# Curriculum Errata Notice

## 2025 Level II CFA Program

***UPDATED 27 August 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 2025 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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# Quantitative Methods

## Basics of Multiple Regression and Underlying Assumptions

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| The Basics of Multiple Regression | Bullet 2 | 8 | 14 August 2025 | Replace:<br>The change in the bond index return for a given one-unit change in the monthly government bond yield, BY, is –5.0585%, holding CS constant. This means that the bond index has an empirical duration of 5.0585. | With:<br>The change in the bond index return for a given one-unit change in the monthly government bond yield, BY, is –5.0585%, holding CS constant. This means that the bond index has an **effective** duration of 5.0585. |
| The Basics of Multiple Regression | Solution to Question 3 | 9 | 25 August 2025 | Replace:<br>R = 1.534 + 0.5892(1) − 0.8719(4) − 0.0560(−2) = −1.2524. | With:<br>R = 1.534 + 0.5892(1) − 0.8719(4) − 0.0560(−2) = **−1.254**. |

## Evaluating Regression Model Fit and Interpreting Model Results

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Goodness of Fit | Paragraph below the bullets | 27 | 30 September 2024 | Replace:<br>Note that a t-statistic with an absolute value of 1.0 does not indicate the independent variable is different from zero at typical levels of significance, 5% and 1%. | With:<br>Note that a t-statistic with an absolute value of 1.0 does not indicate **the coefficient of the independent variable** is different from zero at typical levels of significance, 5% and 1%. |

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Goodness of Fit | Text after exhibit 2 | 29 | 20 August 2025 | Replace:<br>(Equation 3) | With:<br>(Equation **2**) |
| Testing Joint Hypotheses for Coefficients | Step 5 in Question 2 in Knowledge Check | 41 | 22 August 2025 | Replace:<br><br>F = 54.4039, as given in the regression output. (Note small difference vs. MSR/MSE from rounding.) | WIth:<br>**F = 54.4029**, as given in the regression output. (Note small difference vs. MSR/MSE from rounding.) |

# Model Misspecification

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Practice Problems | Exhibit 2 | 71 | 30 September 2024 | Replace:<br>Model B Durbin-Watson 5.088 4.387 No | With:<br>Model B Durbin-Watson **3.088** **2.387** No |

# Extensions of Multiple Regression

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Multiple Linear Regression with Qualitative Dependent Variables | Knowledge Check - Solution to 2 | 97 | 30 September 2024 | Replace:<br>Therefore, the marginal impact of increasing the NPM variable by 1%, rounded to two decimal places, is a decrease in the probability of a share buyback of 29.00% − 29.06% = −0.07%; differently put, it increases the probability of a share buyback. | With:<br>Therefore, the marginal impact of increasing the **DE variable** by 1%, rounded to two decimal places, is a decrease in the probability of a share buyback of 29.00% − 29.06% = −0.07%; differently put, it **decreases** the probability of a share buyback. |

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Solutions | Q. 10 | 107 | 22 August 2025 | Replace:<br>Therefore, as the portfolio_bonds variable increases by one unit, it results in a larger increase in profit than the price-to-earnings variable (0.1113 versus 0.0292), since its product is larger than the price-to-earnings product increase by one unit. | With:<br>Therefore, as the portfolio_bonds variable increases by one unit, it results in a larger increase in profit than the price-to-earnings variable (0.1113 versus 0.0292), since its product is larger than the price-to-earnings product **decreases** by one unit. |

# Time-Series Analysis

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Linear Trend Models | Example 1 | 114 | 9 October 2024 | Replace:<br>The data include 228 months from January 1995 through June 2019, and the model to be estimated is $yt = b0 + b1t + \varepsilon t$, $t = 1, 2, \ldots, 294$. | With:<br>The data include **294** months from January 1995 through June 2019, and the model to be estimated is $yt = b0 + b1t + \varepsilon t$, $t = 1, 2, \ldots, 294$. |
| Log-Linear Trend Models | Exhibit 10 | 120 | 20 August 2025 | Replace:<br>$R^2$ 0.9771 | With:<br>$R^2$ **0.95** |
| Detecting Serially Correlated Errors in an AR Model | Example 4 | 126 | 21 August 2025 | Replace:<br>Analyst Melissa Jones decides to use a time-series model to predict Intel Corporation's gross margin [(Sales − Cost of goods sold)/Sales] using quarterly data from the first quarter of 2003 through the second quarter of 2019. She does not know the best model for gross margin but believes that the current-period value will be related to the previous-period value. She decides to start out with a first-order autoregressive model, AR(1): Gross margint = b0 + b1(Gross margint−1) + εt. Her observations on the dependent variable are 1Q 2003 through 2Q 2019. Exhibit 12 shows the results of estimating this AR(1) model, along with the autocorrelations of the residuals from that model. | With:<br>Analyst Melissa Jones decides to use a time-series model to predict Intel Corporation's gross margin [(Sales − Cost of goods sold)/Sales] using quarterly data from the first quarter of 2003 through the **first** quarter of 2019. She does not know the best model for gross margin but believes that the current-period value will be related to the previous-period value. She decides to start out with a first-order autoregressive model, AR(1): Gross margint = b0 + b1(Gross margint−1) + εt. Her observations on the dependent variable are 1Q 2003 through **1Q** 2019. Exhibit 12 shows the results of estimating this AR(1) model, along with the autocorrelations of the residuals from that model. |

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Mean Reversion and Multiperiod Forecasts | Exhibit 13 | 129 | 15 August 2025 | Replace:<br>Intercept 0.13345 0.2134 0.6254 | With:<br>Intercept **1.3346** 0.2134 **6.254** |
| Seasonality in Time-Series Models | Exhibit 27 | 152 | 30 September 2024 | Replace:<br>Exhibit 27: Log Differenced Sales: AR(1) Model with Seasonal Lag – Starbucks, Quarterly Observations, 2005-2019 | With:<br>Exhibit 27: Log Differenced Sales: AR(1) Model with Seasonal Lag – Starbucks, Quarterly Observations, **2002-2019** |
| Seasonality in Time-Series Models | Exhibit 27 | 152 | 30 September 2024 | Replace:<br>If sales grew by 1% last quarter and by 2% four quarters ago, then the model would predict that sales growth this quarter will be 0.0107 − 0.0154(0.01) + 0.7549(0.02) = 0.0256, or 2.56%. | With:<br>If sales grew by 1% last quarter and by 2% four quarters ago, then the model would predict that sales growth this quarter will be 0.0107 − **0.1540(0.01)** + 0.7549(0.02) = **0.0243, or 2.43%**. |
| Solutions | Solution to 9 | 189 | 30 September 2024 | Replace:<br>The estimated forecasting equation is $UER_t = 5.5098 – 0.0294(t)$. | With:<br>The estimated forecasting equation is $UER_t$ = **7.2237** – **0.0510(t).** |

# Machine Learning

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| | LOS | 197 | 29 Jan 2024 | Replace:<br>describe neural networks, deep learning nets, and reinforcement learning | With:<br>**describe unsupervised machine learning algorithms—including principal components analysis, k-means clustering, and hierarchical clustering—and determine the problems for which they are best suited** |
| Neural Networks, Deep Learning Nets, and Reinforcement Learning | LOS | 248 | 29 Jan 2024 | Replace:<br>describe neural networks, deep learning nets, and reinforcement learning | With:<br>**describe unsupervised machine learning algorithms—including principal components analysis, k-means clustering, and hierarchical clustering—and determine the problems for which they are best suited** |

# Economics

## Currency Exchange Rates: Understanding Equilibrium Value

| Lesson | Location | PDF Pg | Revised | Correction | | | |
|---|---|---|---|---|---|---|---|
| The Carry Trade | Question 4 | 40 | 15 August 2025 | Replace:<br>A. +0.03%<br>B. +1.53%<br>C. +1.63% | | With:<br>A. +0.03%<br>**B. +1.42%**<br>C. +1.63% | |
| Practice Problems | Exhibit 2 – Interbank Market Quotes | 69 | 11 November 2024 | Replace:<br>BRL/USD | 4.1699/4.1701 | With:<br>BRL/USD | **4.1698/4.1702** |

# Financial Statement Analysis

## Intercorporate Investments

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Basic Corporate Investment Categories | Exhibit 1 | 5 | 26 August 2025 | Replace:<br>Last row in table duplicate of row 3 | With:<br>Removed last row in table |
| Investments in Associates and Joint Ventures | Exhibit 4 - 5th paragraph | 13 | 30 September 2024 | Replace:<br>An impairment loss recognized in prior periods is only reversed if there has been a change in the estimates used to determine the in-vestment's recoverable amount since the last impairment loss was recognized. | With:<br>An impairment loss recognized in prior periods is only reversed if there has been a change in the estimates used to determine the **investment's** recoverable amount since the last impairment loss was recognized. |
| Financial Statement Presentation | 2nd sentence | 37 | 30 September 2024 | Replace:<br>In addition, during 2017 GlaxoSmithKline made cash investment of £15,000,000 in Associates and disposed of two associated for a cash consideration of £198,000,000. | With:<br>In addition, during 2017 GlaxoSmithKline made cash investment of £15,000,000 in **associates** and disposed of two **associates** for a cash consideration of £198,000,000. |
| Financial Statement Presentation | 6th sentence | 37 | 30 September 2024 | Replace:<br>The remaining contingent consideration relates to the acquisition of the Shionogi-ViiV Healthcare joint venture and Novartis Vaccines are expected to be paid over a number of years. | With:<br>The remaining contingent consideration **related** to the acquisition of the Shionogi-ViiV Healthcare joint venture and Novartis Vaccines are expected to be paid over a number of years. |
| Additional Issues in Business Combinations That impair Comparability | Last bullet | 45 | 30 September 2024 | Replace:<br>Special purpose (SPEs) and variable interest entities (VIEs) are required to be consolidated by the entity which is expected to absorb the majority of the expected losses or receive the majority of expected residual benefits. | With:<br>**Special purpose entities** (SPEs) and variable interest entities (VIEs) are required to be consolidated by the entity which is expected to absorb the majority of the expected losses or receive the majority of expected residual benefits. |
| Practice Problems | Question 26 | 54 | 30 September 2024 | Replace:<br>Using only the information from Exhibit 2, the carrying value of Topmaker's investment in Rainer at the end of 2018 is closest to: | With:<br>Using only the information from Exhibit 2, the carrying value of Topmaker's investment in Rainer at the end of **2016** is closest to: |

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Basic Corporate Investment Categories | Exhibit 1 | 5 | 26 August 2025 | Replace:<br>Last row in table duplicate of row 3 | With:<br>Removed last row in table |
| Solutions | Solution to 26 – last line of table | 61 | 30 September 2024 | Replace:<br>Investment in associate (Rainer) at the end of 2018 | With:<br>Investment in associate (Rainer) at the end of **2016** |

# Employee Compensation: Post-Employment and Share-Based

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Financial Reporting for Share-Based Compensation | Last Table under Restricted Stock, Knowledge Check, under the December 20x3 | 72 | 30 September 2024 | Replace:<br>Transfer 33,254 from share-based compensation reserve to paid-in capital account upon settlement | With:<br>Transfer **19,803** from share-based compensation reserve to paid-in capital account upon settlement |
| Share-Based Compensation Tax and Share Count Effects, Note Disclosures | Example 4 – Solution to 1 | 81 | 7 November 2024 | Replace:<br>JPY 109,000 + 10,734 million / Average share price of 4,200<br>= 28,508,905 million assumed repurchases | With:<br>JPY **(109,000 + 10,734)** million / Average share price of 4,200<br>= **28,508,095** million assumed repurchases |

| Lesson | Location | PDF Pg | Revised | Correction |
|---|---|---|---|---|
| Share-Based Compensation and Financial Statement Modeling | Example 8 – first table | 85 | 30 September 2024 | Replace table row:<br>Total operating expenses 33,260 20,561 1,330<br>With:<br>Total operating expenses 33,260 20,561 **13,330** |
| Financial Reporting for Post-Employment Benefits | Example 10 - Solution to 2 | 95 | 30 September 2024 | Replace:<br>Remeasurements of 32.24 million<br>With<br>Remeasurements of **30.30 million** |
| Financial Reporting for Post-Employment Benefits | Example 10 - Solution to 2 | 95 | 21 August 2025 | Replace:<br>Net pension asset of 952.6 million<br>With:<br>Net pension asset of **954.5** million |
| Solutions | Solution to 9 | 111 | 30 September 2024 | Replace:<br>A is correct. Under US GAAP—assuming the company chooses not to immediately recognize the actuarial loss and assuming there is no amortization of past service costs or actuarial gains and losses—the components of periodic pension cost that would be reported in P&L include the current service cost of 200, the interest expense on the pension obligation at the beginning of the period of 2,940 [= 7.0% × (42,000 +120)], and the expected return on plan assets, which is a reduction of the cost of 3,120 (= 8.0% × 39,000). Summing these three components gives 28.<br>With:<br>A is correct. Under US GAAP—assuming the company chooses not to immediately recognize the actuarial loss and assuming there is no amortization of past service costs or actuarial gains and losses—the components of periodic pension cost that would be reported in P& L include the current service cost of 200, the interest expense on the pension obligation at the beginning of the period of 2,940 [= 7.0% × 42,000], and the expected return on plan assets, which is a reduction of the cost of 3,120 (= 8.0% × 39,000). Summing these three components **gives 20.** |
| Solutions | Solution to 10 | 112 | 30 September 2024 | Replace:<br>Net interest expense/income is the product of the discount rate and the net pension liability/asset at the beginning of FY2025, or the end of FY2024, [(41,270-38,700) x 0.07] = 211. Summing these two components gives 531.<br>With:<br>Net interest expense/income is the product of the discount rate and the net pension liability/asset at the beginning of FY2025, or the end of FY2024, [(**41,720**-38,700) x 0.07] = 211. Summing these two components gives 531. |
| Solutions | Solution to 17 | 112 | 4 October 2024 | Replace:<br>Basic shares outstanding: 270,4000,000<br>Replace:<br>Basic shares outstanding: **270,400,000** |

# Corporate Issuers

## Cost of Capital: Advanced Topics

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| The ERP | Example 8 Solution to 2 – first equation | 124 | 4 October 2024 | Replace:<br>ERP = {2.2 + 0 +[1.6 + 3.0 – (0.7)] } – 2.5 = 5.0% | With:<br>ERP = {2.2 + 0 +[1.6 + 3.0 – **(-0.7)**] } – 2.5 = 5.0% |
| Mini-Case 2 | Knowledge Check, Question 4, Solution 2 | 150 | 1 August 2025 | Replace:<br>re = rf + ERP + SP + SCRP + CRP<br><br>re = 5.41% + 6% + 5% + 6% + 2% = 24.41% | With:<br>re = rf + ERP + SP **+ IP** + SCRP + CRP<br><br>re = 5.41% + 6% + 5% **+ 1%** + 6% + 2% = 2**5**.41% |
| Mini-Case 2 | Knowledge Check, Solution to 5 | 150 | 18 August 2025 | Replace:<br>= (0.1749)(0.07096)(1 − 0.20 ) + (0.8251)(0.2441) = 0.2113, or 21.13% | With:<br>= (0.1749)(**0.0887**)(1 − 0.20) + (0.8251)(0.2441) = **0.2138**, or **21.38%** |

## Corporate Restructuring

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Evaluating Investment Actions | Example 10 Solution to 3 | 192 | 4 October 2024 | Replace:<br>The equity investment by Dilmun valued Spina Ltd. at USD4,000 billion, or an EV/Sales (trailing twelve months, or TTM) multiple of 6.7 (4,000/600million in net revenues in 20X3). | With:<br>The equity investment by Dilmun valued Spina Ltd. at USD4,000 **million**, or an EV/Sales (trailing twelve months, or TTM) multiple of 6.7 (4,000/600million in net revenues in 20X3). |
| Evaluating Investment Actions | Example 11- Solution to 4 | 196 | 4 November 2024 | Replace:<br>First, Opone SA would de-recognize half of its interest (BRL13 billion) from its balance sheet and recognize BRL45 billion in cash proceeds from the sale and a gain of (45 13 =) BRL32 billion. | With: (add minus sign)<br>First, Opone SA would de-recognize half of its interest (BRL13 billion) from its balance sheet and recognize BRL45 billion in cash proceeds from the sale and a gain of (**45 - 13 =)** BRL32 billion. |

# Equity Valuation

## Discounted Dividend Valuation

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| The Gordon Growth Model: Other Issues | Under Equation 12 | 73 | 19 August 2025 | Replace:<br><br>If prices reflect value (P0 = V0), P0 less E1/r gives the market's estimate of the company's value of growth, PVGO. Referring back to Example 6, suppose that MSEX is expected to have average EPS | With:<br><br>If prices reflect value (P0 = V0), P0 less E1/r gives the market's estimate of the company's value of growth, PVGO. Referring back to Example 6, suppose that MSEX is expected to have average EPS |

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| | | | | of $1.52 if it distributed all earnings as dividends. Its required return of 6.8% and a current price of $43.20 gives<br><br>$43.20 = ($1.52/0.068) + PVGO<br><br>= $22.42 + PVGO<br><br>and PVGO = $43.20 − $22.42 = $20.78. So, 48% ($20.78/$43.20 = 0.48) of the company's value, as reflected in the market price, is attributable to the value of growth. | of $1.52 if it distributed all earnings as dividends. Its required return of 6.8% and a current price of $43.20 gives<br><br>$43.20 = ($1.52/0.068) + PVGO<br><br>= **$22.35** + PVGO<br><br>and PVGO = $43.20 − **$22.35** = $20.78. So, 48% ($20.78/$43.20 = 0.48) of the company's value, as reflected in the market price, is attributable to the value of growth. |
| The Gordon Growth Model: Other Issues | Example 11 – Solution to 1 | 75 | 4 November 2024 | Replace:<br>The justified leading P/E (based on next year's earnings) is<br>$\frac{P_0}{E_1} = \frac{1-b}{r-g} = \frac{0.5438}{0.056-0.0425} = 40.28.$<br>$\frac{P_0}{E_1} = \frac{1-b}{r-g} = \frac{0.5438}{0.056-0.0425} = 40.28$ | With: (remove repeating equation)<br>The justified leading P/E (based on next year's earnings) is<br>$\frac{P_0}{E_1} = \frac{1-b}{r-g} = \frac{0.5438}{0.056-0.0425} = 40.28.$<br>~~$\frac{P_0}{E_1} = \frac{1-b}{r-g} = \frac{0.5438}{0.056-0.0425} = 40.28$~~ |

# Free Cash Flow Valuation

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Solutions | Solution to 4 | 204 | 4 October 2024 | Replace:<br>Firm value = $\frac{1.1559(1.04)}{0.0889-0.04}$ = $24.583. | With:<br>Firm value = $\frac{1.1559(1.04)}{0.0889-0.04}$ = $24.583 **billion** |
| Solutions | Solution to 45 | 218 | 4 October 2024 | Replace:<br>= $37.01 | With:<br>**= £37.01** |

# Market-Based Valuation: Price and Enterprise Value Multiples

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Price/ Earnings: Using the P/E in Valuation | Example 11 - Solution to 1 | 249 | 4 October 2024 | Replace:<br>Among the other companies in Exhibit 6, Comcast and Charter Communications had the highest EPS growth forecasts and the second and third lowest PEG ratios. | With:<br>Among the other companies in **Exhibit 5**, Comcast and Charter Communications had the highest EPS growth forecasts and the **third lowest and lowest** PEG ratios. |
| Practice Problems | Question 28 | 321 | 4 October 2024 | Replace:<br>28. Based on Exhibit 4, Gesticular's EV/EBITDA multiple is closest to: | With:<br>28. Based on **Exhibit 3**, Gesticular's EV/EBITDA multiple is closest to: |
| Practice Problems | The following Information Relates to Questions 36-37 | 324 | 8 November 2024 | Replace:<br>GN Growing AG (GG) is currently selling for €240, with TTM EPS and dividends per share of €1.5 and €0.9, respectively. | With:<br>GN Growing AG (GG) is currently selling for **€24**, with TTM EPS and dividends per share of €1.5 and €0.9, respectively. |

# Residual Income Valuation

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Single-Stage and Multistage | Example 10 | 358 | 4 October 2024 | Replace: | With: |

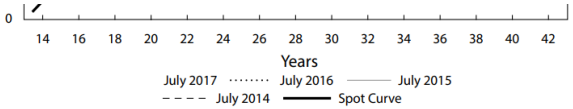
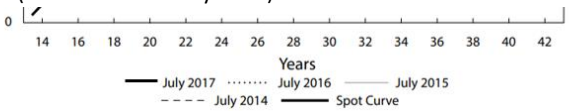
| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Residual Income Valuation | | | | Rosato extends her analysis to consider the possibility that ROE will slowly decay toward r in 2040 and beyond, rather than using a perpetuity of Year 2037 residual income. Rosato estimates a persistence parameter of 0.60. The present value of the terminal value is determined as<br><br>with T equal to 20 and 2037 residual income equal to 23.8664, in which the 1.12 growth factor reflects a 12% growth rate calculated as the retention ratio multiplied by ROE, or (0.60)(20%) = 0.12. | Rosato extends her analysis to consider the possibility that ROE will slowly decay toward r in 2040 and beyond, rather than using a perpetuity of Year **2039** residual income. Rosato estimates a persistence parameter of 0.60. The present value of the terminal value is determined as<br><br>with T equal to 20 and **2039** residual income equal to 23.8664, in which the 1.12 growth factor reflects a 12% growth rate calculated as the retention ratio multiplied by ROE, or (0.60)(20%) = 0.12. |
| Single-Stage and Multistage Residual Income Valuation | Example 10 | 358 | 13 August 2025 | Replace:<br>Total value is ZL$86.26, calculated by adding the present value of the terminal value, ZL$5.33, to $ZL83.93 (the sum of the PV of residual income in the first 19 years). | With:<br>Total value is **ZL$89.26**, calculated by adding the present value of the terminal value, ZL$5.33, to $ZL83.93 (the sum of the PV of residual income in the first 19 years). |

# Private Company Valuation

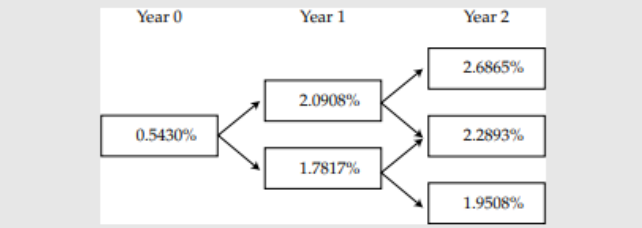
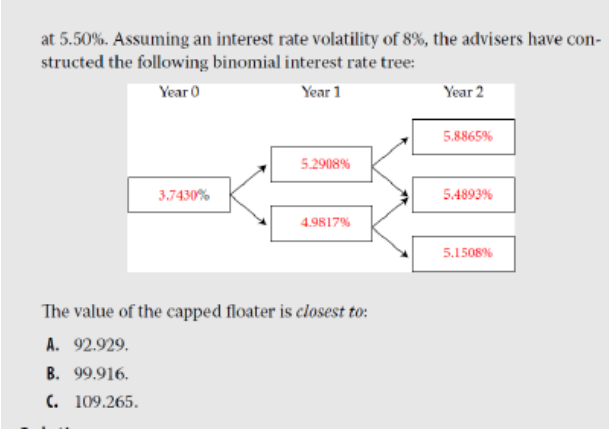
| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Private Company Valuation Approaches | Example 8, Solution to 2 | 437 | 25 August 2025 | Replace:<br>$\text{Firm Value}_t = \frac{\text{BRL15,750,000}}{0.142 - 0.02}$ | With:<br>$\text{Firm Value}_t = \frac{\text{BRL15,300,000}}{0.142 - 0.02}$ |
| Private Company Valuation Approaches | Example 10, Solution to 1 | 444 | 25 August 2025 | Replace:<br>Beta levered = 0.8693 * (1+(1-0.18)*0.25) = 0.8693 | With:<br>Beta levered = 0.8693 * (1+(1-0.18)*0.25) = **1.0475** |

# Fixed Income

## The Term Structure and Interest Rate Dynamics

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Spot Rates, Forward Rates, and the Forward Rate Model | Spot Rates and Forwards Rates | 4 | 4 October 2024 | Replace:<br>The price of a risk-free single-unit payment (e.g., $1, €1, or £1) after N periods is called the discount factor with maturity N, denoted by $PV_N$. | With:<br>The price of a risk-free single-unit payment (e.g., $1, €1, or £1) after N periods is called the discount factor with maturity N, denoted by **$DF_N$**. |
| Spot Rates, Forward Rates, and the Forward Rate Model | Exhibit 2 – Key | 11 | 18 November 2024 | Replace:<br>  | With: (add line before July 2017)<br>  |
| The Swap Spread and Spreads as a Price Quotation Convention | Paragraph under Exhibit 7 | 30 | 1 August 2025 | Replace:<br>As market participants transition away from survey-based Libor to alternative benchmarks based on actual transaction data, the secured overnight financing rate (SOFR), or overnight cash borrowing rate collateralized by US Treasuries, has gained prominence and is expected to replace Libor in the future. | With:<br>As market participants transition away from survey-based Libor to alternative benchmarks based on actual transaction data, the secured overnight financing rate (SOFR), or overnight cash borrowing rate collateralized by US Treasuries, has gained prominence and **has replaced** Libor ~~in the future~~. |
| Developing Interest Rate Views Using Macroeconomic Variables | 5th paragraph | 43 | 4 October 2024 | Replace:<br>Research shows that although inflation, GDP, and monetary policy explain most of the variance of bond yields, short- and intermediate-term bond yields are driven mostly by monetary policy, whereas other factors such as inflation are key drivers of long-term yields. | With:<br>Research shows that although inflation, GDP, and monetary policy explain most of the variance of bond yields, short- and intermediate-term bond yields are driven mostly by monetary policy, whereas **long-term rate volatility is mostly linked to uncertainty regarding the real economy and inflation.** |

# Valuation and Analysis of Bonds with Embedded Options

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Capped and Floored Floating-Rate Bonds | Example 8 – Question 3 | 165 | 4 October 2024 | Replace:   The value of the capped floater is *closest to*:<br>**A.** 92.929.<br>**B.** 99.916.<br>**C.** 109.265. | With:  at 5.50%. Assuming an interest rate volatility of 8%, the advisers have constructed the following binomial interest rate tree:<br>Year 0 Year 1 Year 2<br>3.7430% 5.2908% 4.9817% 5.8865% 5.4893% 5.1508%<br>The value of the capped floater is *closest to*:<br>**A.** 92.929.<br>**B.** 99.916.<br>**C.** 109.265. |

# Credit Default Swaps

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Application of CDS | Last sentence – | 293 | 19 August 2025 | Replace: | With:<br>As noted, it is apparent why a party making a loan might want credit protection. Consider, however, that a party with no |

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| | 6th paragraph | | | As noted, it is apparent why a party making a loan might want credit protection. Consider, however, that a party with no exposure to the reference entity might also purchase credit protection. Such a position is called a naked credit default swap, and it has resulted in some controversy in regulatory and political circles. In buying protection without owning the underlying, the investor is taking a position that the entity's credit quality will improve. | exposure to the reference entity might also purchase credit protection. Such a position is called a naked credit default swap, and it has resulted in some controversy in regulatory and political circles. In buying protection without owning the underlying, the investor is taking a position that the entity's credit quality will **deteriorate**. |
| Valuation Differences and Basis Trading | Summary – first bullet | 300 | 4 October 2024 | Replace:<br>If the present value of the payment leg is greater than the present value of the protection leg, the protection buyer pays an upfront premium to the seller. If the present value of the protection leg is greater than the present value of the payment leg, the seller pays an upfront premium to the buyer. | With:<br>If the present value of the payment leg is greater than the present value of the protection leg, the protection **seller** pays an upfront premium to the **buyer**. If the present value of the protection leg is greater than the present value of the payment leg, the **buyer** pays an upfront premium to the **seller**. |

# Derivatives

## The Term Structure and Interest Rate Dynamics

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Introduction | Last paragraph | 7 | 4 October 2024 | Replace:<br>Exhibit 2 shows the convergence property for a stock index futures/forward contact under continuous compounding and varying dividend yields. | With:<br>Exhibit 2 shows the convergence property for a stock index futures/forward **contract** under continuous compounding and varying dividend yields. |

# Alternative Investments

## Introduction to Commodities and Commodity Derivatives

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Commodity Sectors | Exhibit 1 | 7 | 31 July 2025 | Replace:<br>Flows: Speed of maturation to slaughter weight, economic (GDP) growth/consumer income, disease, adverse weather | With:<br>Flows: Speed of maturation to<br><br>**harvest** weight, economic (GDP)<br><br>growth/consumer income, disease,<br><br>adverse weather |
| Contango, Backwardation, and the Roll Return | Paragraph under Exhibit 14 | 39 | 5 August 2025 | Replace:<br>However, since 2010, the emergence of shale oil production in the United States has increased oil's convenience yield to the point that historical scarcity risk is much lower than before. | With:<br>However, since 2010, the emergence of shale<br><br>oil production in the United States has **decreased** oil's convenience yield to the point that historical scarcity risk is much lower than before. |

## Overview of Types of Real Estate Investment

| Lesson | Location | PDF Pg | Revised | Correction |
|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Real Estate Indexes | Equation 17 | 105 | 11 August 2025 | Replace: $R_t = \frac{R_t^*}{a} + \left(\frac{1-a}{a}\right) R_{t-1}^*.$ | With: $R_t = \frac{R_t^*}{a} - \frac{1-a}{a} R_{t-1}^*.$ |

# Portfolio Management

## Economics and Investment Markets

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Practice Problems | The following information relates to questions 11-14 | 141 | 4 October 2024 | Replace:<br>John Martinez is assessing the performance of the actively managed diversified asset portfolio. The diversified asset portfolio is invested in equities, bonds, and real estate, and allocations to these asset classes and to the holdings within them are unconstrained. | With:<br>John Martinez is assessing the performance of the actively managed diversified asset portfolio. The diversified asset portfolio is invested in equities, bonds, and real estate, and allocations to these asset classes and to the holdings within them are **constrained**. |

# Ethical and Professional Standards

## Application of the Code and Standards: Level II

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Jacobs, Riccio, and Associates | Knowledge Check - Solution to 9 | 255 | 4 October 2024 | Replace:<br>B is incorrect. To be a CFA charterholder, Ode needs to have completed the required four years of work experience. | With:<br>B is incorrect. To be a CFA charterholder, Ode needs to have completed the required **three** years of work experience. |
| Jacobs, Riccio, and Associates | Knowledge Check - Solution to 9 | 255 | 4 October 2024 | Replace:<br>C is incorrect. The fact that she has completed all three levels of the CFA Program does not make Ode a CFA charterholder. To be a CFA charterholder, she must also have the required four years of work experience. | With:<br>C is incorrect. The fact that she has completed all three levels of the CFA Program does not make Ode a CFA charterholder. To be a CFA charterholder, she must also have the required **three** years of work experience. |

# Glossary

| Lesson | Location | PDF Pg | Revised | Correction | |
|---|---|---|---|---|---|
| Glossary | Tokenization | G-20 | 25 August 2025 | Replace:<br>The process of representing ownership rights to physical assets on a blockchain or distributed ledger. | With:<br>The process of **splitting a given text into separate tokens**. |