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List of Changes



Investments 12th Edition

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ISBN: 9781260013832 / © 2021

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The following is a guide to changes in the Twelfth Edition. This is not an exhaustive road map, but instead is meant to provide an overview of substantial additions and changes to coverage from the last edition of the text.

SEE LIST OF CHANGES ATTACHED.

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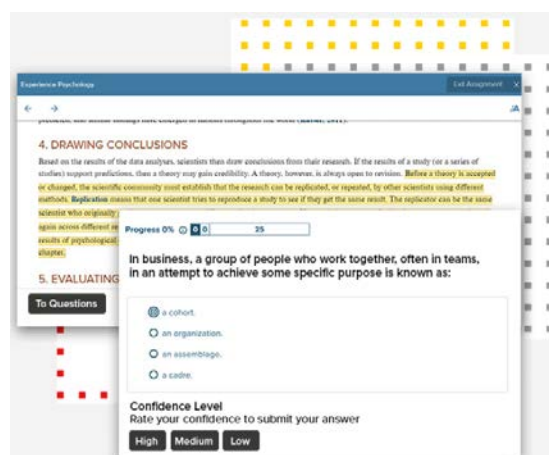
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Changes to Bodie: Investments, 12e

Chapter 1: The Investment Environment

- This chapter now addresses Fintech and cryptocurrency.

Chapter 2: Asset Classes and Financial Instruments

- We have updated the material on the LIBOR scandal and proposed replacements for the LIBOR rate that may be implemented in the next few years.

Chapter 3: How Securities Are Traded

- This chapter has been updated for developments in market microstructure, including the replacement of specialists by designated market makers.

Chapter 5: Risk, Return, and the Historical Record

- This chapter has been extensively reorganized and substantially streamlined.
- The material on interest rates and the discussion of historical evidence on the risk–return relation have both been unified.

Chapter 7: Efficient Diversification

- The discussion of risk sharing, risk pooling, and time diversification has been extensively rewritten with a greater emphasis on intuition.

Chapter 9: The Capital Asset Pricing Model

- We have added more discussion of extensions to the CAPM, in particular, the implications of labor and other nonfinancial income for the risk–return trade-off.

Chapter 10: Arbitrage Pricing Theory and Multifactor Models of Risk and Return

- The chapter now contains an explicit illustration of the estimation and implementation of a multifactor security market line. It also contains a new section on smart betas.

Chapter 11: The Efficient Market Hypothesis

- We have added material on recently uncovered market anomalies, for example, related to volatility, accruals, growth, and profitability.

Chapter 12: Behavioral Finance and Technical Analysis

- We have updated and expanded the material on the range of behavioral biases that seem to characterize investor decision making.

Chapter 13: Empirical Evidence on Security Returns

- We have added a discussion of the debate concerning characteristics versus factor sensitivities as determinants of expected return.

Chapter 18: Equity Valuation Models

- This chapter includes more examples and discussion of growth opportunities. It also now includes a discussion of Shiller's CAPE (cyclically-adjusted P/E ratio).

Chapter 24: Portfolio Performance Evaluation

- We have revamped the derivation and motivation of the M-square and T-square measures, which attempt to restate the Sharpe and Treynor measures in terms of more easily interpreted units. We also extend the discussion of selection bias in interpreting published investment performance.

Chapter 26: Hedge Funds

- This chapter has been updated to include more material on high-frequency hedge fund strategies.

Chapter 28: Investment Policy and the Framework of the CFA Institute

- We have added material on online retirement planners and have expanded and better organized the material on the objectives and constraints facing a wide variety of investors.

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