2023 CFA Program: Level III Errata

23 February 2023

If you find something in the curriculum that you think is in error, please submit full details via the form at http://cfa.is/Errata.

- Corrections below are in bold, and new corrections will be shown in red; page numbers shown are for the print volumes.
- The short scale method of numeration is used in the CFA Program curriculum. A billion is 10^9 and a trillion is 10^{12}. This is in contrast to the long scale method where a billion is 1 million squared and a trillion is 1 million cubed. The short scale method of numeration is the prevalent method internationally and in the finance industry.

Volume 1

Reading 13

- In Section 3.1 (page 14 of print), fifth sentence of the third paragraph should read, "The **rolling yield** return component of Equation 1 (sometimes referred to as "carry-rolldown") incorporates not only coupon income (adjusted over time for any price difference from par) but also additional return from the passage of time and the investor's ability to sell the shorter-maturity bond in the future at a higher price (lower yield-to-maturity due to the upward-sloping yield curve) at the end of the investment horizon."
- In Example 15 (page 46 of print), the heading "Rolldown Return" after the table should read "**Rolling Yield**."

Reading 14

- The first sentence of the Solution for Example 26 (page 113 of print) should read, "To estimate credit curve **rolling yield** returns, we must solve for the first two return components from Equation 1 (Coupon income +/− Roll-down return) and separate the impact of benchmark yield versus credit spread changes."
- In the Solution to 2 in Example 26 (page 114 of print), the second calculation should read,

  "Price appreciation: $**90,500** (= (101.118 − 100.937)/100.**000** × $50 million)

  And the sentence that follows should read, "Because the yield spread curve is flat at 0.50%, the full $**90,500** price change in the 10-year is benchmark yield curve roll down."

  The last calculation should read,

  "Price appreciation: $**434,500** (= (101.517 − 100.648)/100.**000** × $50 million)

  And the sentence that follows should read, "Because the 0.07% decline in YTM is estimated to be equally attributable to benchmark yield and yield spread changes, each is assumed equal to $**217,250**."

- The Solution to 3 in Example 26 (page 114 of print) should read, "Incremental income due to price appreciation is therefore $3**44,000** (=$**434,500** − $**90,500**), of which $**217,250** is attributable to credit spread changes.

  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."

- Option C for Practice Problem 12 (page 134 of print) should read, "**5.45**%."
- The Solution to Practice Problem 12 (page 141 of print) should read, "C is correct. **Using Equation 10 (Spread0 – (EffSpreadDur × ΔSpread) – (POD × LGD)), the expected excess return on the bond is approximately 5.45% (=2.75% – (6 × –0.50%) – (0.75% × 40%)).**