

Issues and Errata for Level I Curriculum Printed Volumes

March 10, 2022

Note: All issues and errata are corrected as they are discovered in the digital version of the curriculum

- **In LI, volume 2, page 311, second paragraph:**
Chapter 10 **should read** section 3.2 Commodity Risk Attributes
- **In LI, volume 2, page 657** (Glossary), Keyword "Bridging":
Section 29.3 **should read** Section 4.4

LI, Vol. 1, Page 139

Replace the steps for the first calculation with the following:

Step One: Press 50
Step Two: Press x
Step Three: Press (-> 1.10
Step Four: Press y^x -> 4 ->)
Step Five: Press = 73.205

Step Six: Press 100
Step Seven: Press x
Step Eight: Press (-> 1.10
Step Nine: Press x^2 ->)
Step Ten: Press = 121

Step Eleven: Press 250
Step Twelve: Press +
Step Thirteen: Press 73.205
Step Fourteen: Press +
Step Fifteen: Press 121

Step Sixteen: Press =

Answer: 444.305

LI, Vol.1, Page 140

Second table in Workout Area

"PV of Positive Cash Flows" **should be** "FV of Positive Cash Flows".

Continue to next page

LI, Vol. 1, Page 211

Formula (1) in properties of variance:

New formula has $w_i w_j$ after the summation signs. After summation signs the second w_i should be w_j

LI, Vol.2, Page 551

Add the following **Review Questions**

3. An LP is describing co-investing to one of her colleagues. She states that a blind pool equity fund is the best way to directly invest in a single portfolio company, because it provides a level of anonymity from the management of the portfolio company. Is this a correct statement?
 4. List three alternative co-investing structures.
 5. What impact does co-investing have on the J-curve?
 6. List the disadvantages associated with co-investing.
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LI, Vol. 2, Page 553

Add the following **Review Questions and Answers**

3. An LP is describing co-investing to one of her colleagues. She states that a blind pool equity fund is the best way to directly invest in a single portfolio company, because it provides a level of anonymity from the management of the portfolio company. Is this a correct statement?

ANSWER

No, she incorrectly defined a blind pool equity fund, which aggregates capital obtained from its partners into a single fund. Typically, this investment mandate does not involve limited partners in deal sourcing.

4. List three alternative co-investing structures.

ANSWER

1) The LP invests directly into one or more of the portfolio companies of the main fund, 2) one or more LPs use a GP-controlled fund created apart from the main fund, and 3) making investments in co-investment programs in which the specific investments are identified and decisions of whether to co-invest are made on an ongoing and deal-by-deal basis.

5. What impact does co-investing have on the J-curve?

ANSWER

Co-investments are viewed as leading to a reduction of the J-curve effect and improved capital deployment and returns.

6. List the disadvantages associated with co-investing.

ANSWER

Unbalanced portfolios, increased fiduciary risk, conflicts of interest, disagreements among LPs, allocation of fees.

LI, Vol. 2, page 155

Change the 7th Learning Objective from

“Identify twelve detriments of infrastructure”

To:

“Identify twelve determinants of infrastructure”

LI, V3, page 425

Floor Payment = $\text{Max}[(\text{Strike Rate} - \text{Reference Rate}),] \times \text{Notional Value}/m$

Should be:

Floor Payment = $\text{Max}[(\text{Strike Rate} - \text{Reference Rate}), 0] \times \text{Notional Value}/m$

LI, Vol 1, page 248 Second paragraph

Should read:

The Fisher effect (or Fisher equation) states that the nominal interest rate (i) is equal to the sum of the real interest rate (r) and the expected inflation rate (π), when interest rates are expressed as continuously compounded rates.