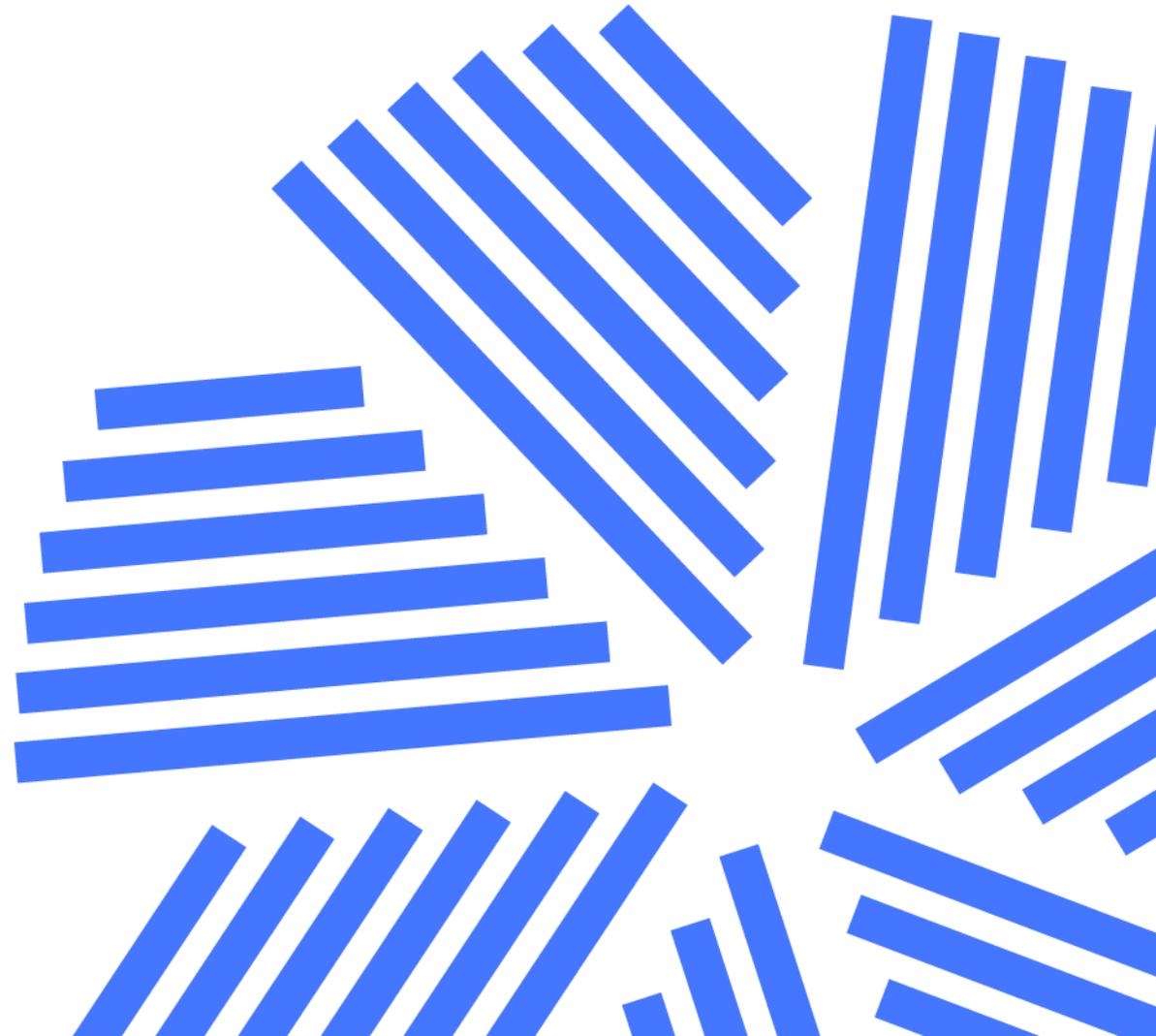




2026 CFA Program Level III Candidate Notice

30 SEPTEMBER 2025

Asset Allocation



Capital Market Expectations, Part 2: Forecasting Asset Class Returns

Revised Date	Location	Page(s)	Replace	With
25 August 2025	Paragraph above and first number in Exhibit 6	94	The rates range from 34.7% for industrial properties to 6.8% for retail. 53.0	The rates range from 3.74% for industrial properties to 6.8% for retail. 5.3

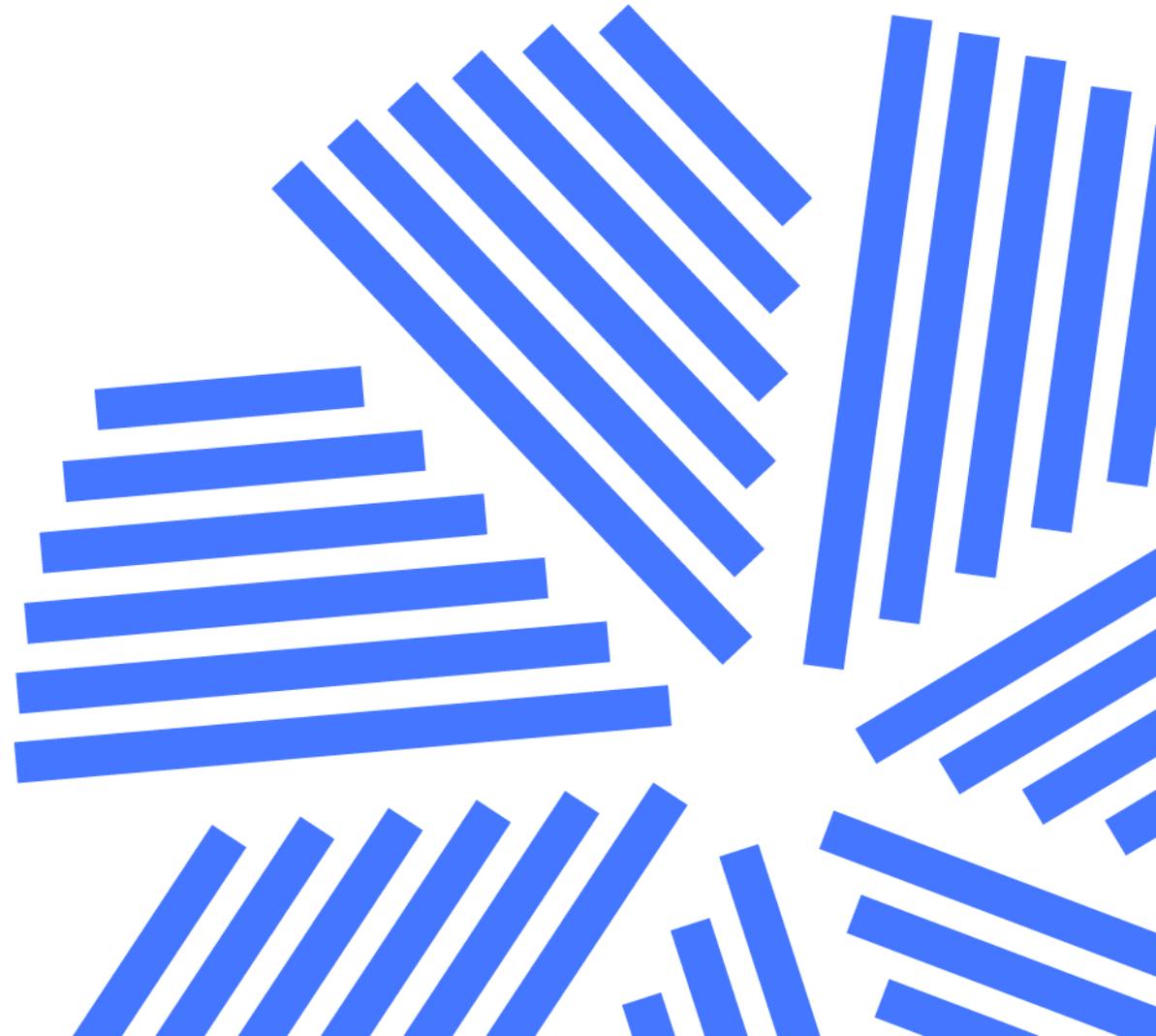
Principles of Asset Allocation

Revised Date	Location	Page(s)	Replace	With
14 August 2025	Solution to 7	297	In this example, there are four asset classes, and the variance of the total portfolio is assumed to be 25%; therefore, using a risk parity approach, the allocation to each asset class is expected to contribute $(1/4 \times 25\%) = 6.25\%$ of the total variance. Because bonds have the lowest covariance, they must have a higher relative weight to achieve the same contribution to risk as the other asset classes.	In this example, there are four asset classes, and the variance of the total portfolio is assumed to be 25%; therefore, using a risk parity approach, the allocation to each asset class is expected to contribute $(1/4 \times 25\%) = 6.25$ or 25% of the total variance. Because bonds have the lowest covariance, they must have a higher relative weight to achieve the same contribution to risk as the other asset classes.

Asset Allocation with Real-World Constraints

Revised Date	Location	Page(s)	Replace	With
3 September 2025	Sentence under Exhibit 3	321	Reducing the equity exposure from 70% to 60% lowers the contribution risk significantly, with only a marginally higher expected PV of contributions than Portfolio A.	Reducing the equity exposure from 70% to 60% lowers the contribution risk significantly, with only a marginally lower expected PV of contributions than Portfolio A.

Portfolio Construction



Overview of Fixed-Income Portfolio Management

Revised Date	Location	Page(s)	Replace	With
15 September 2025	A Model for Fixed-Income Returns	69	<p>In one year's time, assuming an unchanged yield curve and zero interest rate volatility, the rolldown return is $0.15\% = (\text{£}97.285 - \text{£}97.12)/\text{£}97.12$.</p> <p>The rolling yield, which is the sum of the coupon income and the rolldown return, is $3.00\% = 2.98\% + 0.15\%$.</p>	<p>In one year's time, assuming an unchanged yield curve and zero interest rate volatility, the rolldown return is $0.17\% = (\text{£}97.285 - \text{£}97.12)/\text{£}97.12$.</p> <p>The rolling yield, which is the sum of the coupon income and the rolldown return, is $3.00\% = \mathbf{2.83\%} + 0.17\%$.</p>

Asset Allocation to Alternative Investments

Revised Date	Location	Page(s)	Replace	With
25 August 2025	Last paragraph in "Stale Pricing and Unsmoothing" section.	142	The volatility calculated on the unsmoothed return series is 14.0%, significantly higher than the volatility estimated from the unsmoothed data.	The volatility calculated on the unsmoothed return series is 14.0%, significantly higher than the volatility estimated from the smoothed data.

An Overview of Private Wealth Management

Revised Date	Location	Page(s)	Replace	With
8 August 2025	Case Study: Taylor, Aiysha, and Chimwala: Traditional Balance Sheet, second to last table row	207	Investable net worth ⁵ 100 1,200 3,000	Investable net worth ⁵ 85 950 2,995
25 August 2025	Practice Problem-Question 1	287	Which of the following investment parameter categories of the IPS is least likely to include Cree's preference for investments that reflect his environmental and social concerns? A. Asset class preference B. Other investment preferences C. Constraints	Which of the following investment parameter categories of the IPS is least likely to include Cree's preference for investments that reflect his environmental and social concerns? A. Investment Parameters B. Investment Objectives C. Duties and Responsibilities
25 August 2025	Solution to 1	292	The correct answer is A. Investment parameters would contain limitations on how the portfolio can be invested and this is the most likely place for sustainability-related preferences to be mentioned. B is incorrect as investment objectives would include short term and long-term goals. C is incorrect as duties and responsibilities would cover things such as the responsibilities of the wealth manager and the IPS review process.	The correct answer is A. Investment parameters would contain limitations on how the portfolio can be invested and this is the most likely place for sustainability-related preferences to be mentioned. B is incorrect as investment objectives would include short term and long-term goals. C is incorrect as duties and responsibilities would cover things such as the responsibilities of the wealth manager and the IPS review process.

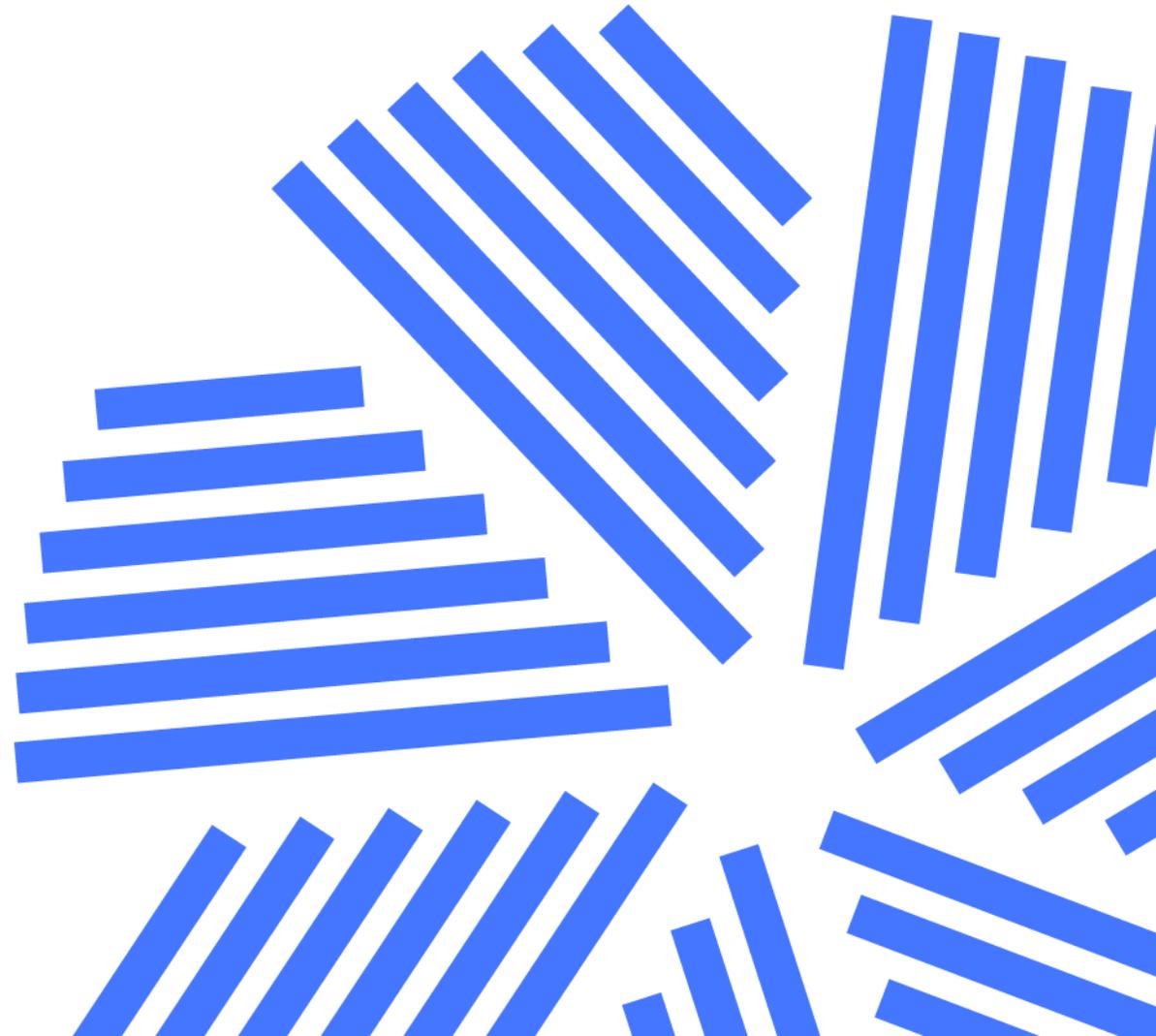
An Overview of Private Wealth Management

Revised Date	Location	Page(s)	Replace	With
30 September 2025	Solution to 9	294	Solution to Question 9	Content posted here .
22 August 2025	Solution to 22	296	The correct answer is B. The “Other investment preferences” category typically includes legacy holdings such as shares of stock of a former employer or an investment the client wishes to make countering the wealth manager’s advice. A is incorrect	A is correct. The choice of an investment’s asset class is least likely to reflect a client’s preferences for environmentally and socially oriented investments. B is incorrect

Trading Costs and Electronic Markets

Revised Date	Location	Page(s)	Replace	With
19 August 2025	Last sentence of second paragraph-Implementation Shortfall	416	Implementation shortfall compares the values of the actual portfolio with that of a paper portfolio constructed on the assumption that trades could be arranged at the prices that prevailed when the decision to trade is made. The prevailing price—also called the decision price, the arrival price, or the strike price—is generally taken to be the midquote price at the time of the trade decision. The excess of the paper value over the actual value is the implementation shortfall. The coverage of implementation shortfall is continued at Level III.	Implementation shortfall compares the values of the actual portfolio with that of a paper portfolio constructed on the assumption that trades could be arranged at the prices that prevailed when the decision to trade is made. The prevailing price—also called the decision price, the arrival price, or the strike price—is generally taken to be the midquote price at the time of the trade decision. The excess of the paper value over the actual value is the implementation shortfall. The coverage of implementation shortfall is continued at Level III.

Performance Measurement



Portfolio Performance Evaluation

Revised Date	Location	Page(s)	Replace	With																																																																																																																																																																																				
9 September 2025	Exhibit 7	24	<table border="1"> <thead> <tr> <th colspan="8">Exhibit 7: Sample Exposure Decomposition: Attribution Results</th> </tr> <tr> <th>Duration Bucket</th> <th>Sector</th> <th>Duration Effect</th> <th>Curve Effect</th> <th>Total Interest Rate Allocation</th> <th>Sector Allocation</th> <th>Bond Selection</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Short</td> <td>Government</td> <td></td> <td></td> <td></td> <td></td> <td>0.00%</td> <td>0.00%</td> </tr> <tr> <td>Corporate</td> <td></td> <td></td> <td></td> <td>0.04%</td> <td>0.00%</td> <td>0.04%</td> </tr> <tr> <td><i>Total</i></td> <td>0.40%</td> <td>0.12%</td> <td>0.52%</td> <td>0.04%</td> <td>0.00%</td> <td>0.56%</td> </tr> <tr> <td rowspan="3">Mid</td> <td>Government</td> <td></td> <td></td> <td></td> <td></td> <td>0.00%</td> <td>0.00%</td> </tr> <tr> <td>Corporate</td> <td></td> <td></td> <td></td> <td>-0.05%</td> <td>0.00%</td> <td>-0.05%</td> </tr> <tr> <td><i>Total</i></td> <td>0.23%</td> <td>0.03%</td> <td>0.26%</td> <td>-0.05%</td> <td>0.00%</td> <td>0.21%</td> </tr> <tr> <td rowspan="3">Long</td> <td>Government</td> <td></td> <td></td> <td></td> <td></td> <td>0.00%</td> <td>0.00%</td> </tr> <tr> <td>Corporate</td> <td></td> <td></td> <td></td> <td>-0.22%</td> <td>0.13%</td> <td>-0.09%</td> </tr> <tr> <td><i>Total</i></td> <td>-1.25%</td> <td>0.37%</td> <td>-0.88%</td> <td>-0.22%</td> <td>0.13%</td> <td>-0.97%</td> </tr> <tr> <td>Total</td> <td></td> <td>-0.62%</td> <td>0.52%</td> <td>-0.10%</td> <td>-0.23%</td> <td>0.13%</td> <td>-0.20%</td> </tr> </tbody> </table>	Exhibit 7: Sample Exposure Decomposition: Attribution Results								Duration Bucket	Sector	Duration Effect	Curve Effect	Total Interest Rate Allocation	Sector Allocation	Bond Selection	Total	Short	Government					0.00%	0.00%	Corporate				0.04%	0.00%	0.04%	<i>Total</i>	0.40%	0.12%	0.52%	0.04%	0.00%	0.56%	Mid	Government					0.00%	0.00%	Corporate				-0.05%	0.00%	-0.05%	<i>Total</i>	0.23%	0.03%	0.26%	-0.05%	0.00%	0.21%	Long	Government					0.00%	0.00%	Corporate				-0.22%	0.13%	-0.09%	<i>Total</i>	-1.25%	0.37%	-0.88%	-0.22%	0.13%	-0.97%	Total		-0.62%	0.52%	-0.10%	-0.23%	0.13%	-0.20%	<table border="1"> <thead> <tr> <th colspan="8">Exhibit 7: Sample Exposure Decomposition: Attribution Results</th> </tr> <tr> <th>Duration Bucket</th> <th>Sector</th> <th>Duration Effect</th> <th>Curve Effect</th> <th>Total Interest Rate Allocation</th> <th>Sector Allocation</th> <th>Bond Selection</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Short</td> <td>Government</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>0.00%</td> </tr> <tr> <td>Corporate</td> <td>0.40%</td> <td>0.12%</td> <td>0.52%</td> <td>0.04%</td> <td>0.00%</td> <td>0.56%</td> </tr> <tr> <td><i>Total</i></td> <td>0.40%</td> <td>0.12%</td> <td>0.52%</td> <td>0.04%</td> <td>0.00%</td> <td>0.56%</td> </tr> <tr> <td rowspan="3">Mid</td> <td>Government</td> <td></td> <td></td> <td></td> <td></td> <td>0.00%</td> <td>0.00%</td> </tr> <tr> <td>Corporate</td> <td>0.23%</td> <td>0.03%</td> <td>0.26%</td> <td>-0.05%</td> <td>0.00%</td> <td>0.21%</td> </tr> <tr> <td><i>Total</i></td> <td>0.23%</td> <td>0.03%</td> <td>0.26%</td> <td>-0.05%</td> <td>0.00%</td> <td>0.21%</td> </tr> <tr> <td rowspan="3">Long</td> <td>Government</td> <td></td> <td></td> <td></td> <td></td> <td>0.00%</td> <td>0.00%</td> </tr> <tr> <td>Corporate</td> <td>-1.25%</td> <td>0.37%</td> <td>-0.88%</td> <td>-0.22%</td> <td>0.13%</td> <td>-0.97%</td> </tr> <tr> <td><i>Total</i></td> <td>-1.25%</td> <td>0.37%</td> <td>-0.88%</td> <td>-0.22%</td> <td>0.13%</td> <td>-0.97%</td> </tr> <tr> <td>Total</td> <td></td> <td>-0.62%</td> <td>0.52%</td> <td>-0.10%</td> <td>-0.23%</td> <td>0.13%</td> <td>-0.20%</td> </tr> </tbody> </table>	Exhibit 7: Sample Exposure Decomposition: Attribution Results								Duration Bucket	Sector	Duration Effect	Curve Effect	Total Interest Rate Allocation	Sector Allocation	Bond Selection	Total	Short	Government						0.00%	Corporate	0.40%	0.12%	0.52%	0.04%	0.00%	0.56%	<i>Total</i>	0.40%	0.12%	0.52%	0.04%	0.00%	0.56%	Mid	Government					0.00%	0.00%	Corporate	0.23%	0.03%	0.26%	-0.05%	0.00%	0.21%	<i>Total</i>	0.23%	0.03%	0.26%	-0.05%	0.00%	0.21%	Long	Government					0.00%	0.00%	Corporate	-1.25%	0.37%	-0.88%	-0.22%	0.13%	-0.97%	<i>Total</i>	-1.25%	0.37%	-0.88%	-0.22%	0.13%	-0.97%	Total		-0.62%	0.52%	-0.10%	-0.23%	0.13%	-0.20%
Exhibit 7: Sample Exposure Decomposition: Attribution Results																																																																																																																																																																																								
Duration Bucket	Sector	Duration Effect	Curve Effect	Total Interest Rate Allocation	Sector Allocation	Bond Selection	Total																																																																																																																																																																																	
Short	Government					0.00%	0.00%																																																																																																																																																																																	
	Corporate				0.04%	0.00%	0.04%																																																																																																																																																																																	
	<i>Total</i>	0.40%	0.12%	0.52%	0.04%	0.00%	0.56%																																																																																																																																																																																	
Mid	Government					0.00%	0.00%																																																																																																																																																																																	
	Corporate				-0.05%	0.00%	-0.05%																																																																																																																																																																																	
	<i>Total</i>	0.23%	0.03%	0.26%	-0.05%	0.00%	0.21%																																																																																																																																																																																	
Long	Government					0.00%	0.00%																																																																																																																																																																																	
	Corporate				-0.22%	0.13%	-0.09%																																																																																																																																																																																	
	<i>Total</i>	-1.25%	0.37%	-0.88%	-0.22%	0.13%	-0.97%																																																																																																																																																																																	
Total		-0.62%	0.52%	-0.10%	-0.23%	0.13%	-0.20%																																																																																																																																																																																	
Exhibit 7: Sample Exposure Decomposition: Attribution Results																																																																																																																																																																																								
Duration Bucket	Sector	Duration Effect	Curve Effect	Total Interest Rate Allocation	Sector Allocation	Bond Selection	Total																																																																																																																																																																																	
Short	Government						0.00%																																																																																																																																																																																	
	Corporate	0.40%	0.12%	0.52%	0.04%	0.00%	0.56%																																																																																																																																																																																	
	<i>Total</i>	0.40%	0.12%	0.52%	0.04%	0.00%	0.56%																																																																																																																																																																																	
Mid	Government					0.00%	0.00%																																																																																																																																																																																	
	Corporate	0.23%	0.03%	0.26%	-0.05%	0.00%	0.21%																																																																																																																																																																																	
	<i>Total</i>	0.23%	0.03%	0.26%	-0.05%	0.00%	0.21%																																																																																																																																																																																	
Long	Government					0.00%	0.00%																																																																																																																																																																																	
	Corporate	-1.25%	0.37%	-0.88%	-0.22%	0.13%	-0.97%																																																																																																																																																																																	
	<i>Total</i>	-1.25%	0.37%	-0.88%	-0.22%	0.13%	-0.97%																																																																																																																																																																																	
Total		-0.62%	0.52%	-0.10%	-0.23%	0.13%	-0.20%																																																																																																																																																																																	

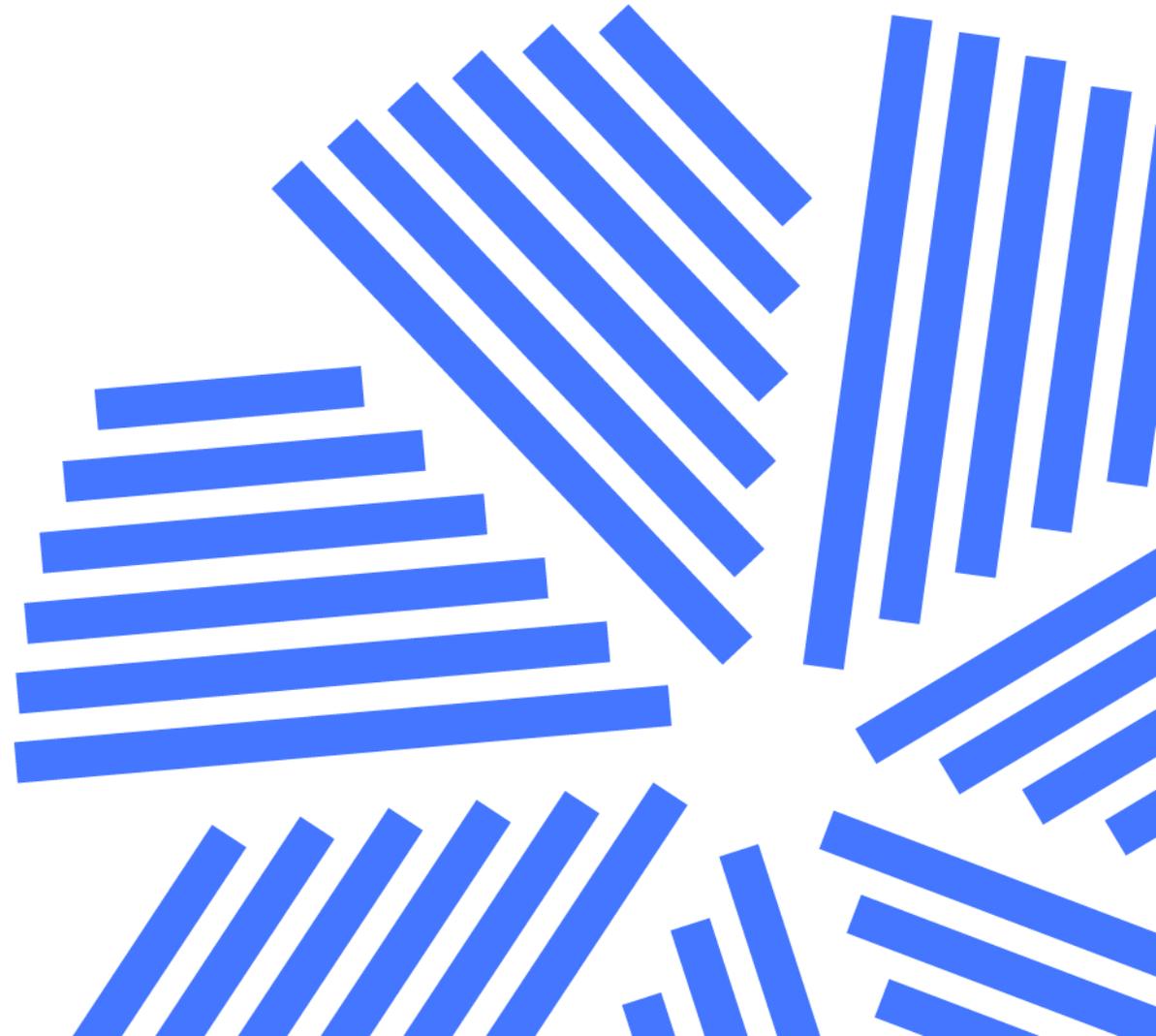
Portfolio Performance Evaluation

Revised Date	Location	Page(s)	Replace	With
5 September 2025	List after Exhibit 7, first & last bullets	24	<ul style="list-style-type: none"> <input type="checkbox"/> The portfolio underperformed its benchmark by 26 bps <input type="checkbox"/> 7 bps were added through bond selection. 	<ul style="list-style-type: none"> <input type="checkbox"/> The portfolio underperformed its benchmark by 20 bps <input type="checkbox"/> 13 bps were added through bond selection.
5 September 2025	Example 6, Solution to 2	26	<p>The long-duration bucket cost the portfolio 97 bps of relative return. From Exhibit 7, the curve and selection effects were positive (37 bps and 7 bps, respectively) whereas the duration and sector allocation effects were negative (-125 bps and -16 bps, respectively).</p> <p>This decision penalized returns because credit spreads widened, which can be inferred from the weaker performance of the long-duration corporate segment of the benchmark (-5.42%) relative to the long-duration government segment (-4.38%). The positive selection effect of 7 bps implies that the manager's specific bond selections added to return.</p>	<p>The long-duration bucket cost the portfolio 97 bps of relative return. From Exhibit 7, the curve and selection effects were positive (37 bps and 13 bps, respectively) whereas the duration and sector allocation effects were negative (-125 bps and -22 bps, respectively).</p> <p>This decision penalized returns because credit spreads widened, which can be inferred from the weaker performance of the long-duration corporate segment of the benchmark (-5.42%) relative to the long-duration government segment (-4.38%). The positive selection effect of 13 bps implies that the manager's specific bond selections added to return.</p>

Investment Manager Selection

Revised Date	Location	Page(s)	Replace	With
11 September 2025	Paragraph above Example 2	86 - 87	The extent to which a strategy is mean-reverting also has a bearing on the cost of Type I and Type II errors. If a strategy's performance is mean reverting, firing a poor performer (or hiring a strong performer) only to see a reversion in performance results is a Type I error. A Type II error would be trimming or not hiring strong performers and hiring managers with weaker track records. There is evidence that individual investors significantly underperform the average mutual fund because of poor timing and fund selection decisions. A study of institutional plan sponsor allocation decisions found that investment products receiving contributions subsequently underperformed products experiencing withdrawals. The study estimated that more than \$170 billion was lost during the period examined (Stewart, Neumann, Knittel, and Heisler 2009).	The extent to which a strategy is mean-reverting also has a bearing on the cost of Type I and Type II errors. If a strategy's performance is mean reverting, firing a poor performer (or hiring a strong performer) only to see a reversion in performance results is a Type I error. A Type II error would be trimming or not hiring strong performers and hiring managers with weaker track records. There is evidence that individual investors significantly underperform the average mutual fund because of poor timing and fund selection decisions. A study of institutional plan sponsor allocation decisions found that investment products receiving contributions subsequently underperformed products experiencing withdrawals. The study estimated that more than \$170 billion was lost during the period examined (Stewart, Neumann, Knittel, and Heisler 2009).

Derivatives and Risk Management



Options Strategies

Revised Date	Location	Page(s)	Replace	With
8 August 2025	Second paragraph under "Synthetic Forward Position"	5	Consider an investor who buys an at-the-money (ATM) call and simultaneously sells a put with the same strike and the same expiration date. Whatever the stock price at expiration, one of the two options will be in the money.	Consider an investor who buys an at-the-money (ATM) call and simultaneously sells a put with the same strike and the same expiration date. Technically, it should be referring to ATM spot or ATM forward. However, for practice purposes, there is usually not much distinction in the mechanics. Whatever the stock price at expiration, one of the two options will be in the money.

Currency Management: An Introduction

Revised Date	Location	Page(s)	Replace	With
8 August 2025	End of second paragraph under Exhibit 6	171	One guide to the riskiness of the carry trade is the volatility of spot rate movements for the currency pair; all else equal, lower volatility is better for a carry trade position.	One guide to the riskiness of the carry trade is the volatility of outright forward (not spot) rate movements for the currency pair; all else equal, lower volatility is better for a carry trade position. This is an important distinction: although spot rates are generally highly correlated with forward rates this is not always the case. For example, Argentina had a currency board where the spot rate was fixed at 1 ARS per USD but the outright forward rates were very volatile.
8 August 2025	Second paragraph	173	One simple option strategy that implements a volatility trade is a straddle, which is a combination of both an at-the-money (ATM) put and an ATM call. A long straddle buys both of these options. Because their deltas are -0.5 and $+0.5$, respectively, the net delta of the position is zero; that is, the long straddle is delta neutral.	One simple option strategy that implements a volatility trade is a straddle, which is a combination of both an at-the-money (ATM) put and an ATM call. A long straddle buys both of these options. <i>Because their deltas are -0.5 and $+0.5$, respectively.</i> Note: deltas for European-style put options range from -1 (deep-in-the-money put) to 0 (deep-out-of-the-money put), and from 0 to $+1$ for calls. Deltas of 0.5 and $+0.5$ occur when the strikes are ATM on a forward basis. When the net delta of the position is zero, the long straddle is delta neutral.

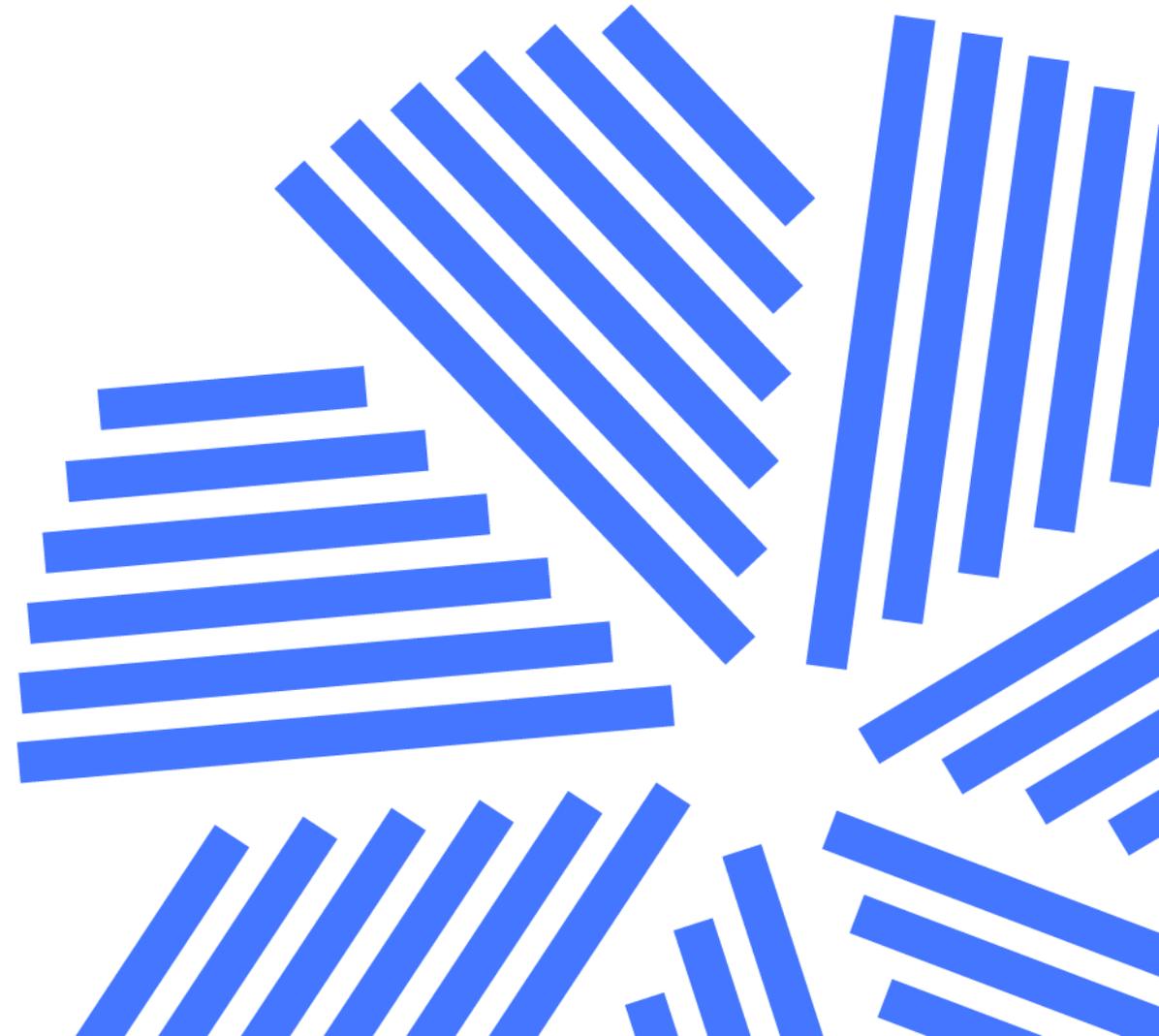
Currency Management: An Introduction

Revised Date	Location	Page(s)	Replace	With
19 August 2025	Table and Paragraph under table, inside Executing a Hedge	180	JPY/HKD 14.4/14.42 Thus, the spot leg of the swap would be to buy JPY800,000,000 at the mid-market rate of 10.81 JPY/HKD.	JPY/HKD 14.40/14.42 Thus, the spot leg of the swap would be to buy JPY800,000,000 at the mid-market rate of 14.41 JPY/HKD.
2 September 2025	Example 5, Solution to 3	186	B is correct. To implement the hedge, Brixworth & St. Ives must sell MXN against the GBP, or equivalently, buy GBP (the base currency in the P/B quote) against the MXN. The base currency is selling forward at a premium, and—all else equal—its price would “roll down the curve” as contract maturity approached. Having to settle the forward contract means then selling the GBP spot at a lower price. Buying high and selling low will define a negative roll yield. Moreover, the GBP has depreciated against the MXN, because the MXN/GBP spot rate declined between one month ago and now, which will also add to the negative roll yield.	B is correct. To implement the hedge, Brixworth & St. Ives must sell MXN against the GBP, or equivalently, buy GBP (the base currency in the P/B quote) against the MXN. The base currency is selling forward at a premium, and—all else equal—its price would “roll down the curve” as contract maturity approached. Having to settle the forward contract means then selling the GBP spot at a lower price. Buying high and selling low will define a negative roll yield. Moreover, the GBP has depreciated against the MXN, because the MXN/GBP spot rate declined between one month ago and now, which will also add to the negative roll yield.

Currency Management: An Introduction

Revised Date	Location	Page(s)	Replace	With
20 August 2025	Solutions- Question 33	236	<p>When hedging one month ago, Delgado would have sold USD2,500,000 one month forward against the euro. To calculate the net cash flow (in euros) today, the following steps are necessary:</p> <ol style="list-style-type: none"> 1. Sell USD2,500,000 at the one-month forward rate stated in the forward contract. Selling US dollars against the euro means buying euros, which is the base currency in the USD/EUR forward rate. Therefore, the offer side of the market must be used to calculate the inflow in euros. All-in forward rate = $0.8914 + (30/10,000) = 0.8944$ USD2,500,000 / 0.8944 = EUR2,795,169.95. 2. Buy USD2,500,000 at the spot rate to offset the USD sold in Step 1 above. Buying the US dollar against the euro means selling euros, which is the base currency in the USD/EUR spot rate. Therefore, the bid side of the market must be used to calculate the inflow in euros. USD2,500,000 / 0.8875 = EUR2,816,901.41. 3. Therefore, the net cash flow is equal to EUR2,795,169.95 – EUR2,816,901.41, which is equal to a net outflow of EUR21,731.46. To maintain the desired hedge, Delgado will then enter into a new forward contract to sell the USD2,650,000. There will be no additional cash flow today arising from the new forward contract. 	<p>When hedging one month ago, Delgado would have sold USD2,500,000 one month forward against the euro. To calculate the net cash flow (in euros) today, the following steps are necessary:</p> <ol style="list-style-type: none"> 1. Sell USD2,500,000 at the one-month forward rate stated in the forward contract. Selling US dollars against the euro means buying euros, which is the base currency in the USD/EUR forward rate. Therefore, the offer side of the market must be used to calculate the inflow in euros. All-in forward rate = $1.174 + (10/10,000) = 1.1724$ USD2,500,000 / 1.1724 = EUR2,132,378.03. 2. Buy USD2,500,000 at the spot rate to offset the USD sold in Step 1 above. Buying the US dollar against the euro means selling euros, which is the base currency in the USD/EUR spot rate. Therefore, the bid side of the market must be used to calculate the inflow in euros. USD2,500,000 / 1.575 = EUR2,159,827.21. 3. Therefore, the net cash flow is equal to EUR2,132,378.03 – EUR2,159,827.21, which is equal to a net outflow of EUR27,449.18. To maintain the desired hedge, Delgado will then enter into a new forward contract to sell the USD2,650,000. There will be no additional cash flow today arising from the new forward contract.

Portfolio Management Pathway



Active Equity Investing: Strategies

Revised Date	Location	Page(s)	Replace	With
13 August 2025	Paragraph above Exhibit 21	72	Exhibit 21 shows the steps of identifying an activist investment target company. ¹⁰ Target companies feature slower revenue and earnings growth than the market, suffer negative share price momentum, and have weaker-than-average corporate governance. ¹¹	Exhibit 21 shows some of the factors activist investors usually consider when evaluating potential targets. To derive the Z-score, the statistical distribution for each factor across the full company universe is computed and then standardized against that distribution. ¹⁰ The resulting standardized scores show that activist targets tend to have: slower revenue and earnings growth than the market; weaker share-price momentum and return on equity than peers; and poorer-than-average corporate-governance metrics. Notably, these patterns, visible a year before the activist campaign, continue up to the event date. ¹¹

Active Equity Investing: Portfolio Construction

Revised Date	Location	Page(s)	Replace	With
12 August 2025	Paragraph above Exhibit 4	124	Exhibit 4 shows the cumulative value of \$100 invested in both the Russell 1000 Growth Index and the Russell 1000 Value Index over a 10-year period ending in 2020. The Growth index produced superior performance over the full 10-year time span.	Exhibit 4 shows the cumulative value of \$100 invested in both the Russell 1000 Growth Index and the Russell 1000 Value Index over a 10-year period ending in 2006 . The Growth index produced superior performance over the full 10-year time span.

Liability-Driven and Index-Based Strategies

Revised Date	Location	Page(s)	Replace	With
15 September 2025	Duration Matching – last sentence	218	With multiple liabilities, matching money durations is useful because the market values and cash flow yields of the assets and liabilities are not necessarily equal.	With multiple liabilities, matching money durations is useful because the market values and cash flow yields of the assets and liabilities are not necessarily equal. Unlike the single liability case, where the asset portfolio's modified duration (money duration) must be slightly greater than that of the liability, immunization against multiple liabilities requires that the asset portfolio's money duration (BPV) match that of the liabilities. The match may be slightly above or below, provided it is the closest available to the liability BPV.
15 September 2025	Above Derivatives Overlay	223	Add above Derivatives Overlay: As described in the case study, in addition to matching money duration, immunization against multiple liabilities requires an asset portfolio with convexity which exceeds that of the liabilities but must have the lowest possible convexity available in order to minimize the structural risk to the strategy.	

Yield Curve Strategies

Revised Date	Location	Page(s)	Replace	With
21 August 2025	End of second paragraph in Example 7	296	We can therefore solve for the modified duration of the 2-year zero as 1.96 (= 2/1.02) and the 10-year zero as 9.62 (= 10/1.04), so net portfolio duration equals zero, or $(124.6 - 25.41 \times 1.96) + (-25.4/124.6 - 25.41 \times 9.62)$.	We can therefore solve for the modified duration of the 2-year zero as 1.96 (= 2/1.02) and the 10-year zero as 9.62 (= 10/1.04), so net portfolio duration equals zero, or $[(124.6/(124.6 - 25.41)) \times 1.96] + [(-25.41/(124.6 - 25.41)) \times 9.62]$.
19 August 2025	Solutions – Problem 21	331	C is Correct. The bear steepening in A involves a rise in the 10-year yield-to-maturity more than in the 5-year yield-to-maturity, causing portfolio loss.	A is correct. The bear steepening in A involves a rise in the 10-year yield-to-maturity more than in the 2 -year yield-to-maturity, causing portfolio loss.

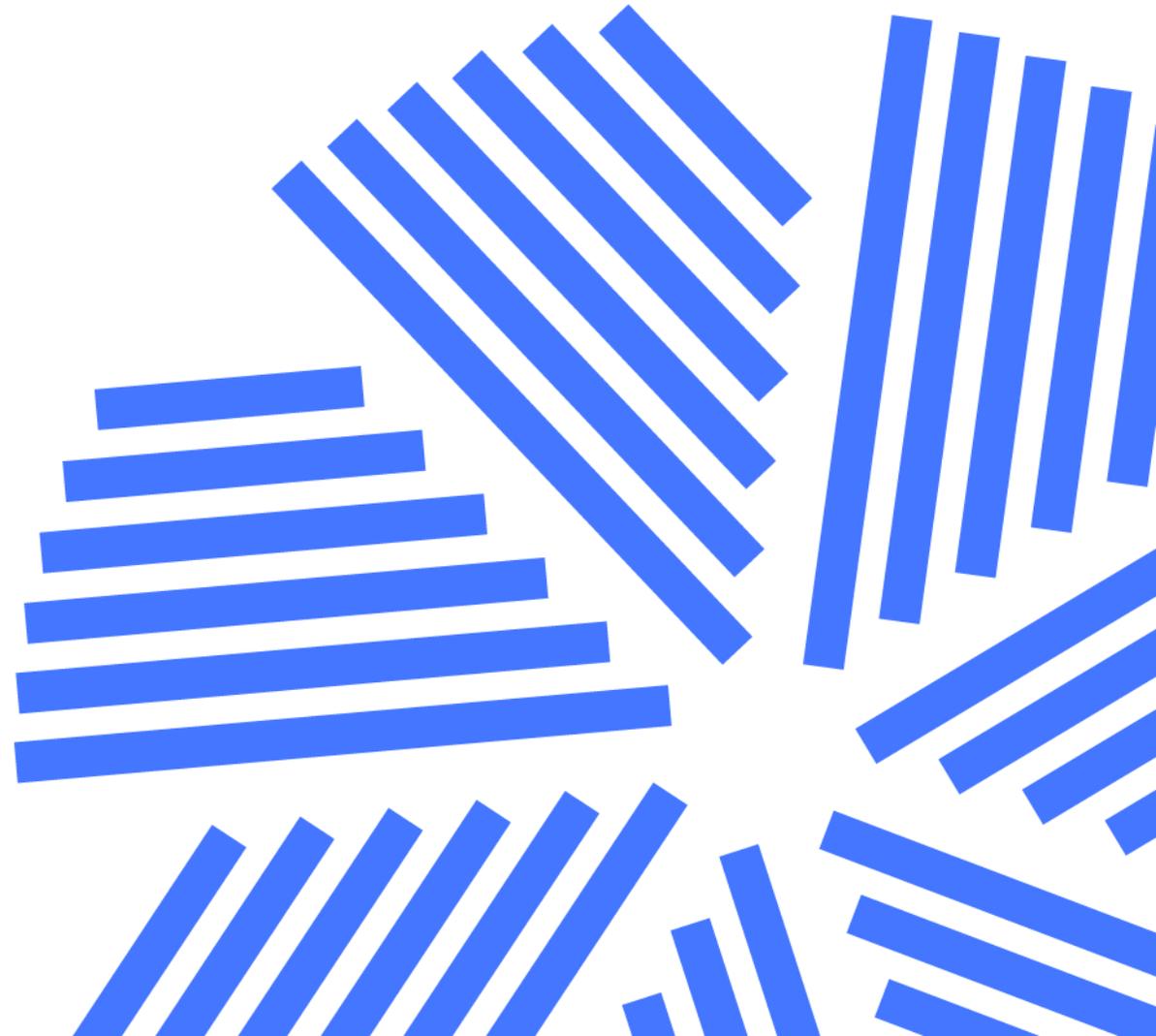
Fixed Income Active Management: Credit Strategies

Revised Date	Location	Page(s)	Replace	With
21 August 2025	Example 19	377	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?	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% (175 bps) and we assume that interest rates are normally distributed?
22 August 2025	Equation 14	380	$\text{CDS Price} \approx 1 + ((\text{Fixed Coupon} - \text{CDS Spread}) \times \text{EffSpreadDur}_{\text{CDS}})$	$\text{CDS Price} \approx 1 - ((\text{Fixed Coupon} - \text{CDS Spread}) \times \text{EffSpreadDur}_{\text{CDS}})$
25 August 2025	Example 26, Solution 3	388	In total, the incremental roll-down strategy generates \$506,500 (= \$344,000 + 163,500) of which \$292,250 (= 217,250 + \$75,000) is estimated to be due to credit spread curve roll down.	In total, the incremental roll-down strategy generates \$506,500 (= \$344,000 + 162,500) of which \$292,250 (= 217,250 + \$75,000) is estimated to be due to credit spread curve roll down.
5 September 2025	Example 29, Solution 1	392	To offset the existing CDX positions in one year, the investor would sell HY protection and buy IG protection. The investor is able to sell HY protection at a premium of 7.52, resulting in a \$178,000 gain from the long CDX HY position over one year $(1.093 - 1.0752) \times \$10,000,000$. Since the investor must buy IG protection in one year at a lower discount to par of $(1 - 0.99244)$, it has a \$17,800 gain from the CDX IG position $(= (0.99244 - 0.99066) \times \$10,000,000)$. Subtracting the \$400,000 net coupon payment made by the investor results in a one-year loss from the strategy of \$204,200 $(= \$178,000 + \$17,800 - \$400,000)$ with constant spreads.	To offset the existing CDX positions in one year, the investor would sell HY protection and buy IG protection. The investor is able to sell HY protection at a premium of 7.52, resulting in a \$178,000 loss from the long CDX HY position over one year $(\mathbf{1.0752} - \mathbf{1.093}) \times \$10,000,000$. Since the investor must buy IG protection in one year at a lower discount to par of $(1 - 0.99244)$, it has a \$17,800 gain from the CDX IG position $(= (0.99244 - 0.99066) \times \$10,000,000)$. Subtracting the \$400,000 net coupon payment made by the investor results in a one-year loss from the strategy of \$595,800 $(= \mathbf{-\$178,000} + \$17,800 - \$400,000)$ with constant spreads.

Trade Strategy and Execution

Revised Date	Location	Page(s)	Replace	With
13 August 2025	Sentence above equation	463	The VWAP cost benchmark is computed as follows	The TWAP cost benchmark is computed as follows

Private Markets Pathway



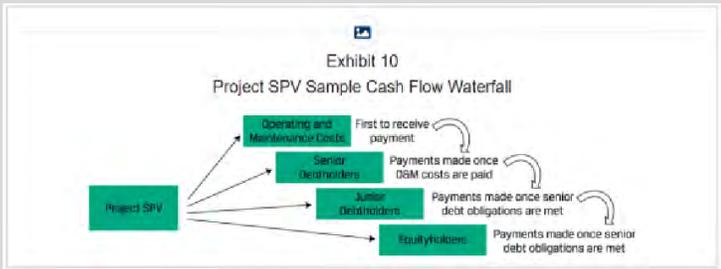
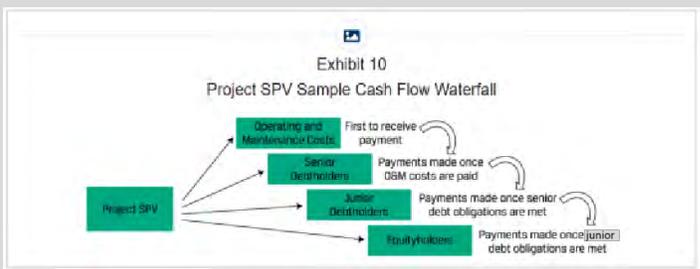
General Partner and Investor Perspectives and the Investment Process

Revised Date	Location	Page(s)	Replace	With
28 August 2025	Estragon SA Fund's Clawback Provision Case Study	60	The fund's excess returns in Year 4 were EUR140 million (= EUR200 million – EUR60 million), and Estragon collected EUR28 million (= EUR140 million × 0.20) in carried interest at the end of Year 4. However, the fund earned no additional return in the three subsequent years. The total carried interest at the end of fund's life could be no more than EUR19 million [= 0.20 × (EUR200 million – EUR105 million)]. So, the clawback provision mandates that Estragon must return EUR9 million (= EUR28 million – EUR19 million) to its LPs given the overpayment of carried interest early in the fund's life, since one highly successful investment was followed by three failures.	The fund's excess returns in Year 4 were EUR175 million (= EUR200 million – EUR25 million) , and Estragon collected EUR35 million (= EUR175 million × 0.20) in carried interest at the end of Year 4. However, the fund earned no additional return in the three subsequent years. The total carried interest at the end of fund's life could be no more than EUR19 million [= 0.20 × (EUR200 million – EUR105 million)]. So, the clawback provision mandates that Estragon must return EUR16 million (= EUR35 million – EUR19 million) to its LPs given the overpayment of carried interest early in the fund's life, since one highly successful investment was followed by three failures.
11 Sept 2025	Practice Problems, Solution to #8	144 –145	Pre-money Valuation = EUR 50M New Equity Investment = EUR 2.5M Fractional Ownership = 17.7%	Pre-money valuation = EUR 45M New equity investment = EUR 5M Fractional ownership to 17.0

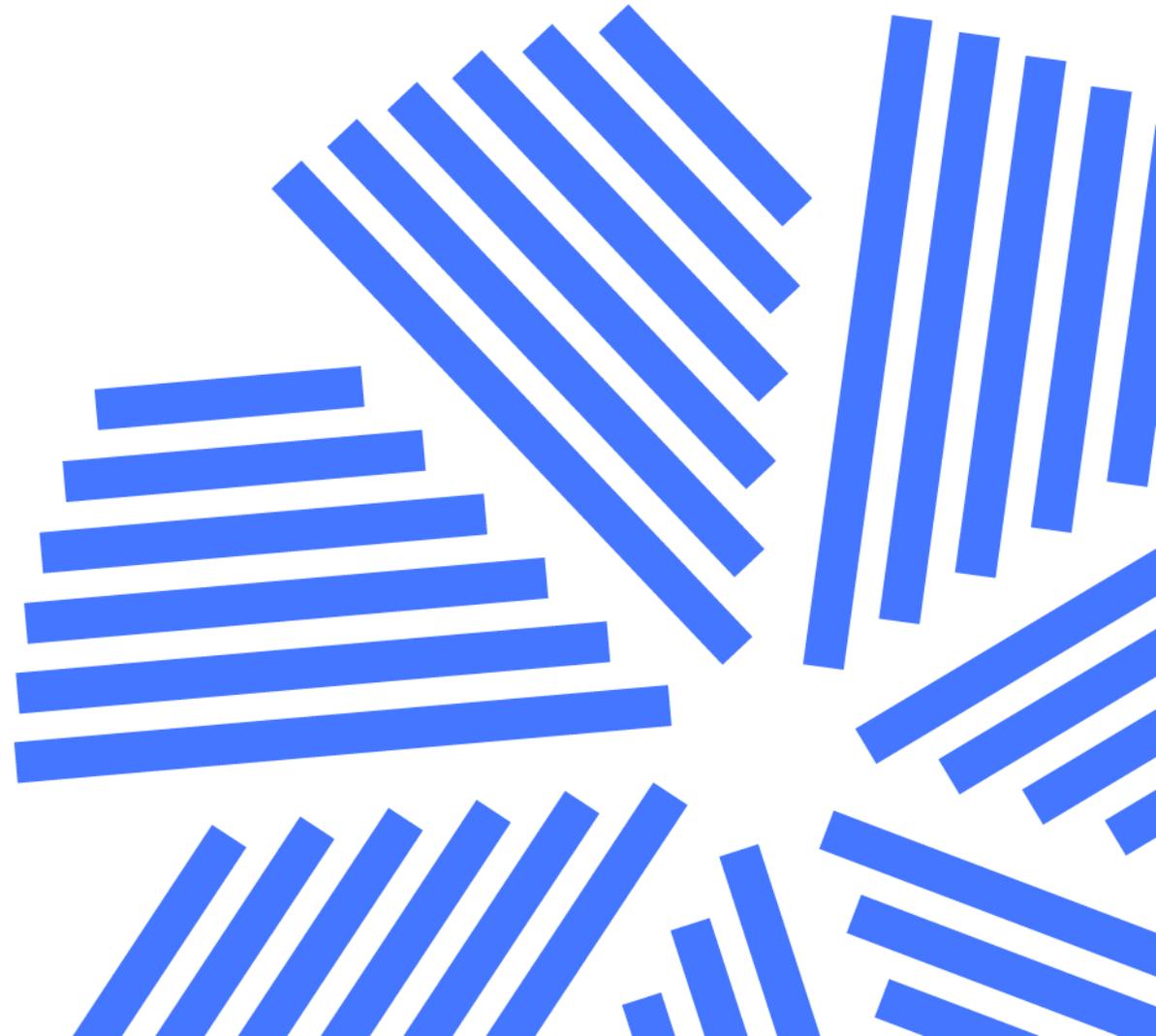
Private Real Estate Investments

Revised Date	Location	Page(s)	Replace	With
13 August 2025	Pandan East Expected NOI and Project Return Case Study	275	Project planners estimate a monthly rent per ft ² net of expenses in Malaysian ringgit of MYR2.75, with no additional income. Occupancy is expected to be 95% upon completion in two years, with 30% of gross rent as expenses, including a small capital improvement allowance.	Project planners estimate a monthly rent per ft ² net of expenses in Malaysian ringgit of MYR2.75, with no additional income. Occupancy is expected to be 95% upon completion in two years, with 30% of gross rent as expenses, including a small capital improvement allowance.
10 September 2025	Pandan East Expected NOI and Project Return Case Study – Solution to 1	276	<p>Gross rent = MYR47,520,000 = 1,200ft² × 1,200 units × 2.75 rent/ft² × 12.</p> <p>NOI = MYR30,888,000 = (1 – 0.35) × MYR47,520,000.</p>	<p>Gross rent = MYR45,144,000 = 1,200ft² × 1,200 units × 2.75 rent/ft² × 12 × 95%.</p> <p>NOI = MYR31,600,800 = (1 – 0.30) × MYR45,144,000.</p>

Infrastructure

Revised Date	Location	Page(s)	Replace	With
11 Sept 2025	Exhibit 10	352		
9 September 2025	Question Set, Solution to 4	360	which results in a GP performance fee of GBP2,689,968.	which results in a GP performance fee of GBP2,689,698 .
5 September 2025	Question Set, Solution to 1	374 - 375	= 5.57% = RATE(3, 0, -315000000, 437514322).	= 5.57% = RATE(3, 0, -315000000, 370,642,367).
5 September 2025	Question Set, Solution to 2	375	In this case, the value of the project (USD527,514,322)	In this case, the value of the project (USD 460,642,367)
12 September 2025	Solution to 12	387	Net cash flow from operations = Revenue – Operating expenses. Solve for the equity dividend rate as 13.25%	Net cash flow from operations = Revenue – (Operating expenses + Capital Expenditures) . Solve for the equity dividend rate as 24.63%

Private Wealth Pathway



The Private Wealth Management Industry

Revised Date	Location	Page(s)	Replace	With
13 August 2025	Solution to 7	61	A is correct	B is correct.
5 September 2025	Solution to 11	61	A client who opts for less insurance coverage would	A client who opts for more insurance coverage would

Wealth Planning

Revised Date	Location	Page(s)	Replace	With
22 August 2025	Passage to Questions 7 - 10	227	In table: first 2 instances of "Tax deferred"	"Tax exempt "
28 August 2025	Solution to Question 9	230	B is correct. After making the charitable donation, Patterson's total portfolio will be USD6.5 million, of which 40%, or USD2.6 million, would be bonds. As bonds are less tax efficient than equities, they should be held in the tax-exempt account to the extent possible. Thus, USD2.0 million of the USD2.6 million total should be held in the tax-exempt account.	C is correct. After making the charitable donation, Patterson's total portfolio will be USD6.5 million, of which 40%, or USD2.6 million, would be bonds. As bonds are less tax efficient than equities, they should be held in the tax-exempt account to the extent possible. Thus, USD2.0 million of the USD2.6 million total should be held in the tax-exempt account.

Investment Planning

Revised Date	Location	Page(s)	Replace	With
12 August 2025	Solution to 1	260	B is correct. A is incorrect.	B is incorrect . A is correct .
27 August 2025	Solutions	299	B is correct. To get the compound active return requires using the logarithmic active return, defined as: $r_{A,t} = \ln(1+r_{P,t}) - \ln(1+r_{B,t}) = \ln(1.073) - \ln(1.062) = 1.0\%$	A is correct. To get the compound active return requires using the logarithmic active return, defined as: $r_{A,t} = \ln(1+r_{P,t}) - \ln(1+r_{B,t}) = \ln(1.073) - \ln(1.062) = 1.0\%$

Preserving the Wealth

Revised Date	Location	Page(s)	Replace	With
12 August 2025	Exhibit 12	321		
7 August 2025	Third bullet under "Types of Inflation"	350	Unanchored inflation expectations, in which households and firms start to believe that future prices will be higher (or become unanchored) and adapt their behavior accordingly	Unanchored inflation expectations, in which households and firms start to believe that future prices will be higher (or become unanchored to central bank inflation targets) and adapt their behavior accordingly
22 August 2025	Knowledge Check, Solution to 1	358	$0.343 \times (\text{EUR}171,451 + \text{EUR}161,685) = \text{EUR } 121,675$	$0.343 \times (\text{EUR}171,451 + \text{EUR}181,685) = \text{EUR}121,126$
7 August 2025	Paragraph above Exhibit 33	362	Exhibit 30 shows that spot commodity real returns are also positive. The positive correlation and positive real return, however, translates into a poor inflation hedge because the annual volatility of real return is high. Exhibit 33 shows that the annual volatility of an average spot commodity is 27.55%, which is comparable to the volatility of equity market returns and drives the geometric mean excess return down to -0.93%.	Exhibit 33 shows that spot commodity real returns are also positive. The positive correlation and positive real return unfortunately fail to translate to a good inflation hedge as the annual volatility of the real return is high. As exhibit 33 also shows that the annual volatility of an average spot commodity is 27.55%, which is comparable to the volatility of equity market returns and drives the geometric mean excess return down to -0.93%.

Preserving the Wealth

Revised Date	Location	Page(s)	Replace	With
7 August 2025	Practice Problem 16	383	Formulate steps a prudent wealth advisor should recommend to help Mr. Young maximize the benefits from his anticipated multi-million US dollar income resulting from the contract with the Japanese corporation?	Mr. Young also expects a multi-million-dollar payout from an existing contract with a Japanese corporation. Formulate steps a prudent wealth advisor should recommend to maximize his after-tax wealth and long-term objectives?

Preserving the Wealth

Revised Date	Location	Page(s)	Replace	With
7 August 2025	Practice Problem 17 Solution	387	B is the correct answer. In choosing a new country of residence, Mr. Young’s optimal tax system—either Residence Jurisdiction or Source Jurisdiction—depends on several factors, such as his non-US citizenship, EU citizenship, and the assumption of stable tax rates. In a Residence Jurisdiction, he would be taxed on his worldwide income in both the United States and his new residence. This includes income from all sources, not just the United States. Under Source Jurisdiction, taxation focuses on the income’s origin. In the United States, this means taxing only income earned within the country, regardless of Mr. Young’s citizenship. Income earned outside the United States may escape US taxation. Given constant tax rates in both countries, the choice between these systems isn’t clear-cut. Source Jurisdiction might offer tax advantages, but that depends on various intricate factors. While constant tax rates don’t tilt the balance toward either system, a detailed analysis of tax exposures is essential. Consulting international tax experts is crucial for an informed decision, although Source Jurisdiction could be more beneficial in Mr. Young’s case.	B is the correct answer. When statutory tax rates are identical, the key driver of total tax liability is the size of the taxable income base, not the rate itself. A territorial (source-based) system taxes only income earned within the new country. Consequently, royalties from Mr. Young’s semiconductor IP, offshore portfolio income, and foreign real-estate rents can be recognized outside that jurisdiction, keeping them out of its tax net. A residence-based system, however, applies the same rate to all worldwide income; foreign-tax credits merely prevent double taxation—they do not lower the single-country bill. With rates held constant, taxing a smaller base (territorial system) will always produce a lower liability than taxing a larger base (residence system). While treaty relief, sub-national taxes, and compliance costs still warrant professional advice, the territorial approach remains more advantageous to Mr. Young as long as the statutory rates are equal under both regimes.

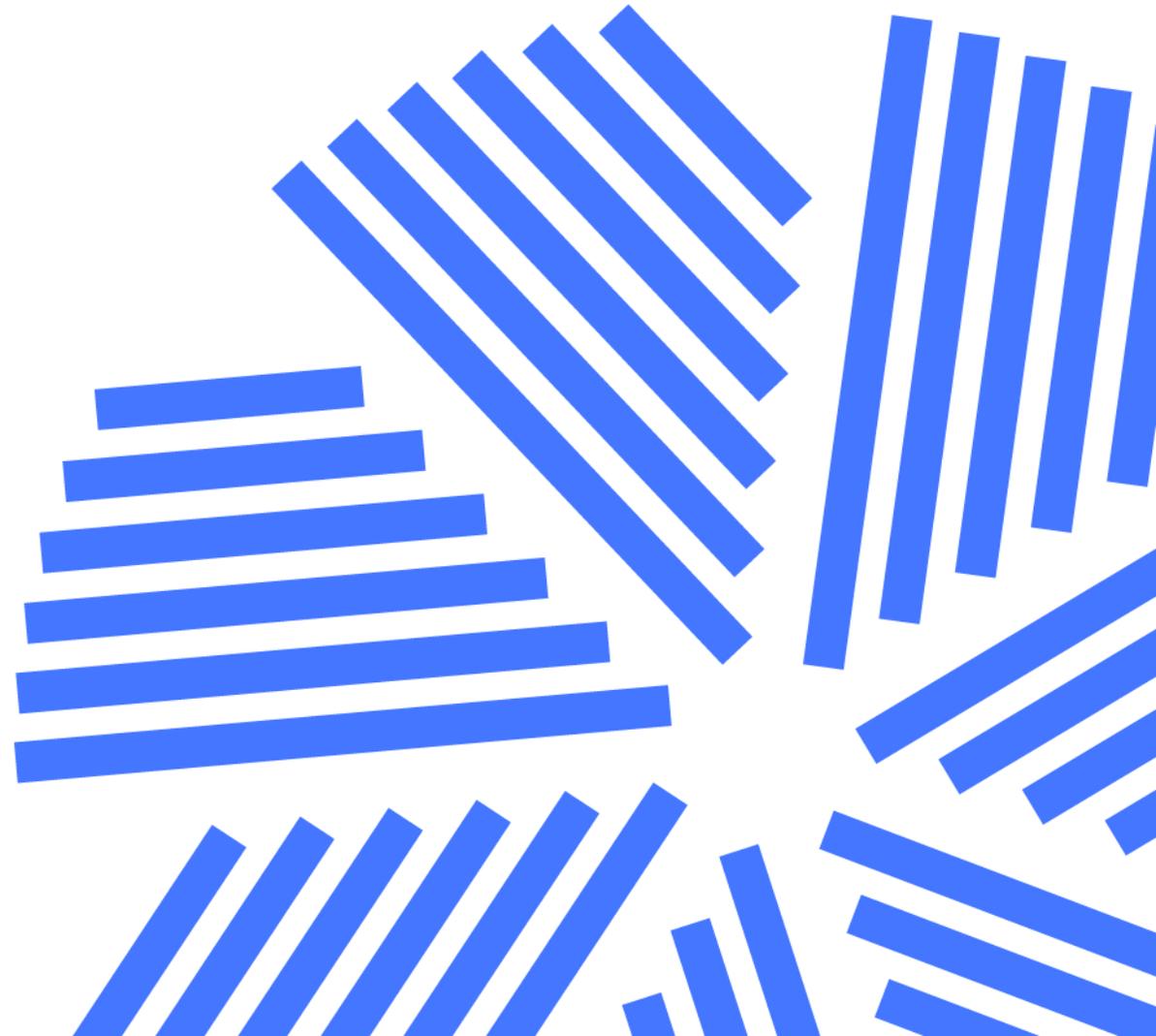
Advising the Wealthy

Revised Date	Location	Page(s)	Replace	With
22 August 2025	Last paragraph under “Total Return Swap”, sentence two	457	The reverse is true for losses.	The reverse is true for gains on the underlying stock.

Transferring the Wealth

Revised Date	Location	Page(s)	Replace	With
17 September 2025	Case Study	518	Case Study "Using a DAF for Charitable Giving – Murray Klein"	Content posted here .

Glossary



Key Terms

Revised Date	Location	Page(s)	Replace	With
19 May, 2025	Glossary	G-3	Hedge ratio: The proportion of an underlying that will offset the risk associated with a derivative position	Hedge ratio: The proportion of an underlying investment position that will offset the risk associated with a derivative position

