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CFA Institute®

Curriculum Errata Notice

2026 Level III CFA Program

Issue date: September 2026

Welcome to the Curriculum Errata Notice.

We review and confirm potential errors to ensure you can study with confidence. This notice includes reported issues that could affect your understanding, such as miscalculations, incorrect explanations, or mislabeled exhibits.

For the most current information, regularly check the Learning Ecosystem (Canvas) or this document. Due to the nature of our publishing process, corrections may not appear immediately in our printed materials.

In this document, you will find:

- Table of Contents by Course
- New Errata marked since the last notice
- Full list of errata organized by Course

If you spot something that seems incorrect, please let us know: cfainst.is/errata. Every report is carefully reviewed and investigated by our subject matter experts.

Good luck with your studies!

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New errata

Here are new posted errata since our last issue. You'll also find these same errata listed in the "Complete list of errata" below.

<table>
<tr><th>Revised</th><th>Course, Module</th><th>Lesson</th><th>Location (PDF)</th><th>Replace</th><th>With</th></tr>
<tr><td>5 Aug 2026</td><td>Portfolio Construction 4: An Overview of Private Wealth Management</td><td>Practice Problems</td><td>Page 291 Question 20</td><td>Suppose a client has taxable income of EUR1,500,000. Based on the tax rate schedule, what is the client's average tax rate?
<table>
<tr><td colspan="4">Taxable Income (EUR)</td></tr>
<tr><td>Over</td><td>UP to</td><td>Tax on column 1</td><td>Percentage on excess over column 1</td></tr>
<tr><td>0</td><td>30,000</td><td>-</td><td>5</td></tr>
<tr><td>30,000</td><td>60,000</td><td>1,500</td><td>10</td></tr>
<tr><td>60,000</td><td>90,000</td><td>6,000</td><td>15</td></tr>
<tr><td>90,000</td><td>250,000</td><td>13,500</td><td>20</td></tr>
<tr><td>250,000</td><td>500,000</td><td>50,000</td><td>30</td></tr>
<tr><td>500,000</td><td>1,000,000</td><td>150,000</td><td>40</td></tr>
<tr><td>1,000,000</td><td></td><td>400,000</td><td>50</td></tr>
</table>
A. 27%
B. 43%
50%</td><td>Suppose a client has taxable income of EUR1,500,000. Based on the tax rate schedule, what is the client's average tax rate?
<table>
<tr><td colspan="4">Taxable Income (EUR)</td></tr>
<tr><td>Over</td><td>UP to</td><td>Tax on column 1</td><td>Percentage on excess over column 1</td></tr>
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<tr><td>60,000</td><td>90,000</td><td>4,000</td><td>15</td></tr>
<tr><td>90,000</td><td>250,000</td><td>9,000</td><td>20</td></tr>
<tr><td>250,000</td><td>500,000</td><td>41,000</td><td>30</td></tr>
<tr><td>500,000</td><td>1,000,000</td><td>116,000</td><td>40</td></tr>
<tr><td>1,000,000</td><td></td><td>316,000</td><td>50</td></tr>
</table>
A. 21.07%
B. 37.73%
50%</td></tr>
</table>

5 Aug 2026	Portfolio Construction 4: An Overview of Private Wealth Management	Solutions	Page 296 Solution to Question 20	The correct answer is B. The tax is Tax = 400,000 + 0.50(1,500,000 – 1,000,000) = 650,000 And the average tax rate is $$Average\ tax\ rate = \frac{650{,}000}{1{,}500{,}000} = 0.4333\ or\ 43.33\%$$ A is incorrect because the income over 1,000,000 is not included in the tax: $$Average\ tax\ rate = \frac{400{,}000}{1{,}500{,}000} = 0.2667\ or\ 26.67\%$$ C is incorrect because this is the marginal tax rate corresponding to the highest income bracket.	The correct answer is B. The tax is Tax = **316,000** + 0.50(1,500,000 – 1,000,000) = **566,000** And the average tax rate is $$Average\ tax\ rate = \frac{\mathbf{566{,}000}}{1{,}500{,}000} = \mathbf{0.3773\ or\ 37.73\%}$$ A is incorrect because the income over 1,000,000 is not included in the tax: $$Average\ tax\ rate = \frac{\mathbf{316{,}000}}{1{,}500{,}000} = \mathbf{0.2107\ or\ 21.07\%}$$ C is incorrect because this is the marginal tax rate corresponding to the highest income bracket.
13 Aug 2026	Portfolio Management Pathway 3: Active Equity Investing: Portfolio Construction	3.09 Additional Risk Measures	Page 164 Exhibit 20	Volatility of the S&P 500, 1948–2019 Exhibit 20 illustrates the time-varying volatility of the S&P 500 from 1995-2020.	Volatility of the S&P 500, **1950–2015** Exhibit 20 illustrates the time-varying volatility of the S&P 500 from **1950-2015**.

13 Aug 2026	Performance Measurement 2: Investment Manager Selection	Practice Problems	Page 122 Question 22 Exhibit 1	<table><tr><th>Investment Manager</th><th>Investment Philosophy/Approach</th></tr><tr><td>Laurbaer Partners</td><td>Seeks to produce returns through investing in new investment themes and emphasizes measuring the contribution of each to performance.</td></tr></table>	<table><tr><th>Investment Manager</th><th>Investment Philosophy/Approach</th></tr><tr><td>Laurbaer Partners</td><td>**Seeks to produce consistent risk adjusted returns through investing in established investment themes and emphasizes measuring the contribution of each to performance.**</td></tr></table>
13 Aug 2026	Performance Measurement 2: Investment Manager Selection	Solutions	Page 136 Question 22	Given Patnode's goal of predictably covering expenses and given the choice among these three active managers to invest her insurance policy proceeds, Laurbaer is most suitable. Laurbaer recognizes its strategy is exposed to potentially being arbitraged away and is more likely to evolve over time to deliver the ongoing returns desired by Patnode.	Given Patnode's goal of predictably covering expenses and given the choice among these three active managers to invest her insurance policy proceeds, Laurbaer is most suitable. **Laurbaer places an emphasis on consistency – in step with the generally accepted needs of Ms. Patnode.**
13 Aug 2026	Derivatives and Risk Management 3: Currency Management: An Introduction	3.03 Currency Risk and Portfolio Risk and Return	Page 150	Performance is measured in terms of the Indian rupee (INR) and the weights of the two assets in the portfolio, at the beginning of the period, are 80% for the GBP-denominated asset and 20% for the EUR-denominated asset, respectively.	Performance is measured in terms of the Indian rupee (INR) and the weights of the two assets in the portfolio, at the beginning of the period, are **77.4%** for the GBP-denominated asset and **22.6%** for the EUR-denominated asset, respectively.

13 Aug 2026	Derivatives and Risk Management 3: Currency Management: An Introduction	3.03 Currency Risk and Portfolio Risk and Return	Page 150	<table><tr><td></td><td>One Year Ago</td></tr><tr><td>GBP-denominated assets, portfolio weight (INR)</td><td>80%</td></tr><tr><td>EUR-denominated assets, portfolio weight (INR)</td><td>20%</td></tr></table>	<table><tr><td></td><td>One Year Ago</td></tr><tr><td>GBP-denominated assets, portfolio weight (INR)</td><td>77.4%</td></tr><tr><td>EUR-denominated assets, portfolio weight (INR)</td><td>22.6%</td></tr></table>
13 Aug 2026	Derivatives and Risk Management 3: Currency Management: An Introduction	3.03 Currency Risk and Portfolio Risk and Return	Page 150	$R_{DC} = 0.80\left(\frac{50.70}{43.80}\right)\left(\frac{101.60}{95.80}\right) + 0.20\left(\frac{12.17}{14.08}\right)\left(\frac{86.45}{86.95}\right) - 1$ This solves to 0.154 or 15.4%.	$R_{DC} = \mathbf{0.774}\left(\frac{50.70}{43.80}\right)\left(\frac{101.60}{95.80}\right) + \mathbf{0.226}\left(\frac{12.17}{14.08}\right)\left(\frac{86.45}{86.95}\right) - 1$ This solves to **0.144** or **14.4**%.
14 Aug 2026	Portfolio Management Pathway 5: Yield Curve Strategies	5.03 Yield Curve Strategies	Page 290 Example 3	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)] × £1 million].	**Return due to time passage:** 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)] × £1 million].
14 Aug 2026	Performance Measurement2: Investment Manager Selection	Solutions	Page 137 Question 25	Cost: Diversified. An SMA investor owns individual securities directly, which provides additional safety should a liquidity event occur. Although the manager continues to make investment decisions, those will not be influenced by the redemption or liquidity demands of other investors in the strategy.	Cost: Diversified. **Pooled Investment Vehicles generally have lower costs than SMAs, which face higher transaction and administrative costs because the investment strategies are customized to more closely match the investor's preferences.**

18 Aug 2026	Private Wealth Pathway 6: Advising the Wealthy	Solutions	Page 471 Question 18	A is correct. A protective put strategy would ensure a minimum price for the shares. However, should the shares increase and the put expire worthless, it would create a taxable event. Furthermore, it would require an initial cash payment and do nothing to contribute to a more diversified portfolio.	A is correct. A protective put strategy would ensure a minimum price for the shares. However, should the shares **decrease, a tax liability will be created because either the put will be exercised and the shares will be sold or the put option itself will be exited.**
18 Aug 2026	Performance Measurement 1: Portfolio Performance Evaluation	1.03 Return Attribution	Page 13	In health care, the portfolio manager held a higher weight than the benchmark (30% versus 20%), but the sector underperformed the aggregate benchmark (−2.0% versus 8.2%). Therefore, the decision to overweight health care lowered the overall excess return; the contribution to allocation is −0.2%.	In health care, the portfolio manager held a higher weight than the benchmark (30% versus 20%), but the sector **return was negative (-2.0)**. Therefore, the decision to overweight health care lowered the overall excess return; the contribution to allocation is −0.2%.
18 Aug 2026	Performance Measurement 1: Portfolio Performance Evaluation	1.03 Return Attribution	Page 13	In financials, the portfolio manager chose to underweight versus the benchmark (20% versus 30%). But because financials outperformed the aggregate benchmark (12% versus 8.2%), the decision to underweight financials also lowered the overall excess return; the contribution to allocation is −1.2%.	In financials, the portfolio manager chose to underweight versus the benchmark (20% versus 30%). But because the **financials sector return was positive (12%)**, the decision to underweight financials also lowered the overall excess return; the contribution to allocation is −1.2%.

20 Aug 2026	Portfolio Construction 1: Overview of Equity Portfolio Management	1.08 Benchmark Selection	Page 31-32 Under Exhibit 11	Qin and Singal (2015) showed that equally weighted portfolios have a natural advantage over cap-weighted portfolios. To the extent that any of the constituent stocks are mispriced, equally weighted portfolios will experience return superiority as the stock prices move up or down toward their correct intrinsic value. Because of the aforementioned need to rebalance back to equal weights, Qin and Singal found that the advantage largely vanishes when taxes and transaction costs are considered. However, based on their results, tax-exempt investors could experience superior returns from equal weighting.	Qin and Singal **(2022)** showed that equally weighted portfolios have a natural advantage over cap-weighted portfolios. To the extent that any of the constituent stocks are mispriced, equally weighted portfolios will experience return superiority as the stock prices move up or down toward their correct intrinsic value. Because of the aforementioned need to rebalance back to equal weights, Qin and Singal found that **the performance of both equal-weighted and cap-weighted portfolios deteriorates when transaction costs and income taxes are considered, but equal-weighted portfolios continue to outperform cap-weighted portfolios regardless of size, frequency of rebalancing, or the level of taxes. Based on their results, tax-exempt investors could experience superior returns from equal weighting.**
20 Aug 2026	Portfolio Construction 1: Overview of Equity Portfolio Management	References	Page 37	Qin, Nan and Vijay Singal. 2015. “Investor Portfolios When Stocks Are Mispriced: Equally-Weighted or Value-Weighted?” Working paper, Virginia Tech.	Qin, Nan and Vijay Singal. **2022. “Equal-weighting and value-weighting: which one is better?” Review of Quantitative Finance and Accounting 58: 743–768.**
25 Aug 2026	Performance Measurement 1: Portfolio Performance Evaluation	1.12 Evaluation of Investment Manager Skill	Page 66 Below Exhibit 26	In addition, the decision to underweight Japan (51% to 60%) lost 21 bps, because Japan outperformed the total benchmark (12.4% versus 9.25%).	In addition, the decision to underweight Japan (51% to 60%) lost 21 bps, because Japan outperformed the total benchmark (**11.48**% versus 9.25%).

25 Aug 2026	Private Markets 3: Private Equity	3.05 Private Equity Valuation	Page 122 Case Study—Question 1 Solution	Note that the common share price of USD 400 corresponds to an equity value upon exit of USD533,948,583 (or USD400 × 1,334,871 pre-money common shares outstanding) for the prior case.	**Note that the Optimal Conversion Point is defined using the post-conversion common share price. Because preferred shareholders receive common shares upon conversion, the aggregate equity value required to support this share price must be calculated using the fully diluted number of common shares outstanding after conversion.** **The total post-conversion share count equals 1,484,871 shares (1,334,871 existing common shares plus 150,000 new common shares issued upon conversion). Therefore, a common share price of USD400 corresponds to an aggregate equity value upon exit of approximately USD593.95 million (= USD400 × 1,484,871). At lower aggregate equity values, the post-conversion share price would remain below USD400 and preferred shareholders would rationally elect to receive the fixed liquidation preference instead of converting.**
25 Aug 2026	Private Markets 3: Private Equity	3.05 Private Equity Valuation	Page 123 Case Study—Question 1 Solution	Insert the following at the end of Solution to Question 1: **The fully diluted share count must also be used whenever translating the Optimal Conversion Point from a per-share threshold into an aggregate equity value because conversion itself increases the number of outstanding common shares.**	

15 Aug 2026	Private Markets 3: Private Equity	3.05 Private Equity Valuation	Page 134 Question Set Question	C is the correct response. Using the equation below, total liquidation preference value equals the liquidation preference multiple times the number of preferred shares times the preferred stock price. $Optimal\ Conversion\ Point = \frac{Total\ liquidation\ Preference\ Value}{Conversion\ Ratio\ x\ Number\ of\ Preferred\ Shares}$ If the liquidation preference multiple and conversion ratios are equal, then the above equation simplifies to be equal to the preferred stock price. The preferred stock price is fixed based on the issuance price while the equity value is based on a variable stock price. Equity value exceeds the term in response C if the common stock price exceeds the fixed preferred stock price, and at this point, convertible preferred stockholders will convert their preferred shares to common shares. Response A is incorrect because the equity value reflects the value of common shares before dilution. Response B is incorrect because equity value is always equal to this term.	**Response A is correct. Conversion becomes economically rational only when the value of the common shares received upon conversion exceeds the fixed liquidation preference. Because conversion increases the number of outstanding common shares, the aggregate equity value required to reach the Optimal Conversion Point must be calculated using the fully diluted post-conversion share count rather than the pre-conversion share count.**

Complete list of errata

Asset Allocation

Revised	Module	Lesson	Location (PDF)	Replace	With
23 Apr 2026	1: Capital Market Expectations, Part 1: Framework and Macro Considerations	Practice Problems	Page 57 Questions 1 and 2	Moved the following from Question 1 to the beginning of Question 2 Wuyan reports that after repeatedly searching the most recent 10 years of data, she eventually identified variables that had a statistically significant relationship with equity returns. Wuyan used these variables to forecast equity returns. She documented, in a separate section of the report, a high correlation between nominal GDP and equity returns. Based on this noted high correlation, Wuyan concludes that nominal GDP predicts equity returns. Based on her statistical results, Wuyan expects equities to underperform over the next 12 months and recommends that the firm underweight equities. Commenting on the report, John Tommanson, an investment adviser for the firm, suggests extending the starting point of the historical data back another 20 years to obtain more robust statistical results. Doing so would enable the analysis to include different economic and central bank policy environments. Tommanson is reluctant to underweight equities for his clients, citing the strong performance of equities over the last quarter, and believes the most recent quarterly data should be weighted more heavily in setting capital market expectations.	
23 Apr 2026	1: Capital Market Expectations, Part 1: Framework and Macro Considerations	Practice Problems	Page 58 Questions 3 and 4	Moved the following from Question 3 to the beginning of Question 4 At the investment committee meeting, the firm's chief economist predicts that the economy will enter the late expansion phase of the business cycle in the next 12 months.	

<table>
<tr>
<td>16 Sept 2025</td>
<td>2: Capital Market Expectations, Part 2: Forecasting Asset Class Returns</td>
<td>2.06 Forecasting Real Estate Returns</td>
<td>Page 94 Paragraph relating to Exhibit 6, Exhibit 6 table</td>
<td>Exhibit 6 shows private market cap rates as of 30 June 2021 for US commercial properties differentiated by type, location, and quality. The rates range from 34.7% for industrial properties to 6.8% for retail. The relatively high cap rate for retail reflects the investors' perception that of short-term risks related to in-person shopping during the COVID-19 pandemic and longer-term risks related to ecommerce continuing to take market share from in-store retail.

Exhibit 6: Private Market Cap Rates (%) as of 30 June 2021
<table>
<tr><th>Property Type</th><th>Average</th></tr>
<tr><td>Hotels</td><td>53.0</td></tr>
<tr><td>Health Care</td><td>4.86</td></tr>
<tr><td>Retail Malls</td><td>6.8</td></tr>
<tr><td>Industrial</td><td>3.74</td></tr>
<tr><td>Office</td><td>5.0</td></tr>
<tr><td>Apartments</td><td>4.55</td></tr>
</table>
</td>
<td>Exhibit 6 shows private market cap rates as of March 2018 for US commercial properties differentiated by type, location, and quality. The rates range from 4.7% for offices in gateway cities, such as New York City, to 9.5% for skilled nursing (i.e., 24-hour old-age care) properties. There is a clear pattern of high cap rates for riskier property types (hotels versus apartments, skilled nursing facilities versus medical offices), lower-quality properties (low-productivity versus high-productivity malls), and less attractive locations (offices in secondary versus gateway cities).

Exhibit 6: Cap Rates (%) as of March 2018
<table>
<tr><th>Property Type</th><th>Average</th></tr>
<tr><td>Hotels</td><td>7.2</td></tr>
<tr><td>Health Care</td><td>6.6</td></tr>
<tr><td>Retail Malls</td><td>5.6</td></tr>
<tr><td>Industrial</td><td>5.4</td></tr>
<tr><td>Office</td><td>5.2</td></tr>
<tr><td>Apartments</td><td>4.8</td></tr>
</table>
</td>
</tr>
</table>

19 Feb 2026	2: Capital Market Expectations, Part 2: Forecasting Asset Class Returns	2.08 Forecasting Volatility	Page 108 Equation 11	$\sigma_i^2 = \sum_{m=1}^{K}\sum_{n=1}^{K}\beta_{im}\beta_{in}\rho_{mn} + v_i^2$	$\sigma_i^2 = \sum_{m=1}^{K}\sum_{n=1}^{K}\beta_{im}\beta_{in}\sigma_{mn} + v_i^2$
19 Feb 2026	2: Capital Market Expectations, Part 2: Forecasting Asset Class Returns	2.08 Forecasting Volatility	Page 108 Equation 12	$\sigma_{ij} = \sum_{m=1}^{K}\sum_{n=1}^{K}\beta_{im}\beta_{jn}\rho_{mn}$	$\sigma_{ij} = \sum_{m=1}^{K}\sum_{n=1}^{K}\beta_{im}\beta_{jn}\sigma_{mn}$
14 Aug 2025	4: Principles of Asset Allocation	Practice Problems	Page 297 Solution to 7	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 × 25%) = 6.25% of the total variance.	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 × 25%) = 6.25 or **25** of the total variance.
2 Apr 2026	5: Asset Allocation with Real-World Constraints	5.09 Short-Term Shifts in Asset Allocation	Page 343 Bullet 3	it rises when put option buying increases and falls when call buying activity increases.	**it rises when option buying activity (either calls or puts) increases.**

21 May 2026	5: Asset Allocation with Real-World Constraints	5.09 Short-Term Shifts in Asset Allocation	Page 346 Example 7	**Move Exhibits 11 and 12 above Question 2 solution**

Portfolio Construction

Revised	Module	Lesson	Location (PDF)	Replace	With
New: 20 Aug 2026	1: Overview of Equity Portfolio Management	1.08 Benchmark Selection	Page 31-32 Under Exhibit 11	Qin and Singal (2015) showed that equally weighted portfolios have a natural advantage over cap-weighted portfolios. To the extent that any of the constituent stocks are mispriced, equally weighted portfolios will experience return superiority as the stock prices move up or down toward their correct intrinsic value. Because of the aforementioned need to rebalance back to equal weights, Qin and Singal found that the advantage largely vanishes when taxes and transaction costs are considered. However, based on their results, tax-exempt investors could experience superior returns from equal weighting.	Qin and Singal **(2022)** showed that equally weighted portfolios have a natural advantage over cap-weighted portfolios. To the extent that any of the constituent stocks are mispriced, equally weighted portfolios will experience return superiority as the stock prices move up or down toward their correct intrinsic value. Because of the aforementioned need to rebalance back to equal weights, Qin and Singal found that **the performance of both equal-weighted and cap-weighted portfolios deteriorates when transaction costs and income taxes are considered, but equal-weighted portfolios continue to outperform cap-weighted portfolios regardless of size, frequency of rebalancing, or the level of taxes. Based on their results, tax-exempt investors could experience superior returns from equal weighting.**
New: 20 Aug 2026	1: Overview of Equity Portfolio Management	References	Page 37	Qin, Nan and Vijay Singal. 2015. “Investor Portfolios When Stocks Are Mispriced: Equally-Weighted or Value-Weighted?” Working paper, Virginia Tech.	Qin, Nan and Vijay Singal. **2022. “Equal-weighting and value-weighting: which one is better?” Review of Quantitative Finance and Accounting 58: 743–768.**

9 Jan 2026	2: Overview of Fixed-Income Portfolio Management	2.05 A Model for Fixed-Income Returns	Page 67 Equation in "Views of Benchmark Yields"	$= (-\text{ModSpreadDur x } \Delta\text{Spread}) + [1/2 \text{ x Convexity x } (\Delta\text{Yield})^2]$	$= (-\text{ModSpreadDur x } \Delta\text{Spread}) + [1/2 \text{ x Convexity x } (\Delta\textbf{Spread})^2]$
11 May 2026	2: Overview of Fixed-Income Portfolio Management	2.05 A Model for Fixed-Income Returns	Page 69 Exhibit 11 Solution	In one year's time, assuming an unchanged yield curve and zero interest rate volatility, the rolldown return is 0.15% = (£97.285 - £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%.	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. The rolling yield, which is the sum of the coupon income and the rolldown return, is 3.00% = **2.83%** + **0.17**%.
25 Aug 2025	3: Asset Allocation to Alternative Investments	3.09 Asset Allocation Approaches and Statistical Properties and Challenges	Page 142 Stale Pricing and Unsmoothing section last paragraph	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.
4 May 2026	3: Asset Allocation to Alternative Investments	3.14 Preparing for the Unexpected	Page 172 Example 9 Question 1 Solution	• $75.0 million in total (less than the $78 million liability)	• **$45.0** million in total (less than the $78 million liability)

<table>
<tr><td>8 Aug 2025</td><td>4: An Overview of Private Wealth Management</td><td>4.02 Wealth in a Global Context</td><td>Page 207 Case Study table second to last row</td><td>Investable net worth[5] 100 | 1,200 | 3,000</td><td>Investable net worth[5] 85 | 950 | 2,995</td></tr>
<tr><td>17 Dec 2025</td><td>4: An Overview of Private Wealth Management</td><td>4.05 The Impact of Taxation and Inflation</td><td>Page 255 Case Study</td><td><table><tr><td>Percentage on excess over column 1</td></tr><tr><td>5</td></tr><tr><td>10</td></tr><tr><td>15</td></tr><tr><td>20</td></tr><tr><td>30</td></tr><tr><td>40</td></tr><tr><td>50</td></tr></table></td><td><table><tr><td>Marginal Tax Rate (Percentage on excess over column 1)</td></tr><tr><td>5</td></tr><tr><td>10</td></tr><tr><td>15</td></tr><tr><td>20</td></tr><tr><td>30</td></tr><tr><td>40</td></tr><tr><td>50</td></tr></table></td></tr>
<tr><td>18 Dec 2025</td><td>4: An Overview of Private Wealth Management</td><td>4.05 The Impact of Taxation and Inflation</td><td>Page 255 Question 2</td><td>For incomes between EUR500,000 and EUR1,000,000, the tax rate is 40%. For the first EUR500,000, the tax is EUR150,000, and for the next EUR200,000 the tax rate is 40% x (EUR700,000 – EUR500,000) = EUR80,000. The total tax payable is then EUR150,000 + EUR80,000 = EUR230,000, and the average tax rate is 32.86%.</td><td>For incomes between EUR500,000 and EUR1,000,000, the marginal tax rate is 40% and the base tax is EUR116,000. Accordingly, for an income of EUR700,000 the tax payable is EUR116,000 + 0.4*(EUR700,000-EUR500,000) = EUR116,000 + EUR80,000 = EUR196,000, which equates to an average tax rate of EUR196,000/EUR700,000 = 28%</td></tr>
</table>

18 Dec 2025	4: An Overview of Private Wealth Management	4.05 The Impact of Taxation and Inflation	Page 255 Question 3	Considering the expected investment income of EUR10,000 in interest income and EUR5,000 in dividend income, the total income is EUR715,000. For the first EUR500,000 in ordinary income tax, the tax is EUR150,000, and for the next EUR215,000, the tax rate is 40% x (EUR715,000 – EUR500,000) = EUR86,000. The total tax payable is then EUR150,000 + EUR86,000 = EUR236,000. Thus, 33.01% of the total income of EUR715,000 is paid in taxes.	**Note that the total expected investment income is EUR10,000 (interest income) + EUR5,000 (dividend income) = EUR15,000, and that EUR15,000 + EUR700,000 = EUR715,000, which still falls between EUR500,000 and EUR1,000,000 – so Ms. Kozlowska is still in the same marginal tax bracket. Consequently, the marginal tax on the EUR15,000 of investment income is 40%, or 0.4*EUR15,000 = EUR6,000. The total tax due then becomes EUR196,000 + EUR6,000 = EUR202,000, or EUR202,000/EUR715,000 = 28.25%**

18 Dec 2025	4: An Overview of Private Wealth Management	4.05 The Impact of Taxation and Inflation	Page 255 Question 4	In this scenario, the investment income is taxed differently than ordinary tax rates, as part of the interest income is excluded from ordinary income tax rates and dividend income is taxed at a lower rate than the marginal tax rate. Of the total interest income of EUR10,000, EUR5,000 is excluded from taxation. This means that the taxable income is reduced from EUR715,000 to EUR710,000 after accounting for the interest income exclusion. Two different tax rates apply to this taxable income. i. The ordinary income, which comprises the regular income (EUR700,000) and the taxable portion of the interest income (EUR5,000), is taxed according to the table above. Meanwhile, the dividend income of EUR5,000 is subject to a flat tax of 15%. ii. The ordinary income tax amounts to EUR150,000 for the first EUR500,000 and EUR82,000 for the remaining EUR205,000 (including the taxed portion of her interest income). This is calculated as 40% x (EUR705,000 - EUR500,000) = EUR82,000, resulting in a total income tax of EUR232,000. For the dividend income of EUR5,000, there is a 15% tax, equating to EUR750. In total, she pays EUR232,000 in ordinary income tax	**Recall that we have EUR10,000 in interest income and EUR5,000 in dividend income. EUR10,000-EUR5,000 = EUR5,000 is taxable interest income and gets added to our earnings income of EUR700,000 for a total of EUR705,000. The tax on this portion is EUR116,000 + 0.4*(EUR705,000-EUR500,000) = EUR116,000+0.4*EUR205,000 = EUR116,000+EUR82,000 = EUR198,000. To this we add the tax on dividend income: 0.15*EUR5,000 = EUR750. Accordingly, the total tax due is EUR198,000 + EUR750 = EUR198,750 which implies a total tax rate of EUR198,750/EUR715,000 = 27.80%.**

				and EUR750 in investment income tax on the dividends, with a total tax liability of EUR232,750. She pays 32.55% of her total income of EUR715,000 in taxes, and her taxable income is EUR710,000.	
5 Dec 2025	4: An Overview of Private Wealth Management	4.05 The Impact of Taxation and Inflation	Page 264 Question 3 Solution	How much purchasing power have taxes eroded? Answer: Taxes eroded the equivalent of EUR49,601 in purchasing power.	How much purchasing power have taxes eroded? Answer: Taxes eroded the equivalent of **EUR49,610** in purchasing power.
27 May 2026	4: An Overview of Private Wealth Management	4.06 Individual Investors and Investment Policy Statements	Pages 276 Other Investment preferences	Environmental, social, and governance (ESG)-related constraints should normally appear in this section. When a client expresses preferences for investments that meet socially responsible investing (SRI), ESG investment standards, or are otherwise acceptable or unacceptable due to religious, ethical, or personal preferences or beliefs, they should be noted here.	**Client preferences for certain types of investments, such as environmental, social, religious, or other investments based on personal values or interests, should normally appear in this section.**
27 May 2026	4: An Overview of Private Wealth Management	4.06 Individual Investors and Investment Policy Statements	Pages 277 Constraints	For clients expressing preferences for SRI, ESG, religious, or ethical investment standards, the constraints imposed by these should be noted here.	**For clients who require the exclusion of certain types of investments for religious or personal beliefs, the constraints imposed by these exclusions should be noted here.**

25 Aug 2025	4: An Overview of Private Wealth Management	4.06 Individual Investors and Investment Policy Statements	Page 287 Practice Problems, Question 1	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 **most** 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**
3 Feb 2026	4: An Overview of Private Wealth Management	Practice Problems	Page 288 Above Question 7	Additionally, Patel plans to buy a vacation home to enjoy his early retirement years and expects to hold the home for 10 years. His budget for the vacation home is approximately EUR1.7 million. He expects an 8% annual pretax appreciation in the value of his vacation home and expects to pay capital gains tax of 20% on the sale of this vacation home. Patel is considering selling half of his securities portfolio to fund the vacation home purchase.	Additionally, Patel plans to buy a vacation home to enjoy his early retirement years and expects to hold the home for **3** years. His budget for the vacation home is approximately EUR1.7 million. He expects an 8% annual pretax appreciation in the value of his vacation home and expects to pay capital gains tax of 20% on the sale of this vacation home. **Patel would finance the purchase of this home purely with securities sales.**

3 Feb 2026	4: An Overview of Private Wealth Management	Practice Problems	Page 289 Question 8	Determine whether Patel should sell half of his securities portfolio to buy the vacation home.	Determine whether Patel should sell half of his securities portfolio to buy the vacation home, **assuming that he is interested in maximizing future value. Also assume that if he does not buy the home he will liquidate half the securities in 10 years' time and any gains will be subject to capital gains tax. Also assume that there are no other expenses on the purchase of the home (e.g., all other expenses will be encompassed in the purchase price). Lastly, ignore the dividend yield on reinvested dividends.**
3 April 2025	4: An Overview of Private Wealth Management	Practice Problems	Page 290 Question 15	A. 475	A. **425**

<table>
<tr>
<td>New:
5 Aug 2026</td>
<td>4: An Overview of Private Wealth Management</td>
<td>Practice Problems</td>
<td>Question 20</td>
<td>Suppose a client has taxable income of EUR1,500,000. Based on the tax rate schedule, what is the client’s average tax rate?
<table>
<tr><td colspan="4">Taxable Income (EUR)</td></tr>
<tr><td>Over</td><td>UP to</td><td>Tax on column 1</td><td>Percentage on excess over column 1</td></tr>
<tr><td>0</td><td>30,000</td><td>-</td><td>5</td></tr>
<tr><td>30,000</td><td>60,000</td><td>1,500</td><td>10</td></tr>
<tr><td>60,000</td><td>90,000</td><td>6,000</td><td>15</td></tr>
<tr><td>90,000</td><td>250,000</td><td>13,500</td><td>20</td></tr>
<tr><td>250,000</td><td>500,000</td><td>50,000</td><td>30</td></tr>
<tr><td>500,000</td><td>1,000,000</td><td>150,000</td><td>40</td></tr>
<tr><td>1,000,000</td><td></td><td>400,000</td><td>50</td></tr>
</table>
C. 27%
D. 43%
E. 50%</td>
<td>Suppose a client has taxable income of EUR1,500,000. Based on the tax rate schedule, what is the client’s average tax rate?
<table>
<tr><td colspan="4">Taxable Income (EUR)</td></tr>
<tr><td>Over</td><td>UP to</td><td>Tax on column 1</td><td>Percentage on excess over column 1</td></tr>
<tr><td>0</td><td>30,000</td><td>-</td><td>5</td></tr>
<tr><td>30,000</td><td>60,000</td><td>1,500</td><td>10</td></tr>
<tr><td>60,000</td><td>90,000</td><td>4,000</td><td>15</td></tr>
<tr><td>90,000</td><td>250,000</td><td>9,000</td><td>20</td></tr>
<tr><td>250,000</td><td>500,000</td><td>41,000</td><td>30</td></tr>
<tr><td>500,000</td><td>1,000,000</td><td>116,000</td><td>40</td></tr>
<tr><td>1,000,000</td><td></td><td>316,000</td><td>50</td></tr>
</table>
C. 21.07%
D. 37.73%
E. 50%</td>
</tr>
</table>

25 Aug 2025	4: An Overview of Private Wealth Management	4.06 Individual Investors and Investment Policy Statements	Page 292 Solution to 1	Replace Solution to 1	**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.**
21 July 2026	4: An Overview of Private Wealth Management	Solutions	Pages 293-294	This correction is too extensive to display within the Errata Notice. Please refer to the linked PDF for the complete revised content. PDF Link	
4 May 2026	4: An Overview of Private Wealth Management	4.06 Individual Investors and Investment Policy Statements	Page 294 Solution to 9	This correction is too extensive to display within the Errata Notice. Please refer to the linked PDF for the complete revised content. PDF Link	

New: 5 Aug 2026	4: An Overview of Private Wealth Management	Solutions	Page 296 Solution to Question 20	The correct answer is B. The tax is Tax = 400,000 + 0.50(1,500,000 – 1,000,000) = 650,000 And the average tax rate is $$Average\ tax\ rate = \frac{650{,}000}{1{,}500{,}000} = 0.4333\ or\ 43.33\%$$ A is incorrect because the income over 1,000,000 is not included in the tax: $$Average\ tax\ rate = \frac{400{,}000}{1{,}500{,}000} = 0.2667\ or\ 26.67\%$$ C is incorrect because this is the marginal tax rate corresponding to the highest income bracket.	The correct answer is B. The tax is Tax = **316,000** + 0.50(1,500,000 – 1,000,000) = **566,000** And the average tax rate is $$Average\ tax\ rate = \frac{\mathbf{566{,}000}}{1{,}500{,}000} = \mathbf{0.3773\ or\ 37.73\%}$$ A is incorrect because the income over 1,000,000 is not included in the tax: $$Average\ tax\ rate = \frac{\mathbf{316{,}000}}{1{,}500{,}000} = \mathbf{0.2107\ or\ 21.07\%}$$ C is incorrect because this is the marginal tax rate corresponding to the highest income bracket.
22 Aug 2025	4: An Overview of Private Wealth Management	4.06 Individual Investors and Investment Policy Statements	Page 296 Solution to 22	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

3 Mar 2026	6: Trading Costs and Electronic Markets	6.03 Development of Electronic Markets	Page 422 Above Lesson 4 heading	**Add to curriculum:** Example 2 Electronic Trading and Transaction Costs 1. Describe the impact of electronic trading on transaction costs. Solution: Growth in electronic trading has resulted in greater trade process efficiencies and reduced transaction costs for investors. Electronic systems are much cheaper to operate than floor-based systems (requiring less physical space and fewer exchange personnel). These systems can operate on a close-to-continuous basis at far greater scale and scope and at much faster speeds than humans. Process efficiencies from electronic trading have led to significant decreases in bid–ask spreads, which have lowered transaction costs for investors.	
3 Mar 2026	6: Trading Costs and Electronic Markets	6.03 Development of Electronic Markets	Page 429 Example 2	Example 2	**Example 3**
3 Mar 2026	6: Trading Costs and Electronic Markets	6.03 Development of Electronic Markets	Page 431 Example 3	Example 3	**Example 4**
3 Mar 2026	6: Trading Costs and Electronic Markets	6.06 Electronic Trading Risks	Pages 439-440 Example 4	Remove Example 4 from curriculum.	

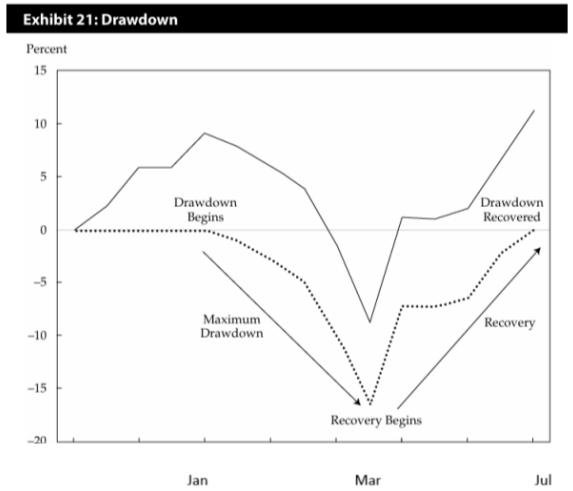
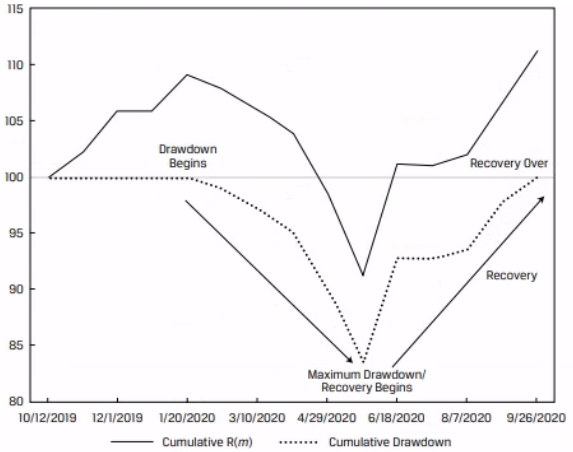
Performance Measurement

Revised	Module	Lesson	Location (PDF)	Replace	With
New: 18 Aug 2026	1: Portfolio Performance Evaluation	1.03 Return Attribution	Page 13	In health care, the portfolio manager held a higher weight than the benchmark (30% versus 20%), but the sector underperformed the aggregate benchmark (−2.0% versus 8.2%). Therefore, the decision to overweight health care lowered the overall excess return; the contribution to allocation is −0.2%.	In health care, the portfolio manager held a higher weight than the benchmark (30% versus 20%), but the sector **return was negative (-2.0)**. Therefore, the decision to overweight health care lowered the overall excess return; the contribution to allocation is −0.2%.
New: 18 Aug 2026	1: Portfolio Performance Evaluation	1.03 Return Attribution	Page 13	In financials, the portfolio manager chose to underweight versus the benchmark (20% versus 30%). But because financials outperformed the aggregate benchmark (12% versus 8.2%), the decision to underweight financials also lowered the overall excess return; the contribution to allocation is −1.2%.	In financials, the portfolio manager chose to underweight versus the benchmark (20% versus 30%). But because the **financials sector return was positive (12%)**, the decision to underweight financials also lowered the overall excess return; the contribution to allocation is −1.2%.

<table>
<tr>
<td>5 Sept 2025</td>
<td>1: Portfolio Performance Evaluation</td>
<td>1.04 Factor-Based and Fixed-Income Return Attribution</td>
<td>Page 24 Exhibit 7 and list under</td>
<td>
<table>
<tr><th>Duration Bracket</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>
<tr><td>Short</td><td>Government</td><td></td><td></td><td></td><td></td><td>0.00%</td><td>0.00%</td></tr>
<tr><td></td><td>Corporate</td><td></td><td></td><td></td><td>0.04%</td><td>0.00%</td><td>0.04%</td></tr>
<tr><td></td><td>Total</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>Mid</td><td>Government</td><td></td><td></td><td></td><td></td><td>0.00%</td><td>0.00%</td></tr>
<tr><td></td><td>Corporate</td><td></td><td></td><td></td><td>-0.05%</td><td>0.00%</td><td>-0.05%</td></tr>
<tr><td></td><td>Total</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>Long</td><td>Government</td><td></td><td></td><td></td><td></td><td>0.00%</td><td>0.00%</td></tr>
<tr><td></td><td>Corporate</td><td></td><td></td><td></td><td></td><td>0.13%</td><td>-0.09%</td></tr>
<tr><td></td><td>Total</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>
</table>
• The portfolio underperformed its benchmark by 26 bps
• 7 bps were added through bond selection
</td>
<td>
<table>
<tr><th>Duration Bracket</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>
<tr><td>Short</td><td>Government</td><td></td><td></td><td></td><td></td><td>0.00%</td><td>0.00%</td></tr>
<tr><td></td><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></td><td>Total</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>Mid</td><td>Government</td><td></td><td></td><td></td><td></td><td>0.00%</td><td>0.00%</td></tr>
<tr><td></td><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></td><td>Total</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>Long</td><td>Government</td><td></td><td></td><td></td><td></td><td>0.00%</td><td>0.00%</td></tr>
<tr><td></td><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></td><td>Total</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>
</table>
• The portfolio underperformed its benchmark by 20 bps
• 13 bps were added through bond selection
</td>
</tr>
<tr>
<td>5 Sept 2025</td>
<td>1: Portfolio Performance Evaluation</td>
<td>1.04 Factor-Based and Fixed-Income Return Attribution</td>
<td>Page 26 Example 6 Solution to 2</td>
<td>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). … The positive selection effect of 7 bps implies that the manager’s specific bond selections added to return.</td>
<td>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). … The positive selection effect of 13 bps implies that the manager’s specific bond selections added to return.</td>
</tr>
<tr>
<td>24 Mar 2026</td>
<td>1: Portfolio Performance Evaluation</td>
<td>1.11 Performance Appraisal: Capture Ratios and Drawdowns</td>
<td>Page 60 Exhibit 20</td>
<td>Maximum drawdown

Recovery begins</td>
<td>Maximum drawdown/Recovery begins

Recovery over</td>
</tr>
</table>

24 Mar 2026	1: Portfolio Performance Evaluation	1.11 Performance Appraisal: Capture Ratios and Drawdowns	Page 61 Exhibit 21		
New: 25 Aug 2026	1: Portfolio Performance Evaluation	1.12 Evaluation of Investment Manager Skill	Page 66 Below Exhibit 26	In addition, the decision to underweight Japan (51% to 60%) lost 21 bps, because Japan outperformed the total benchmark (12.4% versus 9.25%).	In addition, the decision to underweight Japan (51% to 60%) lost 21 bps, because Japan outperformed the total benchmark (**11.48**% versus 9.25%).
11 Sept 2025	2: Investment Manager Selection	2.03 Type I and Type II Errors in Manager Selection	Page 86-87	Under “Performance Implications of Type I and Type II Errors,” <u>remove</u> the following text: 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.	

<table>
<tr><td>7 July 2026</td><td>2: Investment Manager Selection</td><td>2.03 Type I and Type II Errors in Manager Selection</td><td>Page 86</td><td>The smaller the difference in sample size and distribution mean and the wider the dispersion of the distributions, the smaller the expected cost of the Type I or Type II error. More efficient markets are likely to exhibit smaller differences in the distributions of skilled and unskilled managers, indicating a lower opportunity cost of retaining and the lower the cost of hiring an unskilled manager.</td><td>The smaller the difference in sample size and distribution mean and the narrower the dispersion of the distributions, the smaller the expected cost of the Type I or Type II error. More efficient markets are likely to exhibit smaller differences in the distributions of skilled and unskilled managers, indicating a lower opportunity cost of retaining or hiring an unskilled manager.</td></tr>
<tr><td>New: 13 Aug 2026</td><td>2: Investment Manager Selection</td><td>Practice Problems</td><td>Page 122 Question 22 Exhibit 1</td><td><table><tr><td>Investment Manager</td><td>Investment Philosophy/Approach</td></tr><tr><td>Laurbaer Partners</td><td>Seeks to produce returns through investing in new investment themes and emphasizes measuring the contribution of each to performance.</td></tr></table></td><td><table><tr><td>Investment Manager</td><td>Investment Philosophy/Approach</td></tr><tr><td>Laurbaer Partners</td><td>Seeks to produce consistent risk adjusted returns through investing in established investment themes and emphasizes measuring the contribution of each to performance.</td></tr></table></td></tr>
<tr><td>27 Jan 2026</td><td>2: Investment Manager Selection</td><td>Practice Problems</td><td>Page 129 Question 34</td><td><table><tr><td>Fee Structure</td><td>Fee (%)</td></tr><tr><td>Sharing*</td><td>0.25</td></tr></table></td><td><table><tr><td>Fee Structure</td><td>Fee (%)</td></tr><tr><td>Sharing*</td><td>25</td></tr></table></td></tr>
</table>

7 May 2026	2: Investment Manager Selection	Practice Problems	Page 129 Question 34 Exhibit 1	Breakeven Active Return 1.25	Breakeven Active Return **0.80**
7 May 2026	2: Investment Manager Selection	Practice Problems	Page 129 Question 34 Under Exhibit 1	To understand the effect each fee structure has on its respective portfolio, Porter and Smith must estimate the net active return for several possible gross active returns, including less than or equal to 0.20%, 0.75%, 1.25%, and 1.75%.	To understand the effect each fee structure has on its respective portfolio, Porter and Smith must estimate the net active return for several possible gross active returns, including less than or equal to 0.20%, 0.75%, **0.80%**, and 1.75%.
New: 13 Aug 2026	2: Investment Manager Selection	Solutions	Page 136 Question 22	Given Patnode's goal of predictably covering expenses and given the choice among these three active managers to invest her insurance policy proceeds, Laurbaer is most suitable. Laurbaer recognizes its strategy is exposed to potentially being arbitraged away and is more likely to evolve over time to deliver the ongoing returns desired by Patnode.	Given Patnode's goal of predictably covering expenses and given the choice among these three active managers to invest her insurance policy proceeds, Laurbaer is most suitable. **Laurbaer places an emphasis on consistency – in step with the generally accepted needs of Ms. Patnode.**
New: 14 Aug 2026	2: Investment Manager Selection	Solutions	Page 137 Question 25	Cost: Diversified. An SMA investor owns individual securities directly, which provides additional safety should a liquidity event occur. Although the manager continues to make investment decisions, those will not be influenced by the redemption or liquidity demands of other investors in the strategy.	Cost: Diversified. **Pooled Investment Vehicles generally have lower costs than SMAs, which face higher transaction and administrative costs because the investment strategies are customized to more closely match the investor's preferences.**

7 May 2026	2: Investment Manager Selection	Solutions	Page 139 Question 34 Solution	Gross Active Return = 1.25% is the breakeven active return (No Sharing Fee): Gross Active Return − Standard Fee = Net Active Return: 1.25 – 0.35 = 0.90 or 0.90%	Gross Active Return = **0.80%** is the breakeven active return (No Sharing Fee): Gross Active Return − Standard Fee = Net Active Return: **0.80** – 0.35 = **0.45 or 0.45%**
17 Feb 2026	3: Overview of the Global Investment Performance Standards	3.08 Presentation and Reporting Requirements for Composites	Page 172-173	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%).	Applying **Equation 10 and Equation 11** to the data given in Exhibit 7, we find that the asset-weighted standard deviation is 21 bps (0.21%).

Derivatives and Risk Management

Revised	Module	Lesson	Location (PDF)	Replace	With
8 Aug 2025	1: Options Strategies	1.02 Position Equivalencies	Page 5 Second paragraph under "Synthetic Forward Position"	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.
13 Apr 2026	1: Options Strategies	1.09 Implied Volatility and Volatility Skew	Page 49 Below Exhibit 27	Delete from curriculum: So, for example, if an investor buys an ATM one-month (21-day) straddle using puts and calls on the DAX, in order for the strategy to be profitable at expiration, the index must move up or down by at least 2.68%. The investor can compare this price movement needed to reach breakeven with the DAX' s realized volatility over similar time horizons in the past. If such a price change is considered reasonable, then the investor can elect to implement the strategy.	

<table>
<tr><td>17 Feb 2026</td><td>2: Swaps, Forwards, and Futures Strategies</td><td>2.08 Using Derivatives in Asset Allocation, Part 2</td><td>Page 118-119
Exhibit 7</td><td>Equity swap 1: TMM receives the total return of the S&P 500 and makes a floating payment tied to the market reference rate (MRR) minus the agreed-on spread, both on a notional principal of $27 million.

Equity swap 2: TMM receives the total return of the SPSC and makes a floating payment tied to the MRR minus the agreed-on spread, both on a notional principal of $3 million.</td><td>Equity swap 1: TMM receives the total return of the S&P 500 and makes a floating payment tied to the market reference rate (MRR) plus the agreed-on spread, both on a notional principal of $27 million.

Equity swap 2: TMM receives the total return of the SPSC and makes a floating payment tied to the MRR plus the agreed-on spread, both on a notional principal of $3 million."</td></tr>
<tr><td>New:
13 Aug 2026</td><td>3: Currency Management: An Introduction</td><td>3.03 Currency Risk and Portfolio Risk and Return</td><td>Page 150</td><td>Performance is measured in terms of the Indian rupee (INR) and the weights of the two assets in the portfolio, at the beginning of the period, are 80% for the GBP-denominated asset and 20% for the EUR-denominated asset, respectively.</td><td>Performance is measured in terms of the Indian rupee (INR) and the weights of the two assets in the portfolio, at the beginning of the period, are 77.4% for the GBP-denominated asset and 22.6% for the EUR-denominated asset, respectively.</td></tr>
<tr><td>New:
13 Aug 2026</td><td>3: Currency Management: An Introduction</td><td>3.03 Currency Risk and Portfolio Risk and Return</td><td>Page 150</td><td><table><tr><th></th><th>One Year Ago</th></tr><tr><td>GBP-denominated assets, portfolio weight (INR)</td><td>80%</td></tr><tr><td>EUR-denominated assets, portfolio weight (INR)</td><td>20%</td></tr></table></td><td><table><tr><th></th><th>One Year Ago</th></tr><tr><td>GBP-denominated assets, portfolio weight (INR)</td><td>77.4%</td></tr><tr><td>EUR-denominated assets, portfolio weight (INR)</td><td>22.6%</td></tr></table></td></tr>
<tr><td>New:
13 Aug 2026</td><td>3: Currency Management: An Introduction</td><td>3.03 Currency Risk and Portfolio Risk and Return</td><td>Page 150</td><td>$R_{DC} = 0.80\left(\frac{50.70}{43.80}\right)\left(\frac{101.60}{95.80}\right) + 0.20\left(\frac{12.17}{14.08}\right)\left(\frac{86.45}{86.95}\right) - 1$

This solves to 0.154 or 15.4%.</td><td>$R_{DC} = \mathbf{0.774}\left(\frac{50.70}{43.80}\right)\left(\frac{101.60}{95.80}\right) + \mathbf{0.226}\left(\frac{12.17}{14.08}\right)\left(\frac{86.45}{86.95}\right) - 1$

This solves to 0.144 or 14.4%.</td></tr>
</table>

8 Aug 2025	3: Currency Management: An Introduction	3.07 Economic Fundamentals, Technical Analysis and the Carry Trade	Page 171 End of second paragraph under Exhibit 6	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 Aug 2025	3: Currency Management: An Introduction	3.08 Volatility Trading	Page 173 Second Paragraph	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. *Because their deltas are −0.5 and +0.5, respectively*. **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.

19 Aug 2025	3: Currency Management: An Introduction	3.09 Forward Contracts, FX Swaps, and Currency Options	Page 180, Table and Paragraph under table, inside Executing a Hedge	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.
22 Oct 2025	3: Currency Management: An Introduction	3.09 Forward Contracts, FX Swaps, and Currency Options	Page 180, Hedge #2	… Because the EUR is the base currency in the HKD/EUR quote, this means using the bid side for both the spot rate and the forward points when calculating the all-in forward rate: 9.0200 + 173 _ 10, 000 = 9.0373 The spot leg of the swap—buying back EUR8,000,000 to settle the outstanding forward transaction—is also based on the bid rate of 9.0200. This is because Yang is selling an amount larger than EUR8,000,000 forward, and the all-in forward rate of the swap is already using the bid side of the market (as it would for a matched swap). Hence, to pick up the net increase in forward EUR sales, the dealer Yang is transacting with would price the swap so that Yang also has to use bid side of the spot quote for the spot transaction used to settle the maturing forward contract.	… Because the EUR is the base currency in the HKD/EUR quote, this means using **the ask side for the spot rate and the bid side for the forward rate when calculating the all-in forward rate:** 9.0200 + 173 _ 10, 000 = 9.0373 The spot leg of the swap—buying back EUR8,000,000 to settle the outstanding forward transaction—is also based on the **ask rate of 9.0210. This is because Yang is buying EUR (the base currency) to unwind her short position, so she must pay the dealer's ask. The forward leg —selling more than EUR8,000,000 forward —is executed at the forward bid rate (spot bid + forward bid points), as Yang is selling EUR forward. Hence, the correct pricing uses the spot ask rate for unwinding the maturing forward contract and the forward bid rate for rolling into the new, larger hedge.**

2 Sept 2025	3: Currency Management: An Introduction	3.10 Currency Management Strategies	Page 186 Example 5 – Solution to 3	Remove the following text: 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.	
28 May 2026	3: Currency Management: An Introduction	3.10 Currency Management Strategies	Page 190 First paragraph	However, this would reduce the downside protection on the hedge. Instead, the portfolio manager could write a larger notional amount for the deeper-OTM option; for example, the ratio for the notionals for the options written versus bought might be 1:2.	However, this would reduce the downside protection on the hedge. Instead, the portfolio manager could write a larger notional amount for the deeper-OTM option; for example, the ratio for the notionals for the options **bought versus written** might be 1:2.

20 Aug 2025	3: Currency Management: An Introduction	Solutions	Page 236 Question 33	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.	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

Revised	Module	Lesson	Location (PDF)	Replace	With
19 Feb 2026	1: Index-Based Equity Strategies	1.02 Factor-Based Strategies	Page 4	Although the concepts underlying factor investing, sometimes marketed as “smart beta,” have been known for a long time, investors’ use of the technique increased dramatically over time.	The concepts underlying factor investing, sometimes marketed as “smart beta,” have been known for a long time, and investor adoption has increased dramatically over time.
20 Feb 2026	1: Index-Based Equity Strategies	1.06 Tracking Error Management	Page 22 Potential Causes of Tracking Error and Excess Return	Tracking error in an indexed equity fund can arise for several reasons. A major reason involves the fees charged. Although tracking error is expressed as an absolute value, fees are always negative because they represent a cost and drive down the excess return. Therefore, higher fees will contribute to lower excess returns and higher tracking error.	Tracking error in an indexed equity fund can arise for several reasons. **Constant proportional fees contribute to negative excess return (they reduce alpha) but do not contribute to tracking error. As tracking error is the standard deviation of the return difference, it is unaffected by a constant.** Although tracking error is expressed as an absolute value, fees are always negative because they represent a cost and drive down the excess return.

13 Aug 2025	2: Active Equity Investing: Strategies	2.08 Activist Strategies	Page 72 Paragraph above Exhibit 21	Exhibit 21 shows the steps of identifying an activist investment target company. Target companies feature slower revenue and earnings growth than the market, suffer negative share price momentum, and have weaker-than-average corporate governance.	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**. **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**.
12 Aug 2025	3: Active Equity Investing: Portfolio Construction	3.02 Building Blocks of Active Equity Portfolio Construction	Page 124 Paragraph above Exhibit 4	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.	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**.
21 Apr 2026	3: Active Equity Investing: Portfolio Construction	3.02 Building Blocks of Active Equity Portfolio Construction	Page 126 Exhibit 5	Active risk is a measure of the volatility of portfolio returns relative to the volatility of benchmark returns.	Active risk is a measure of the volatility of **the difference between portfolio returns and benchmark returns.**
5 Mar 2026	3: Active Equity Investing: Portfolio Construction	3.08 Allocating the Risk Budget	Page 158 Question 2	What portion of the total portfolio risk is explained by the Market factor?	What portion of the total portfolio **variance** is explained by the Market factor?

5 Mar 2026	3: Active Equity Investing: Portfolio Construction	3.08 Allocating the Risk Budget	Page 159 Question 2 Solution	91% of total portfolio risk is explained by the Market factor.	**In this context, we use the betas as the weights in equation (11) and take the benchmark weights (betas) to be zero.** **To understand the rationale behind this, consider a 1-factor model (like CAPM) - if we have a beta of 1.5, with the factor volatility of 10% and a portfolio volatility of 20%, then the active return variance is given by:** $$(\mathbf{1.5^2}) \times (\mathbf{0.1^2}) = \mathbf{0.0225}$$ **And so the total variance explained would be 0.0225/0.2²= 56.25%** **In the problem above, 91% of the total portfolio variance is explained by the Market factor.**
New: 13 Aug 2026	3: Active Equity Investing: Portfolio Construction	3.09 Additional Risk Measures	Page 164 Exhibit 20	Volatility of the S&P 500, 1948–2019 Exhibit 20 illustrates the time-varying volatility of the S&P 500 from 1995-2020.	Volatility of the S&P 500, **1950–2015** Exhibit 20 illustrates the time-varying volatility of the S&P 500 from **1950-2015**.

3 Mar 2026	3: Active Equity Investing: Portfolio Construction	3.10 Implicit Cost-Related Considerations	Page 172 In Exhibit 22, before Example 7	**Removed the following paragraph and related footnote from the curriculum:** A study by AQR Capital Management "Factor Momentum Everywhere", 2019 documents robust persistence in the returns of equity factor portfolios. This persistence is exploitable with a time-series momentum trading strategy that scales factor exposures up and down in proportion to their recent performance. Factor timing in this manner produces economically and statistically large excess performance relative to untimed factors. Taken alongside the evidence of time series momentum in commodity, bond, and currency factors, the findings of momentum among equity factors—in the time series, in the cross section, and around the world—support the conclusion that factor momentum is a pervasive phenomenon in financial markets. 40 Footnote: 40 Peter Lynch, while managing the highly successful Magellan Fund, generated a 2% gross monthly alpha on average (less than $1 million per month) assets under management of $40 million during his first five years of tenure and a 0.20% alpha per month during his last five years on assets of about $10 billion (more than $20 million per month). It is likely that the portfolio management approach evolved as the asset base grew.

15 Sept 2025	4: Liability-Driven and Index-Based Strategies	4.03 Managing the Interest Rate Risk of Multiple Liabilities	Page 218 Duration Matching – Last sentence	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 Sept 2025	4: Liability-Driven and Index-Based Strategies	4.03 Managing the Interest Rate Risk of Multiple Liabilities	Page 223 Above Derivatives overlay	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.	
22 Apr 2026	4: Liability-Driven and Index-Based Strategies	4.06 Bond Indexes	Page 249 Case Study	Cindy Cheng, a portfolio manager based in Hong Kong SAR, has established the All Asia Dragon Fund, a fixed-income fund designed to outperform the Markit iBoxx Asian Local Bond Index (ALBI).	Cindy Cheng, a portfolio manager based in Hong Kong SAR, has established the All Asia Dragon Fund, a fixed-income fund designed to **track** the Markit iBoxx Asian Local Bond Index (ALBI).
New: 14 Aug 2026	5: Yield Curve Strategies	5.03 Yield Curve Strategies	Page 290 Example 3	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)] × £1 million].	**Return due to time passage:** 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)] × £1 million].

19 Feb 2026	5: Yield Curve Strategies	5.03 Yield Curve Strategies	Page 292	Exhibit 10 shows a general decline in bond yields, referred to as a bull market, since 2007.	**Exhibit 1** shows a general decline in bond yields, referred to as a bull market, since 2007.
21 Aug 2025	5: Yield Curve Strategies	5.03 Yield Curve Strategies	Page 296 End of second paragraph in Example 7	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 × 1.96) + (-25.4/124.6 - 25.41 × 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)) x 1.96] + [(–25.41/(124.6 – 25.41)) x 9.62].**
24 June 2026	5: Yield Curve Strategies	5.03 Yield Curve Strategies	Page 306 Exhibit 24	Long payer swaption ： max(strike rate - swap rate, 0) - swaption premium Long receiver swaption ： max(swap rate - strike rate, 0) - swaption premium	Long payer swaption ： max(**swap rate - strike rate**, 0) - swaption premium Long receiver swaption ： max(**strike rate - swap rate**, 0) - swaption premium
19 Aug 2025	5: Yield Curve Strategies	Solutions	Page 331 Solutions – Problem 21	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.
13 Jan 2026	6: Fixed-Income Active Management: Credit Strategies	6.02 Key Credit and Spread Concepts for Active Management	Page 348 Below Equation 2	Credit default swap (CDS) basis refers to the difference between the Z-spread on a specific bond and the CDS spread of the same (or interpolated) maturity for the same issuer. Negative basis arises if the yield spread is above the CDS spread, and positive basis indicates a yield spread tighter than the CDS spread.	Credit default swap (CDS) basis refers to the difference between the **yield spread (Z, ASW)** on a specific bond and the CDS spread of the same (or interpolated) maturity for the same issuer. Negative basis arises if the yield spread is above the CDS spread, and positive basis **is when the yield spread is below** the CDS spread.

18 Jun 2026	6: Fixed Income Active Management: Credit Strategies	6.02 Key Credit and Spread Concepts for Active Management	Page 358 Last paragraph	The spread duration statistic EffSpreadDurFRN is calculated in a similar manner by shifting DM down and up by 0.05%, with PV– and PV+ equal to £97,972,684 and £97,515,401 and EffSpreadDurFRN equal to 4.682.	The spread duration statistic EffSpreadDurFRN is calculated in a similar manner by shifting DM down and up by 0.05%, with PV– and PV+ equal to **£97,901,872** and **£97,442,153** and EffSpreadDurFRN equal to **4.707**.
9 Jan 2026	6: Fixed-Income Active Management: Credit Strategies	6.03 Credit Strategies	Pages 364-365 Example 16 Question 2	B rated excess return is −0.89% = 3.5% − (7 × 0.01%) − (3.19% × 60%). The B rated bond is more attractive under this scenario.	B rated excess return is −0.89% = 3.5% − (7 × **0.35**%) − (3.19% × 60%). The **A** rated bond is more attractive under this scenario.
17 Feb 2026	6: Fixed-Income Active Management: Credit Strategies	6.03 Credit Strategies	Page 365 Example 17	10-year weight: w10 = 0.50 (= (20 – 10) / (15 – 10))	10-year weight: w10 = 0.50 (= (**15** – 10) / (**20** – 10)
17 Feb 2026	6: Fixed-Income Active Management: Credit Strategies	6.04 Liquidity and Tail Risk	Page 375 Example 19	Which of the following statements best describes how the issuer might use an asset swap to manage the benchmark interest rate risk associated with liquidating this bond position?	Which of the following statements best describes how the **investor** might use an asset swap to manage the benchmark interest rate risk associated with liquidating this bond position?
19 Feb 2026	Portfolio Management 6: Fixed-Income Active Management: Credit Strategies	6.04 Liquidity and Tail Risk	Page 377 Example 19	We can therefore approximate the change in bond value using the familiar () expression as $6,439, 808 = ($50 million 0.91 (-12.025 x 0.0177)).	We can therefore approximate the change in bond value using the familiar () expression as $6,439, 808 = ($50 million 0.91 (-12.025 x **0.01177**)).

<table>
<tr><td>22 Jan 2026</td><td>6: Fixed-Income Active Management: Credit Strategies</td><td>6.05 Synthetic Credit Strategies</td><td>Page 380 Equation 14</td><td colspan="2">Retracted errata from 25 August. The original equation
CDS Price ≈ 1 + ((Fixed Coupon − CDS Spread) × $\text{EffSpreadDur}_{\text{CDS}}$)
is correct. Kindly disregard the previously posted correction.</td></tr>
<tr><td>25 Aug 2025</td><td>6: Fixed-Income Active Management: Credit Strategies</td><td>6.06 Credit Spread Curve Strategies</td><td>Page 388 Example 26 Solution 3</td><td>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.</td><td>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.</td></tr>
<tr><td>6 July 2026</td><td>6: Fixed-Income Active Management: Credit Strategies</td><td>6.07 Global Credit Strategies</td><td>Page 397 Example 32 Question 1 Solution</td><td><table><tr><th>Rating Category</th><th>E(OAS)</th><th>E(Expected Loss)</th><th>E(Excess Spread</th></tr><tr><td>A</td><td>1.26%</td><td>0.09%</td><td>2.08%</td></tr><tr><td>Baa</td><td>1.80%</td><td>0.27%</td><td>3.93%</td></tr><tr><td>Ba</td><td>3.38%</td><td>0.90%</td><td>4.54%</td></tr><tr><td>B</td><td>4.95%</td><td>4.05%</td><td>3.65%</td></tr></table></td><td><table><tr><th>Rating Category</th><th>E(OAS)</th><th>E(Expected Loss)</th><th>E(Excess Spread</th></tr><tr><td>A</td><td>1.26%</td><td>0.09%</td><td>2.08%</td></tr><tr><td>Baa</td><td>1.80%</td><td>0.27%</td><td>2.93%</td></tr><tr><td>Ba</td><td>3.38%</td><td>0.90%</td><td>4.54%</td></tr><tr><td>B</td><td>4.95%</td><td>4.05%</td><td>3.65%</td></tr></table></td></tr>
<tr><td>2 July 2026</td><td>6: Fixed-Income Active Management: Credit Strategies</td><td>Solutions</td><td>Page 419 Question 22 Solution</td><td>Under A, the contract is priced at a premium to par because the protection buyer is receiving an “above market” periodic premium.</td><td>Under A, the contract is priced at a premium to par because the protection buyer is buying an “above market” periodic premium.</td></tr>
<tr><td>23 July 2026</td><td>7: Trade Strategy and Execution</td><td>7.08 Trade Cost Measurement</td><td>Page 459-460</td><td>h. show expanded implementation shortfall in basis points</td><td>h. show expanded implementation shortfall</td></tr>
</table>

13 Aug 2025	7: Trade Strategy and Execution	7.09 Evaluating Trade Execution	Page 463 Sentence above Equation	The VWAP cost benchmark is computed as follows	The **T**WAP cost benchmark is computed

Private Markets Pathway

Revised	Module	Lesson	Location (PDF)	Replace	With
3 Feb 2026	1: Private Investments and Structures	Practice Problems	Page 40 Above table	MSUMC notes the following basic facts about Glidestone's Fund 1. The fund invested EUR15 million per year at the beginning of each of Years 1–4, followed by cash inflows of EUR30 million per year at the ends of each of Years 4–7.	MSUMC notes **that investors contributed EUR15 million per year into Glidestone's Fund 1 at the start of years 1-4, which were used for investments, which were used for investments. The fund received cash inflows of $30Million from its investments at the end of years 4-6 and $10Million at the end of Year 7.**
3 Feb 2026	1: Private Investments and Structures	Practice Problems	Page 40 Below table	**Remove from curriculum:** MSUMC personnel note that Fund 1 distributed EUR100 million to its investors over time while the fund generated EUR120 million of cash inflows.	
3 Feb 2026	1: Private Investments and Structures	Practice Problems	Page 40 Question 5	Which of the following most closely approximates the ROI and IRR of Glidestone's Fund 1 over its seven-year life? A. ROI = 2×; IRR = 10.4%. B. ROI = 2×; IRR = 18.9%. C. ROI = 3×; IRR = 18.9%.	Which of the following most closely approximates the ROI and IRR **for the investors in Glidestone's Fund 1 over its seven-year life?** A. ROI = 2×; IRR = 10.4%. B. ROI = 2×; IRR = **16.6**%. C. ROI = 3×; IRR = **16.6**%.

3 Feb 2026	1: Private Investments and Structures	Practice Problems	Page 40 Question 7	Discuss why Glidestone's NAV increases by EUR5 million between the ends of Years 3 and 4 using observations about fund distributions.	Discuss why Glidestone's NAV increases by EUR5 million between the ends of Years 3 and 4 using observations about fund distributions **given that there was no increase for the NAV on any individual investment made by the fund across these years.**
3 Feb 2026	1: Private Investments and Structures	Practice Problems	Page 43 Question 5 Solution	B is correct. Glidestone's Fund 1 invested EUR60 (= 15 × 4 years) million and received EUR120 (= 30 × 4 years) million, so ROI is 2× (= 120 ÷ 60). The IRR is solved using either a spreadsheet or financial calculator IRR function as =IRR({–15,–15,–15,–15,30,30,30,30},0), which yields a solution of 18.9%. A is incorrect because the IRR of 10.4% assumes that all the cash outflows of EUR60 million occur at the beginning of the investment life cycle and that all the cash inflows of EUR120 million occur at the end of the investment life cycle. C is incorrect because ROI of 3× is incorrect.	B is correct. **Investors in** Glidestone's Fund 1 invested EUR60 (= 15 × 4 years) million and received **cash and terminal value of** EUR120 (= 30 × 4 years) million, so ROI is 2× (= 120 ÷ 60). The IRR is solved using either a spreadsheet or financial calculator IRR function as =IRR({–15,–15,–15,–15,10,30,30,50},0), which yields a solution of **16.6**%. **Note that the year 7 number is the terminal value of EUR12 million plus the distribution of EUR30 million = EUR50 million.** A is incorrect because the IRR of 10.4% assumes that all the cash outflows of EUR60 million occur at the beginning of the investment life cycle and that all the cash inflows of EUR120 million occur at the end of the investment life cycle. C is incorrect because ROI of 3× is incorrect.

30 Oct 2025	2: General Partner and Investor Perspectives and the Investment Process, Investor (LP) Perspectives	2.03 Investor (LP) Perspectives, Fees and Performance Measurement	Page 53 Management Fees paragraph	Once capital is fully deployed, these fees are levied on the amount of committed capital less the cumulative cost basis of investments exited and written off during the fund's life.	**As capital is deployed**, these fees are levied on the amount of capital outstanding less the cumulative cost basis of any investments exited or written off during the fund's life.
30 June 2026	2: General Partner and Investor Perspectives and the Investment Process	2.03 Investor (LP) Perspectives, Fees and Performance Measurement	Page 60 Estragon SA Fund's Clawback Provision Case Study	This correction is too extensive to display within the Errata Notice. Please refer to the linked PDF for the complete revised content. PDF Link	
14 July 2026	2: General Partner and Investor Perspectives and the Investment Process	2.04 Private Investment Selection and Value Creation	Page 68	The final transfer of ownership under this build–operate–transfer (BOT) project requires GPs to generate all investor returns prior to the transfer of asset ownership to the grantor at zero terminal value.	The final transfer of ownership under this build–operate–transfer (BOT) project requires GPs to generate **most** investor returns prior to the transfer of asset ownership to the **grantor, often at zero terminal value.**

14 July 2026	2: General Partner and Investor Perspectives and the Investment Process	2.04 Private Investment Selection and Value Creation	Page 70 Question 2—Solution	B is the correct response. A unique component of valuing infrastructure assets operating with a BOT model is that the asset has zero terminal value at the time of transfer back to the concession grantor. A is not correct, because significant amounts of debt financing are also used in private real estate and buyout equity transactions. C is not correct, because private real estate value is also determined based on its economic use.	B is the correct response. A **frequent** component of valuing infrastructure assets operating with a BOT model is that the asset **often** has zero terminal value at the time of transfer back to the concession grantor. A is not correct, because significant amounts of debt financing are also used in private real estate and buyout equity transactions. C is not correct, because private real estate value is also determined based on its economic use.

New: 25 Aug 2026	3: Private Equity	3.05 Private Equity Valuation	Page 122 Case Study—Question 1 Solution	Note that the common share price of USD 400 corresponds to an equity value upon exit of USD533,948,583 (or USD400 × 1,334,871 pre-money common shares outstanding) for the prior case.	**Note that the Optimal Conversion Point is defined using the post-conversion common share price. Because preferred shareholders receive common shares upon conversion, the aggregate equity value required to support this share price must be calculated using the fully diluted number of common shares outstanding after conversion.** **The total post-conversion share count equals 1,484,871 shares (1,334,871 existing common shares plus 150,000 new common shares issued upon conversion). Therefore, a common share price of USD400 corresponds to an aggregate equity value upon exit of approximately USD593.95 million (= USD400 × 1,484,871). At lower aggregate equity values, the post-conversion share price would remain below USD400 and preferred shareholders would rationally elect to receive the fixed liquidation preference instead of converting.**
New: 25 Aug 2026	Private Markets 3: Private Equity	3.05 Private Equity Valuation	Page 123 Case Study—Question 1 Solution	Insert the following at the end of Solution to Question 1: **The fully diluted share count must also be used whenever translating the Optimal Conversion Point from a per-share threshold into an aggregate equity value because conversion itself increases the number of outstanding common shares.**	

14 July 2026	3: Private Equity	3.05 Private Equity Valuation	Page 128 Question 1 Solution	Based upon the income statement forecast, we see that Maudville's expected EBITDA in five years' time is equal to USD1,782 million. Given the assumption of a future sale in five years at a price equal to 6× EV/EBITDA, we may estimate the future sale price to be USD10,694,000,000 (= 1,728 million × 6). Recall that this is the enterprise value, from which we must subtract the forecasted carrying value of debt to arrive at the expected firm value. Given the debt paydown forecast from USD3,750 million to USD2,165 million in Year 5, solve for the exit value of equity of USD8,529 million by subtracting remaining debt from enterprise value (= USD10,694 million − USD2,165 million). The forecasted equity value improvement from the initial USD1,250 million (note that we include the convertible preferred shares in equity here as a simplifying assumption) to USD8,529 million easily meets Bardstown's required return goals of 35% IRR, assuming no interim dividend payments. Use Equation 3 to calculate the ROI: ROI = 6.82× = 8, 529 / 1, 250.	Based upon the income statement forecast, we see that Maudville's expected EBITDA in five years' time is equal to USD1,782 million. Given the assumption of a future sale in five years at a price equal to 6× EV/EBITDA, we may estimate the future sale price to be **USD10,692,000,000** (= **1,782 million** × 6). Recall that this is the *enterprise value*, from which we must subtract the forecasted carrying value of debt to arrive at the expected firm value. Given the debt paydown forecast from USD3,750 million to USD2,165 million in Year 5, solve for the exit value of equity of **USD8,527 million** by subtracting remaining debt from enterprise value (= **USD10,692 million** − USD2,165 million). The forecasted equity value improvement from the initial USD1,250 million (note that we include the convertible preferred shares in equity here as a simplifying assumption) to **USD8,527 million** easily meets Bardstown's required return goals of 35% IRR, assuming no interim dividend payments. Use Equation 3 to calculate the ROI: ROI = 6.82× = **8, 527** / 1, 250.

New: 15 Aug 2026	3: Private Equity	3.05 Private Equity Valuation	Page 134 Question Set Question	C is the correct response. Using the equation below, total liquidation preference value equals the liquidation preference multiple times the number of preferred shares times the preferred stock price. $$Optimal\ Conversion\ Point = \frac{Total\ liquidation\ Preference\ Value}{Conversion\ Ratio\ x\ Number\ of\ Preferred\ Shares}$$ If the liquidation preference multiple and conversion ratios are equal, then the above equation simplifies to be equal to the preferred stock price. The preferred stock price is fixed based on the issuance price while the equity value is based on a variable stock price. Equity value exceeds the term in response C if the common stock price exceeds the fixed preferred stock price, and at this point, convertible preferred stockholders will convert their preferred shares to common shares. Response A is incorrect because the equity value reflects the value of common shares before dilution. Response B is incorrect because equity value is always equal to this term.	**Response A is correct. Conversion becomes economically rational only when the value of the common shares received upon conversion exceeds the fixed liquidation preference. Because conversion increases the number of outstanding common shares, the aggregate equity value required to reach the Optimal Conversion Point must be calculated using the fully diluted post-conversion share count rather than the pre-conversion share count.**

10 Oct 2025	3: Private Equity	Practice Problems	Page 147 Solution to 8	The prior fractional ownership is equal to 13.33% (= 2.5 ÷ 18.75). Post-money valuation is given as EUR50 million and pre-money valuation is equal to EUR47.5 million (= 50 − 2.5). New investor equity is given as Estragon's planned investment of EUR2.5 million. Thus, the fractional ownership is equal to approximately 17.7% (= 13.33% × (47.5/50) + (2.5/50).	The prior fractional ownership is equal to 13.33% (= 2.5 ÷ 18.75). Post-money valuation is given as EUR50 million and pre-money valuation is equal to **EUR45** million (= 50 − **5**). New investor equity is given as Estragon's planned investment of EUR2.5 million **plus an additional EUR2.5 million from another investor, for a total of EUR5 million**. Thus, **Estragon's new** fractional ownership is equal to approximately 17.0% (= 13.33% ×(**45**/50)+(2.5/50)).
14 July 2026	4: Private Debt	4.02 Private Debt Strategies	Page 157 Below Exhibit 3	In the case of infrastructure projects with a finite operating period, such as a BOT project, the debt is paid down fully as operations begin, with cash flows accruing to equity holders until the asset is transferred to the public entity with a terminal value of zero.	In the case of infrastructure projects with a finite operating period, such as a BOT project, the debt is **generally** paid down fully as operations begin, with cash flows accruing to equity holders until the asset is transferred to the public entity with a **conservative** terminal value of zero **but there are exceptions depending on the specifics of the project.**
16 July 2026	4: Private Debt	4.03 Leveraged Loans, High Yield, and Convertible Bonds	Page 159 Exhibit 4	**Convertible Debt** Early stage / acquisition	**Convertible Debt** **Growth** stage / acquisition
6 Nov 2025	5: Private Special Situations	5.04 Other Special Situations	Page 240 Equation 6	$E_t = V_t N(d_1) - e^{-rT} DN(d_2)$	$E_t = V_t N(d_1) - e^{-r\mathbf{(T-t)}} DN(d_2)$

6 Nov 2025	5: Private Special Situations	5.04 Other Special Situations	Page 251 Exhibit 21	Max($Stock_T$-X,0) arrow points to Equity Option Option Premium C_{Et} arrow points to Investor	Max($Stock_T$-X,0) arrow points to **Investor** Option Premium C_{Et} arrow points to **Equity Option**
13 Aug 2025	6: Private Real Estate Investments	6.02 Private Real Estate Investment Features	Page 275 Pandan East Expected NOI and Project Return Case Study	Project planners estimate a monthly rent per ft2 net of expenses in Malaysian ringgit of MYR2.75, with no additional income.	Project planners estimate a monthly rent per **ft2 in** Malaysian ringgit of MYR2.75, with no additional income.
10 Oct 2025	6: Private Real Estate Investments	6.02 Private Real Estate Investment Features	Page 275-276 Case Study intro and Solution to 1	Intro text: Project planners estimate a monthly rent per ft2 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. Solution to 1: Next, subtract vacancies and operating expenses (5%, or 100% – 95%, and 30% of gross rent, respectively) from gross rent:	Intro text: Project planners estimate a monthly rent **per ft2 in** Malaysian ringgit of MYR2.75, with no additional income. Occupancy is expected to be 95% upon completion in two years, with **a fixed** 30% of **full occupancy** gross rent as expenses, including a small capital improvement allowance. Solution to 1: Next, subtract vacancies and operating expenses (5%, or 100% – 95%, and **a fixed** 30% of gross rent **unrelated to vacancies**, respectively) from gross rent:

14 July 2026	7: Infrastructure	7.01 Introduction	Page 334 Learning Module Overview	Unlike private equity or real estate investments, which typically seek an exit in several years following capital appreciation due to restructuring or development, infrastructure investments that use a build–operate–transfer structure transfer their assets at the end of an operating period and therefore have a terminal value of zero.	Unlike private equity or real estate investments, which typically seek an exit in several years following capital appreciation due to restructuring or development, infrastructure investments that use a build–operate–transfer structure **generally** transfer their assets at the end of an operating period and **it is conservative to assume a terminal value of zero but there are exceptions depending on the specifics of the project.**
14 July 2026	7: Infrastructure	7.04 Infrastructure Investment Process	Page 350	Infrastructure asset inflexibility extends beyond the development phase to the period of operation and in many cases to the final asset transfer to public ownership, resulting in a zero terminal value to investors.	Infrastructure asset inflexibility extends beyond the development phase to the period of operation and in many cases to the final asset transfer to public ownership, **often** resulting in a zero terminal value to investors**-though many exceptions exist, arising from the particularities of the project.**
11 Sept 2025	7: Infrastructure	7.04 Infrastructure Investment Process	Page 352 Exhibit 10	Equityholders- Payments made once senior debt obligations are met	Equityholders- Payments made once **junior** debt obligations are met
9 Sept 2025	7: Infrastructure	7.04 Infrastructure Investment Process	Page 360 Question Set, Solution to 4	which results in a GP performance fee of GBP2,689,968.	which results in a GP performance fee of **GBP2,689,698**.
5 Sept 2025	7: Infrastructure	7.05 Infrastructure Investment Due Diligence and Valuation	Page 375 Question Set, Solution to 1	= 5.57% = RATE(3, 0, -315000000, 437514322).	= 5.57% = RATE(3, 0, -315000000, **370642367**).

5 Sept 2025	7: Infrastructure	7.05 Infrastructure Investment Due Diligence and Valuation	Page 375 Question Set, Solution to 2	In this case, the value of the project (USD527,514,322)	In this case, the value of the project (USD**460,642,367**)
17 July 2026	7: Infrastructure	Practice Problems	Page 382-383 Questions 6-9	This correction is too extensive to display within the Errata Notice. Please refer to the linked PDF for the complete revised content. PDF Link	
17 July 2026	7: Infrastructure	Practice Problems	Page 383-384, 386-387 Questions and Solutions 10-12	This correction is too extensive to display within the Errata Notice. Please refer to the linked PDF for the complete revised content. PDF Link	

Private Wealth Pathway

Revised	Module	Lesson	Location (PDF)	Replace	With
18 Jun 2026	1: The Private Wealth Management Industry	1.03 Fee, Revenue, and Compensation Structures	Page 24	Throughout the wealth manager's tenure, remuneration typically comprises four elements: a fixed salary, variable remuneration, long-term incentives, deferred pay or equity participation, and fringe benefits.	Throughout the wealth manager's tenure, remuneration typically comprises **five** elements: a fixed salary, variable remuneration, long-term incentives, deferred pay or equity participation, and fringe benefits.
13 Aug 2025	1: The Private Wealth Management Industry	Solutions	Page 61 Solution to 7	A is correct.	**B** is correct.
5 Sept 2025	1: The Private Wealth Management Industry	Solutions	Page 61 Solution to 11	A client who opts for less insurance coverage would	A client who opts for **more** insurance coverage would
6 Nov 2025	2: Working With the Wealthy	2.03 Client Profiles and Acquisition	Page 84 Exhibit 10	Decimillionaires	**Decamillionaires**

6 Nov 2025	3: Wealth Planning	3.04 Taxation	Page 196 Case Study Asset Location Strategies to Maximize Returns	Charles and Ivy Lee have USD15,000,000 of financial assets.	Charles and Ivy Lee have **USD10,000,000** of financial assets.
22 Aug 2025	3: Wealth Planning	Practice Problems	Page 227 Exhibit 1	In table: first 2 instances of “Tax deferred”	“Tax **exempt**”
28 Aug 2025	3: Wealth Planning	Practice Problems	Page 230 Solution to Question 9	B is correct.	**C** is correct.

23 Jun 2026	4: Investment Planning	4.03 Taxation	Page 253	Objective = maximize(Post-tax expected return − λ/2 × Post-tax portfolio variance) = maximize (1 − tx) × (Expected return − λ/2 × Portfolio variance) Multiplying the entire objective function by (1 − tx) does not change the optimal solution, but multiplying the coefficient of risk aversion by (1 − tx) lowers it—the taxable investor is less risk averse than the tax-exempt investor because the taxing authority absorbs some of the investment risk so that her optimal portfolio will be more biased toward equities and less biased toward bonds for the taxable investor.	Objective = maximize(Post-tax expected return − λ/2 × Post-tax portfolio variance) = maximize (1 − tx) × **[(Pre-tax expected return − λ/2 × (1 − tx) × Pre-tax portfolio variance)]** Multiplying the entire objective function by (1 − tx) does not change the optimal solution. **The remaining factor of (1 − tx) attached to the pre-tax portfolio variance term effectively reduces the coefficient of risk aversion from λ to λ(1 − tx)** — the taxable investor is less risk averse than the tax-exempt investor because the taxing authority absorbs some of the investment risk, so that her optimal portfolio will be more biased toward equities and less biased toward bonds.
12 Aug 2025	4: Investment Planning	4.03 Taxation	Page 260 Solution to 1	B is correct. A is incorrect.	B is **incorrect.** A is **correct.**
6 Nov 2025	4: Investment Planning	4.05 Performance Evaluation and Attribution	Page 280 Knowledge Check Solution 1	It is easily seen that the cumulative logarithmic return of both the portfolio and the benchmark is exactly equal to the sum of their monthly logarithmic returns and that 9.531 % + 10.536 % + 13.976 % = 12.971 % < 3 × 4.879 % = 14.637% .	It is easily seen that the cumulative logarithmic return of both the portfolio and the benchmark is exactly equal to the sum of their monthly logarithmic returns and that 9.531 % **-** 10.536 % + 13.976 % = 12.971 % < 3 × 4.879 % = 14.637% .

21 Jan 2026	4: Investment Planning	4.05 Performance Evaluation and Attribution	Page 286 Case Study 1	By doing so, they would have increased their return from 2.5% to 4%.	By doing so, they would have increased their return from 2.5% to **3.8**%.
6 Nov 2025	4: Investment Planning	Practice Problems	Page 294 Question 7	The decline in Foy's surplus resulting from a 30% decline in his investment portfolio would be *closest* to: **A.** 26%. **B.** 30%. **C.** 74%. C is correct. A 30% decline in Foy's investment portfolio would amount to 1,500,000 × 0.3 = 500,000. USD 500,000/USD 677,000 = 73.86%.	The decline in Foy's surplus resulting from a 30% decline in his investment portfolio would be *closest* to: **A.** 26%. **B.** 30%. **C. 66**%. C is correct. A 30% decline in Foy's investment portfolio would amount to 1,500,000 × 0.3 = **450,000**. USD **450,000**/USD 677,000 = **66.46**%.
27 Aug 2025	4: Investment Planning	Practice Problems	Page 299 Solution to 15	B is correct.	**A** is correct.
12 Aug 2025	5: Preserving the Wealth	5.02 Risk Management Using Asset-Liability Management	Page 321 Exhibit 12	Percent of projected results within range: 50% 75% 95%	Percent of projected results within range: **95%** **75%** **50%**

7 Aug 2025	5: Preserving the Wealth	5.04 Inflation	Page 350 Third bullet under "Types of Inflation"	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 Aug 2025	5: Preserving the Wealth	5.04 Inflation	Page 358 Knowledge Check, Solution to 1	0.343 x (EUR171,451 + EUR161,685) = EUR121,675	0.343 x (EUR171,451 + **EUR181,685**) = **EUR121,126**
7 Aug 2025	5: Preserving the Wealth	5.04 Inflation	Page 362 Paragraph above Exhibit 33	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%.

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<tr>
<td>5 Mar 2026</td>
<td>5: Preserving the Wealth</td>
<td>5.05 Exchange Rate Risk</td>
<td>Page 371</td>
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<tr><td>This information can be summarized as:</td><td>Value in EUR</td><td>Value in USD Exchange rate is EUR1.10/ USD</td></tr>
<tr><td>Jennifer Hemmingworth</td><td></td><td></td></tr>
<tr><td>Annual Lifestyle expenditure</td><td>100,000/year</td><td></td></tr>
<tr><td>Total expenditure until retirement</td><td>800,000</td><td>880,000</td></tr>
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<tr><td>Property Value</td><td>500,000</td><td>550,000</td></tr>
<tr><td>Mortgage on property</td><td>200,000</td><td>220,000</td></tr>
<tr><td>Family financial assets</td><td></td><td></td></tr>
<tr><td>Cash on hand</td><td>100,000</td><td>50,000+ 110,000</td></tr>
<tr><td>Investments</td><td>1,000,000</td><td>1,150,000</td></tr>
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<tr><td>Cash on hand (EUR)</td><td>45,455</td><td>50,000</td></tr>
<tr><td>Investments (USD)</td><td>1,363,636</td><td>1,150,000</td></tr>
<tr><td>Investments (EUR)</td><td>1,000,000</td><td>1,100,000</td></tr>
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5 Mar 2026	5: Preserving the Wealth	5.05 Exchange Rate Risk	Page 372 Exhibit 38	Human Capital (€) $6,600,000 Assets $9,910,000 Surplus $1,910,000 Debt & Equity Total $9,910,000	Human Capital (€) **$7,700,000** Assets **$11,110,000** Surplus **$3,010,000** Debt & Equity Total **$11,010,000**

5 Mar 2026	5: Preserving the Wealth	5.05 Exchange Rate Risk	Page 372 Below Exhibit 38	Displaying the family balance sheet in this way reveals currency mismatches between assets and liabilities. The risk of that mismatch is compounded by exchange rate volatility. If we consolidate all the dollar-denominated assets into one category and all the euro-denominated assets in another (and similarly consolidate the liabilities by currency) and express them all in the same currency as we have done in Exhibit 39, we see currency risks. The USD1.55 million of dollar-denominated assets offsets only a small portion of the currency exposure of the dollar-denominated liabilities and surplus (USD6,900,000 + USD1,910,000 = USD8,810,000). The bulk of the Hemmingworths' assets (USD8.36 million) are denominated in euros, which more than offsets the currency exposure of the USD1.1 million worth of euro-denominated liabilities, including their mortgage and lifestyle. In other words, the Hemmingworths are long euros and short US dollars. They have a USD7.26 million mismatch in their euro exposure (i.e., USD8,360,000 – USD1,100,000).	Displaying the family balance sheet in this way reveals currency mismatches between assets and liabilities. The risk of that mismatch is compounded by exchange rate volatility. If we consolidate all the dollar-denominated assets into one category and all the euro-denominated assets in another (and similarly consolidate the liabilities by currency) and express them all in the same currency as we have done in Exhibit 39, we see currency risks. The USD1.55 million of dollar-denominated assets offsets only a small portion of the currency exposure of the dollar-denominated liabilities and surplus (USD6,900,000 + **USD3,010,000** = **USD9,910,000**). The bulk of the Hemmingworths' assets (**USD9.46 million**) are denominated in euros, which more than offsets the currency exposure of the USD1.1 million worth of euro-denominated liabilities, including their mortgage and lifestyle. In other words, the Hemmingworths are long euros and short US dollars. They have a **USD8.36 million** mismatch in their euro exposure (i.e., **USD9,460,000** – USD1,100,000).

5 Mar 2026	5: Preserving the Wealth	5.05 Exchange Rate Risk	Page 373 Below Exhibit 39	For the Hemmingworths, euros are the base currency, and US dollars are the price currency, or currency in which most of their consumption is based. A 10% depreciation in the euro relative to the US dollar, for example, would decrease the Hemmingworths' surplus by USD726,000 (i.e., 0.10 × [USD8,360,000 - USD1,100,000]), or about a third of their surplus.	For the Hemmingworths, euros are the base currency, and US dollars are the price currency, or currency in which most of their consumption is based. A 10% depreciation in the euro relative to the US dollar, for example, would decrease the Hemmingworths' surplus by **USD836,000** (i.e., 0.10 × [**USD9,460,000** - USD1,100,000]), or **just over a quarter of their surplus.**
7 Aug 2025	5: Preserving the Wealth	Practice Problems	Page 383 Question 16	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?**

7 Aug 2025	5: Preserving the Wealth	Practice Problems	Page 387 Solution to Question 17	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.**

17 Jun 2026	6: Advising the Wealthy, Entrepreneurs and Business Owners	6.04 Entrepreneurs and Business Owners	Page 424 Exhibit 8 Question 2 Solution	Solution: Currently, Garcia has 90% of his total wealth, or USD45 million, invested in his family business and commercial real estate, both of which are categorized in the aspirational risk bucket. For someone over 60 years of age, this constitutes significant risk, particularly now that his son has opted out of taking over the business. Garcia's extended balance sheet reveals a risk mismatch: USD30 million of Garcia's USD35 million primary capital (represented in green and orange) are assets in the aspirational risk bucket (in blue). This misalignment signifies a concentrated business and real estate investment strategy that is too aggressive relative to Garcia's primary capital goals.	Solution: Currently, Garcia has 90% of his total wealth, or USD45 million, invested in his family business and commercial real estate, both of which are categorized in the aspirational risk bucket. For someone over 60 years of age, this constitutes significant risk, particularly now that his son has opted out of taking over the business. **There is a clear mismatch between the current structure of Garcia's assets and his goal of having only $15MM allocated to "Aspirational Risk", which is particularly at-odds with the $40MM family business.** This misalignment signifies a concentrated business and real estate investment strategy that is too aggressive relative to Garcia's primary capital goals.
22 Aug 2025	6: Advising the Wealth	6.05 Managing Concentrated Position for Professionals, Executives, and Others	Page 457 Sentence two, last paragraph under "Total Return Swap"	The reverse is true for losses.	The reverse is true for **gains on the underlying stock.**

New: 18 Aug 2026	6: Advising the Wealthy	Solutions	Page 471 Question 18	A is correct. A protective put strategy would ensure a minimum price for the shares. However, should the shares increase and the put expire worthless, it would create a taxable event. Furthermore, it would require an initial cash payment and do nothing to contribute to a more diversified portfolio.	A is correct. A protective put strategy would ensure a minimum price for the shares. However, should the shares **decrease**, **a tax liability will be created because either the put will be exercised and the shares will be sold or the put option itself will be exited.**
17 Sept 2025	7: Transferring the Wealth	7.04 Charities and Philanthropy	Page 518 Case Study	This correction is too extensive to display within the Errata Notice. Please refer to the linked PDF for the complete revised content. PDF link	

Glossary

Revised	Module	Location (PDF)	Replace	With
19 May 2025	Key Terms	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