

ERRATA for LII 2025 CAIA Curriculum

As of August 18, 2025:

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To illustrate the pooled IRR approach, return to the two funds in exhibit 1 from reading 5.4.3. The pooled cash flows from the two funds are, from 2020 to 2026: -1700, -2300, -600, -2200, -100, 3500 and 8500. The IRR of the pooled cash flow stream is 13.85%, which is slightly closer to the 12.53% IRR of Pe Fund 2 than it is to the 16.53% IRR of Pe Fund 1. Presumably this is because the total of contributions to Pe Fund 2 is 4,000, while the total of contributions to Pe Fund 1 is 3,600. The commitment-weighted IRR is 14.43% and the equally-weighted IRR is 15.53%.

15.53% should be 14.53%

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Application D has been revised to read as follows:



APPLICATION D

Using Exhibit 1 from reading 6.4.3, suppose that rather than both funds starting in Year 2020, PE Fund 2 began in Year 2023 and generated the same cash flow stream as in this exhibit but in Years 2023–29. Find the time-zero-based pooled cash flows and calculate the time-zero-based IRR.

A simple pooling of the cash flow streams results in nine cash flow periods:

-200	-800	200	-3,500	-2,100	1,200	3,300	500	1,500	5,000
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Note the signs change across the nine periods, which can result in multiple possible IRRs. In this instance the two solutions are -585.25% and 14.22%.

Hence, to avoid this issue, we use a time-zero-based pooled cash flow producing six cash flow periods:

-1,700	-2,300	-600	-2,200	-100	3,500	8,500
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This results in a time-zero-based pooled IRR of 13.85%.