.</p>					
A Model for Fixed-Income Returns	Equation 6	260	15 Feb 2024	<p>Replace: E(Change in price based on investor’s views of yields and yield volatility) = (–ModDur × ΔYield) + [½ × Convexity × (ΔSpread)²]</p>					
				<p>With: E(ΔPrice based on investor’s view of yields and yield volatility) = (– ModDur × ΔYield) + [½ × Convexity × (ΔYield)²]</p>					
A Model for Fixed-Income Returns	Equation 7	261	15 Feb 2024	<p>Replace: E(ΔPrice based on investor’s views of yield spreads) = (–ModSpreadDur × ΔSpread) + [½ × Convexity × (ΔYield)²].</p>					
				<p>With: (ΔPrice based on investor’s view of yield spreads) = (– ModSpreadDur × ΔSpread) + [½ × Convexity × (ΔSpread)²]</p>					
A Model for Fixed-Income Returns	Example 4 - Solution to 1	262	10 May 2024	<p>Replace: In one year’s time, assuming an unchanged yield curve and zero interest rate volatility, the rolldown return is 0.17% = (£97.27 – £97.12)/£97.12. The rolling yield, which is the sum of the coupon income and the rolldown return, is 3.00% = 2.83% + 0.17%</p>					
				<p>With: In one year’s time, assuming an unchanged yield curve and zero interest rate volatility, the rolldown return is 0.15% = (£97.27 – £97.12)/£97.12. The rolling yield, which is the sum of the coupon income and the rolldown return, is 3.00% = 2.98% + 0.15%</p>					
A Model for Fixed-Income Returns	Exhibit 11	262	10 May 2024	<p>Replace row:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Expected average bond price in one year (assuming an unchanged yield curve)</td> <td style="width: 10%; text-align: right;">£97.27</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> </table> <p>Replace solution: In one year’s time, assuming an unchanged yield curve and zero interest rate volatility, the rolldown return is 0.17% = (£97.27 – £97.12)/£97.12.</p>	Expected average bond price in one year (assuming an unchanged yield curve)	£97.27			
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				<p>With:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Expected average bond price in one year (assuming an unchanged yield curve)</td> <td style="width: 10%; text-align: right;">£97.285</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> </table> <p>With: In one year’s time, assuming an unchanged yield curve and zero interest rate volatility, the rolldown return is 0.17% = (£97.285 – £97.12)/£97.12.</p>	Expected average bond price in one year (assuming an unchanged yield curve)	£97.285			
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Lesson	Location	PDF Pg	Revised	Correction
A Model for Fixed-Income Returns	Exhibit 12	263	10 May 2024	Replace second calculation under column header Calculation: $(£97.27 - £97.12)/£97.12 = 0.17\%$ With: $(£97.285 - £97.12)/£97.12 = 0.17\%$

Portfolio Management, Vol. 3

Yield Curve Strategies

Lesson	Location	PDF Pg	Revised	Correction																																																
Yield Curve Strategies	Example 3	16	15 Feb 2024	Replace: Rolldown return: The difference between the 10-year and 9.5-year PV with no change in yield-to-maturity of £262,363, or $[PV(0.029535/2, 20, 1.125, 100)] - [PV(0.024535/2, 19, 1.125, 100)] \times £1 \text{ million}]$. With: Rolldown return: The difference between the 10-year and 9.5-year PV with no change in yield-to-maturity of £262,363, or $[PV(0.029535/2, 20, 1.125, 100)] - [PV(0.029535/2, 19, 1.125, 100)] \times £1 \text{ million}]$.																																																
Yield Curve Strategies	Example 4	17	15 Feb 2024	Replace: An investment manager who pursues the cash-based yield curve strategies described in Exhibit 5 faces an inverted yield curve (with a decline in long-term yields-to-maturity and a sharp increase in short-term yields-to-maturity) instead. Which of the following is the least likely portfolio outcome under this scenario? With: An investment manager who pursues the cash-based yield curve strategies described in Exhibit 5 faces an inverted yield curve (with a decline in long-term yields-to-maturity and a sharp increase in short-term yields-to-maturity) instead of a static yield curve post implementation . Which of the following is the least likely portfolio outcome under this scenario?																																																
Yield Curve Strategies	Table below Exhibit 19	27	15 Feb 2024	Replace column header: <table border="1" style="margin-top: 10px;"> <thead> <tr> <th>Tenor</th> <th>Coupon</th> <th>Position (\$ MM)</th> <th>Modified Duration</th> <th>Position BPV</th> <th>Convexity</th> </tr> </thead> <tbody> <tr> <td>Long 2y</td> <td>0.25%</td> <td>110</td> <td>1.994</td> <td>\$21,934</td> <td>5.0</td> </tr> <tr> <td>Short 5y</td> <td>0.875%</td> <td>-248.3</td> <td>4.88</td> <td>(\$121,170)</td> <td>26.5</td> </tr> <tr> <td>Long 10y</td> <td>2.00%</td> <td>110</td> <td>9.023</td> <td>\$99,253</td> <td>90.8</td> </tr> </tbody> </table> With: <table border="1" style="margin-top: 10px;"> <thead> <tr> <th>Tenor</th> <th>Yield to Maturity</th> <th>Position (\$ MM)</th> <th>Modified Duration</th> <th>Position BPV</th> <th>Convexity</th> </tr> </thead> <tbody> <tr> <td>Long 2y</td> <td>0.25%</td> <td>110</td> <td>1.994</td> <td>\$21,934</td> <td>5.0</td> </tr> <tr> <td>Short 5y</td> <td>0.875%</td> <td>-248.3</td> <td>4.88</td> <td>(\$121,170)</td> <td>26.5</td> </tr> <tr> <td>Long 10y</td> <td>2.00%</td> <td>110</td> <td>9.023</td> <td>\$99,253</td> <td>90.8</td> </tr> </tbody> </table>	Tenor	Coupon	Position (\$ MM)	Modified Duration	Position BPV	Convexity	Long 2y	0.25%	110	1.994	\$21,934	5.0	Short 5y	0.875%	-248.3	4.88	(\$121,170)	26.5	Long 10y	2.00%	110	9.023	\$99,253	90.8	Tenor	Yield to Maturity	Position (\$ MM)	Modified Duration	Position BPV	Convexity	Long 2y	0.25%	110	1.994	\$21,934	5.0	Short 5y	0.875%	-248.3	4.88	(\$121,170)	26.5	Long 10y	2.00%	110	9.023	\$99,253	90.8
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Lesson	Location	PDF Pg	Revised	Correction
Yield Curve Strategies	Equation 10	34	10 May 2024	Replace: $\text{KeyRateDur}_k = \frac{1}{PV} \times \frac{\Delta PV}{\Delta r_k}$ With: $\text{KeyRateDur}_k = -\frac{1}{PV} \times \frac{\Delta PV}{\Delta r_k}$

Fixed-Income Active Management: Credit Strategies

Lesson	Location	PDF Pg	Revised	Correction
Key Credit and Spread Concepts for Active Management	Example 4	71	29 July 2024	Replace in Solution to 2 part 3: The bank bond YTM has risen by 0.16% to 2.73% (=1.55% + 1.29%). <hr/> Replace in Solution to 2 part 4: This change can be calculated as -1.11% (= -7.1 × 0.16%). ... New bank bond price: 99.39 (= -PV (0.0284, 8, 2.75, 100, 0)) Price change: -1.11% (= (99.39 - 100.50)/100.50)
				With: The bank bond YTM has risen by 0.07% to 2.75% (=1.55% + 1.20%). <hr/> With: This change can be calculated as -0.497% (= -7.1 × 0.07%). ... New bank bond price: 100 (= -PV (0.0275 , 8, 2.75, 100, 0)) Price change: -0.497% (= (100 - 100.50)/100.50)
Key Credit and Spread Concepts for Active Management	Second to last sentence	79	15 August 2024	Replace: For fixed-rate bonds priced at a spread over the benchmark, roll-down return from coupon income is higher by the bond's original credit spread.
				With: For fixed-rate bonds priced at a spread over the benchmark, the roll-down return from coupon income is higher by the bond's original credit spread.
Key Credit and Spread Concepts for Active Management	Example 10	80	15 August 2024	Replace: "A London-based investor wants to estimate the rolling yield roll-down return attributable to a fixed-rate..." "Calculate the annualized rolling yield of roll-down return to the UK corporate..."
				With: "A London-based investor wants to estimate the rolling yield roll-down return attributable to a fixed-rate..." "Calculate the annualized rolling yield of roll-down return to the UK corporate..."

Lesson	Location	PDF Pg	Revised	Correction
				<p>“Solve for the annualized difference in roll-down return rolling yield by calculating...”</p> <p>“The annualized roll-down return rolling yield difference is the 2.75% corporate bond...”</p>
				<p>“Solve for the annualized difference in roll-down return rolling yield by calculating...”</p> <p>“The annualized roll-down return rolling yield difference is the 2.75% corporate bond...”</p>
Key Credit and Spread Concepts for Active Management	Equation 10	82	15 Feb 2024	<p>Replace:</p> $E[\text{ExcessSpread}] \approx \text{Spread}_0 - (\text{EffSpreadDur} \times \Delta\text{Spread}) - (\text{POD} \times \text{LGD})$
				<p>With:</p> $E[\text{ExcessSpreadReturn}] \approx \text{Spread}_0 - (\text{EffSpreadDur} \times \Delta\text{Spread}) - (\text{POD} \times \text{LGD})$
Credit Strategies	Example 16 – Solution to 2	89	19 August 2024	<p>Replace:</p> <p>B rated excess return is $-0.86\% = 3.5\% - (7 \times 0.35\%) - (3.19\% \times 60\%)$.</p> <p>The A rated bond is more attractive under this scenario.</p>
				<p>With:</p> <p>B rated excess return is 0.89% $= 3.5\% - (7 \times 0.1\% - (3.19\% \times 60\%))$.</p> <p>The B rated bond is more attractive under this scenario.</p>
Credit Strategies	Example 17	90	15 August 2024	<p>Replace:</p> <p>10-year weight: $w_{10} = 0.50\% = (20 - 10)/(15 - 10)$</p> <p>20-year weight: $w_{20} = 0.50\% = (1 - w_{10})$</p>
				<p>With:</p> <p>10-year weight: $w_{10} = 0.5 = (20 - 10)/(15 - 10)$</p> <p>20-year weight: $w_{20} = 0.5 = (1 - w_{10})$</p>
Credit Strategies	Exhibit 21	94	14 August 2024	<p>Replace:</p> <p>legend labels for the solid line "10-year Treasury" and for the dotted line with "BB yield spread"</p>
				<p>With:</p> <p>the legend labels for the solid line "BB yield spread" and for the dotted line with "10-year Treasury"</p>
Liquidity and Tail Risk	Example 20	101	10 May 2024	<p>Replace:</p> <p>Consider the earlier case of an investor holding \$50 million face value of a 15-year bond with a coupon of 2.75%, a current YTM of 3.528%, and a price of 91 per 100 of face value. What is the VaR for the full bond price at a 99% confidence interval for one month (assuming 21 trading days in the month) if daily yield volatility is 1.75 bps and we assume a normal distribution?</p> <p>...</p>
				<p>With:</p> <p>Consider the earlier case of an investor holding \$50 million face value of a 15-year bond with a semiannual coupon of 2.75%, a current YTM of 3.528%, and a price of 91 per 100 of face value. What is the VaR for the full bond price at a 99% confidence interval for one month if annualized daily yield volatility is 1.75% (1.75 bps) and we assume that interest rates are normally distributed?</p> <p>...</p>

Lesson	Location	PDF Pg	Revised	Correction
				<p>First, we solve for the expected change in YTM based on a 99% confidence interval for the bond and a 1.75% yield volatility over 21 trading days, which equals 65.9 bps = (6.174 bps x 2.33 standard deviations $\sqrt{21}$). We can quantify the bond's market value change using either a duration approximation or the actual price change as follows. We can use the Excel MDURATION function to solve for the bond's duration as 12.025. We can therefore approximate the change in bond value using the familiar (-Mod-Dur x ΔYield) expression as \$3,605,636 = (\$50 million x 0.91 x (-12.025 x .00659)). We can also use the Excel PRICE function to directly calculate the new price of 88.982 and multiply the price change of 2.018 by the face value to get \$1,009,000.</p>
				<p>First, we must adjust the annualized yield volatility to reflect one-month period instead. The time interval under consideration is 1/12th of a year, and therefore the volatility measure is 0.00505 (1.75% x $\sqrt{1/12}$), which for a 99% confidence interval equals 117.7 bps = (0.00505 x 2.33 standard deviations). We may quantify the bond's market value change using either a duration approximation or the actual price change as follows. We can use the Excel MDURATION function to solve for the bond's duration as 12.025. We can therefore approximate the change in bond value using the familiar (-Mod-Dur x ΔYield) expression as \$6,439,808 = (\$50 million x 0.91 x (-12.025 x .0177)). We can also use the Excel PRICE function to directly calculate the new price of 88.75 and multiply the price change of -2.25 by the face value to get \$1,125,000.</p>
Credit Spread Curve Strategies	Example 28 - Solution to 2	116	15 Feb 2024	<p>Replace: The following table summarizes expected excess returns E [ExcessSpread] \approx Spread0 - (EffSpreadDur x ΔSpread) - (POD x LGD) for each of the four rating categories with the expected 50% increase in both OAS and expected loss under the slowdown scenario.</p>
				<p>With: The following table summarizes expected excess returns E [ExcessSpreadReturn] \approx Spread0 - (EffSpreadDur x ΔSpread) - (POD x LGD) for each of the four rating categories with the expected 50% increase in both OAS and expected loss under the slowdown scenario.</p>
Credit Spread Curve Strategies	Example 29 - Solution to 2	118	10 May 2024	<p>Replace: CDX IG: 99.066 per \$100 face value, or 0.9966 (= 1 + (-0.2% x 34.67))</p>
				<p>With: CDX IG: 99.066 per \$100 face value, or 0.99066 (= 1 + (-0.2% x 34.67))</p>
Practice Problems	Practice Problem 12	135	15 August 2024	<p>Replace: C. 2.70%</p>
				<p>With: C. 5.45%</p>
Practice Problems	Practice Problem 12	135	17 September 2024	<p>Replace: What is the expected excess spread of the BBB rated bond for a 50 bp decline in yield over a one-year holding period if the bond's LGD is 40% and the POD is 0.75%?</p>
				<p>With: What is the expected excess spread return of the BBB rated bond for a 50 bp decline in yield over a one-year holding period if the bond's LGD is 40% and the POD is 0.75%?</p>
Practice Problems	Practice Problem 17	136	15 Feb 2024	<p>Replace:</p>
				<p>With:</p>

Lesson	Location	PDF Pg	Revised	Correction
				Which bond rating category offers the highest expected excess return if spreads instantaneously rise 10% across all ratings categories?
Practice Problems	Practice Problem 32	140	15 Feb 2024	Which bond rating category offers the highest expected excess return if spreads rise 10% across all ratings categories?
				Replace: What is the approximate unhedged excess return to the United States–based credit manager for an international credit portfolio index equally weighted across the four portfolio choices, assuming no change to spread duration and no changes to the expected loss occur?
				With: What is the expected unhedged excess return to the United States–based credit manager for an international credit portfolio index equally weighted across the four portfolio choices, assuming no change to spread duration and no changes to the expected loss occur?
Solutions	Solution to 12	143	15 August 2024	Replace: C is correct. The expected excess spread is equal to the change in spread multiplied by effective spread duration $(-\text{EffSpreadDur} \times \Delta\text{Spread})$ less the product of LGD and POD, which we can solve for to get 2.70% $(= -6 \times 0.50\% - (0.75\% \times 40\%))$.
				With: C is correct. The expected excess spread return is equal to the initial yield spread (Spread0) less the change in spread multiplied by the effective spread duration (EffSpreadDur* ΔSpread) less the product of POD and LGD, which we can solve for to get 5.45% $(= 2.75\% - (6 \times (-0.5\%)) - (0.75\% \times 40\%))$.

Active Equity Investing: Portfolio Construction

Lesson	Location	PDF Pg	Revised	Correction
Allocating the Risk Budget	First paragraph	345	15 Feb 2024	Replace: The risk attribution in Exhibit 15 not only considers the Market factor but also adds a sector factor and a style factor.
				With: The risk attribution in Exhibit 16 not only considers the Market factor but also adds a sector factor and a style factor.
Allocating the Risk Budget	Example 5 - Question 1	345	15 Feb 2024	Replace: Using the information in Exhibit 15, discuss key differences in the risk profiles of Manager A and Manager C.
				With: Using the information in Exhibit 16 , discuss key differences in the risk profiles of Manager A and Manager C.

Lesson	Location	PDF Pg	Revised	Correction
Allocating the Risk Budget	Example 5 - Solution to 2	346	10 May 2024	<p>Replace: From Equation 8b (repeated below), the contribution of an asset to total portfolio variance is equal to the product of the weight of the asset and its covariance with the entire portfolio.</p> <p>Replace: From Equation 9 (repeated below), the contribution of an asset to total portfolio variance is equal to the product of the weight of the asset and its covariance with the entire portfolio.</p>
Additional Risk Measures	Second paragraph	349	15 Feb 2024	<p>Replace: Exhibit 18 presents five different risk measures for the same three products discussed in Exhibit 15.</p> <p>With: Exhibit 18 presents five different risk measures for the same three products discussed in Exhibit 16.</p>

Portfolio Management, Vol. 4

Hedge Fund Strategies

Lesson	Location	PDF Pg	Revised	Correction
Specialist Strategies	Second sentence	47	10 May 2024	<p>Replace: At expiry of the swaps, the receiver of the floating leg pays the difference between the realized volatility (or variance) and the agreed-on strike times some prespecified notional amount that is not initially exchanged.</p> <p>With: At expiry of the swaps, the player of the floating leg pays the difference between the realized volatility (or variance) and the agreed-on strike times some prespecified notional amount that is not initially exchanged.</p>

Overview of Private Wealth Management

Lesson	Location	PDF Pg	Revised	Correction
Solutions	Solution to 12	266	10 May 2024	Replace: The mass affluent segment covers asset levels between \$250,000 and \$1 million and serves clients who are focused on building their portfolios and want help with financial planning needs.
				With: The mass affluent segment covers asset levels between \$100,000 and \$1 million and serves clients who are focused on building their portfolios and want help with financial planning needs.

Topics in Private Wealth Management

Lesson	Location	PDF Pg	Revised	Correction
Measuring Tax Efficiency with After-Tax Returns	Equation bottom of page	288	15 Feb 2024	Replace: $R_{PL} = \left[(1 + R_1') (1 + R_2') \dots (1 + R_n') - \frac{\text{liquidation tax}}{\text{final value}} \right]^{1/n} - 1,$
				With: $R_{PL} = \left[(1 + R_1') (1 + R_2') \dots (1 + R_n') - \frac{\text{liquidation tax}}{\text{final value}} \right]^{1/n} - 1,$
Measuring Tax Efficiency with After-Tax Returns	Example 4 – Solution to 1	289	15 Feb 2024	Replace: Therefore, the portfolio value net of the tax liability is 1.177 : 1.197 – 0.02 = 1.177 , _____ and the annualized post-liquidation return is 3.32% : 1.177(1/5) – 1 = 3.32% . This compares to an annualized return for the non-taxable investor of 4.13%
				With: Therefore, the portfolio value net of the tax liability is 1.173 : 1.197 (1 – 0.02) = 1.173 , _____ and the annualized post-liquidation return is 3.24%: 1.173(1/5) – 1 = 3.24% . This compares to an annualized return for the non-taxable investor of 4.13%.
Measuring Tax Efficiency with After-Tax Returns	Example 5 - Solution to 3	293	15 Feb 2024	Replace: Her after-tax return is 9.21%: [(25,000 + 500) – (500 × 0.535) – (25,000 × 0.535)]/130,000
				With: Her after-tax return is 9.12% [(25,000 + 500) – (500 × 0.535) – (25,000 × 0.535)]/130,000

Lesson	Location	PDF Pg	Revised	Correction
Measuring Tax Efficiency with After-Tax Returns	Example 5 - Solution to 5	294	15 Feb 2024	Replace: Her after-tax return is -2.99% $[(-10,000 + 500 - 500 \times 0.535 + 10,000 \times 0.535) / 130,000]$. With: Her after-tax return is -3.40% $[(-10,000 + 500 - 500 \times 0.535 + 10,000 \times 0.535) / 130,000]$
Capital Accumulation and Asset Location	Example 7 - Solution to 2	299	9 October 2024	Replace: Total Equity ... Total Fixed Income \$5,000,000 \$7,500,000 With Total Equity \$5,000,000 \$2,500,000 ... Total Fixed Income \$0 \$5,000,000
Introduction to Estate Planning	Example 18 Question 1 & Solution	333	10 May 2024	Replace: 1. Considering the first year's tax-free gift associated with the annual exclusion, how much of his estate will Philippe have transferred on an inflation-adjusted basis in 20 years without paying estate tax? Solution: In 20 years, the future value (measured in real terms) equals $\text{€}20,000 \times [1 + 0.06(1 - 0.20)]^{20} = \text{€}51,080.56$. Note that although the gift was not subject to a wealth transfer tax, its subsequent investment returns are nonetheless taxable at 20%. With: 1. Considering the first year's tax-free gift associated with the annual exclusion, how much of his estate will Philippe have transferred on an inflation-adjusted basis in 20 years without paying estate tax? Solution: In 20 years, the future value (measured in real terms) equals $\text{€}20,000 \times [1 + 0.06(1 - 0.20)]^{20} = \text{€}51,080.56$. Note that although the gift was not subject to a wealth transfer tax, its subsequent investment returns are nonetheless taxable at 20%.
Practice Problems	Question 6	352	1 May 2024	Replace: 6. The annualized after-tax post-liquidation return calculated by Chen is closest to: A. 4.41%. B. 5.62%. C. 5.92% With: 6. The annualized after-tax post-liquidation return calculated by Chen is closest to: A. 4.41%. B. 5.56%. C. 5.92%
Solutions	Solution to 6	358	1 May 2024	Replace: The portfolio value net of the unrealized gains tax liability is given by subtracting the assumed tax liability from capital gains at liquidation from the final after-tax portfolio value: Portfolio value net of the unrealized gains tax liability = $1.1882 - 0.01 = 1.1782$. Second, calculate the annualized post-liquidation return as follows: With: The portfolio value net of the unrealized gains tax liability is given by reducing the final after-tax portfolio value by the amount of the assumed tax liability from capital gains at liquidation: Portfolio value net of the unrealized gains tax liability = $1.1882 (1 - 0.01) = 1.1763$. Second, calculate the annualized post-liquidation return as follows:

Lesson	Location	PDF Pg	Revised	Correction	
				$1.1782(1/3) - 1 = 5.62\%$	$1.1782^{1/3} - 1 = 5.562\%$
Solutions	Solution to 9	360	15 Feb 2024	Replace: Tax under FIFO = $(\$124 - \#153) \times 0.25 \times 200 = -\550 (tax loss or benefit)	With: Tax under FIFO = $(\$124 - \mathbf{\$135}) \times 0.25 \times 200 = -\550 (tax loss or benefit).
Solutions	Solution to 10	360	15 Feb 2024	Replace: The portfolio's risk-to-reward ratio is less than what could be achieved in the absence of the concentrated positions.	With: The portfolio's risk-to-reward ratio (the amount of risk Omo's portfolio has compared with the portfolio's potential returns) is higher than what could be achieved in the absence of the concentrated positions.

Risk Management for Individuals

Lesson	Location	PDF Pg	Revised	Correction	
Risk Management Implementation	Exhibit 9 – X Axis	417	15 August 2024	Replace: Probability of Having Enough Money over One's Lifetime	With: Probability of Not Having Enough Money over One's Lifetime

Portfolio Management, Vol. 5

Trade Strategy and Execution

Lesson	Location	PDF Pg	Revised	Correction
Solutions	Solution to 12 – Individual Risk Aversion	184	10 May 2024	<p>Replace: The portfolio managers at North Circle and Valley Ranch have different aversions to risk, with North Circle’s managers having higher risk aversion than the Valley Ranch managers.</p> <p>With: The portfolio managers at North Circle and Valley Ranch have different aversions to risk, with Valley Ranch’s managers having higher risk aversion than the North Circle managers.</p>

Portfolio Performance Evaluation

Lesson	Location	PDF Pg	Revised	Correction
Fixed-Income Return Attribution	First bullet after Exhibit 7	212	10 May 2024	<p>Replace:</p> <ul style="list-style-type: none"> The portfolio underperformed its benchmark by 20 bps ... 13 bps were added through bond selection. <p>With:</p> <ul style="list-style-type: none"> The portfolio underperformed its benchmark by 26 bps. ... 7 bps were added through bond selection.
Return Attribution Analysis at Multiple Levels	Third bullet	220	15 Feb 2024	<p>Replace: The large-cap value benchmark underperformed the total benchmark (–0.28% versus –0.03%). Because the portfolio was underweight large-cap value, this led to a positive allocation effect of 0.03.</p> <p>With: The large-cap growth benchmark underperformed the total benchmark (–1.08% versus –0.03%). Because the portfolio was underweight large-cap growth, this led to a positive allocation effect of 0.03.</p>
Benchmarks	Last bullet	233	10 May 2024	<p>Replace: Investor (Mismeasured) Active Return = Mgr Return – Investor Benchmark return = (Mgr Return - Normal portfolio Return) + (Normal Portfolio Return - Investor Benchmark return) = True</p> <p>With: Investor (Mismeasured) Active Return = Mgr Return – Investor Benchmark return = (Mgr Return - Normal portfolio Return) + (Normal Portfolio Return - Investor Benchmark return) = True</p>

Lesson	Location	PDF Pg	Revised	Correction
				Active Return + Misfit Active Return = $18.0 - 20.0 = -9.0 + (-11.0) = -2.0\%$
				Active Return + Misfit Active Return = $(18.0 - 9.0) + (9.0 - 20.0) = 9.0 + (-11.0) = -2.0\%$
Performance Appraisal: Capture Ratios and Drawdowns	Exhibit 20	247	15 August 2024	Replace: "Recovery begins" under July 2020
				With: Move "Recovery begins" to April 2020
Performance Appraisal: Capture Ratios and Drawdowns	Exhibit 21	248	15 August 2024	Replace: "Drawdown begins" label on chart with April "Recovery begins" label on chart with September
				With" Move "Drawdown begins" label on chart to January Move "Recovery begins" label on chart to April

Investment Manager Selection

Lesson	Location	PDF Pg	Revised	Correction
A Framework for Investment Manager Search and Selection	Exhibit 1 Key Aspects – Quantitative Analysis	271	10 May 2024	Replace: Quantitative Analysis Investment due diligence Which manager "best" fits the portfolio need?
				With: Quantitative Analysis Investment due diligence Which manager "best" fits the portfolio need?
Practice Problems	The following information relates to question 26	315	1 August 2024	Replace: Asked about Lyon's regulatory context, Moore states, "The regulatory environment is strong and seeks to decrease information symmetries."
				With: Asked about Lyon's regulatory context, Moore states, "The regulatory environment is strong and seeks to decrease information asymmetries. "

Lesson	Location	PDF Pg	Revised	Correction
Solutions	Solution to 26 - Justification	329	1 August 2024	Replace: The reliance of Lyon’s strategy on unique information is a drawback as it is difficult for Lyon to have an informational edge in a regulatory environment that seeks to reduce informational symmetries. With: The reliance of Lyon’s strategy on unique information is a drawback as it is difficult for Lyon to have an informational edge in a regulatory environment that seeks to reduce informational asymmetries .

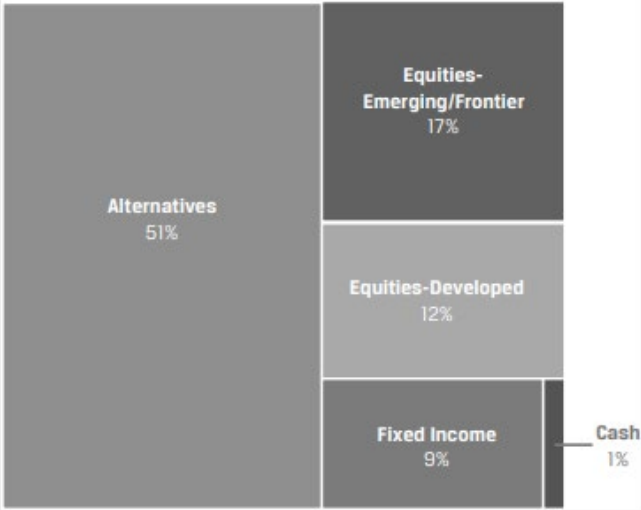
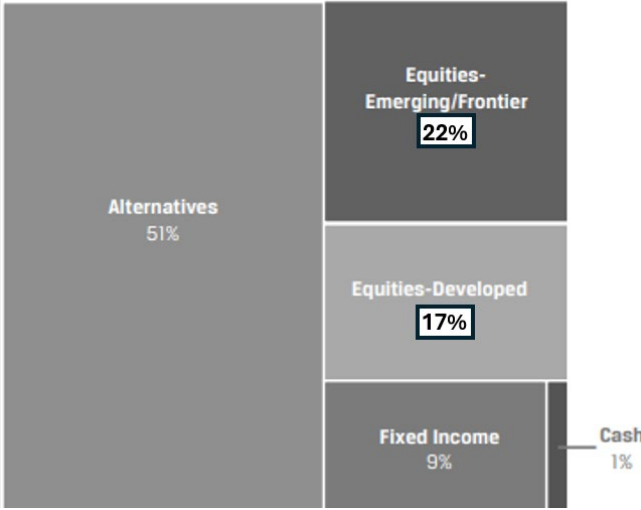
Case Study in Portfolio Management: Institutional

Lesson	Location	PDF Pg	Revised	Correction
Quinco Case: Liquidity Management	Second to last sentence	356	8 October 2024	Replace: The team’s analysis of each portfolio’s liquidity profile is shown in Exhibit 13 and 12. With: The team’s analysis of each portfolio’s liquidity profile is shown in Exhibit 13 and 14 .

Case Study in Risk Management: Private Wealth

Lesson	Location	PDF Pg	Revised	Correction
Identification and Analysis of Risk Exposures: Career Development Stage	Economic Balance Sheet	407	1 August 2024	Replace: Net wealth 391,000 With: Net wealth 371,000

Case Study in Risk Management: Institutional

Lesson	Location	PDF Pg	Revised	Correction
Case Study	Memo 2A: Asset Allocation and Performance – Graphic	487	15 Feb 2024	<p>Replace:</p>  <p>With:</p> 

Ethical and Professional Standards

Overview of the Global Investment Performance Standards

Lesson	Location	PDF Pg	Revised	Correction
Presentation and Reporting Requirements for Composites	5 th paragraph	336	4 November 2024	<p>Replace: Applying Equation 11 and 12 to the data given in Exhibit 7, we find that the asset-weighted standard deviation is 21 bps (0.21%).</p> <p>With: Applying Equation 10 and 11 to the data given in Exhibit 7, we find that the asset-weighted standard deviation is 21 bps (0.21%).</p>

Glossary

Lesson	Location	PDF Pg	Revised	Correction
Glossary	Trust	G-10	30 October 2024	<p>Replace: Trust A legal is a vehicle through which an individual (called a settlor) entrusts certain assets to a trustee (or trustees) who manages the assets for the benefit of assigned beneficiaries. A trust may be either a testamentary trust—a trust created through the testator’s will—or a living or inter-vivos trust—a trust created during the settlor’s lifetime.</p> <p>With: Trust A trust is a legal vehicle through which an individual (called a settlor) entrusts certain assets to a trustee (or trustees) who manages the assets for the benefit of assigned beneficiaries. A trust may be either a testamentary trust—a trust created through the testator’s will—or a living or inter-vivos trust—a trust created during the settlor’s lifetime.</p>