Where Reading 1 Comes Back

Reading 1 is the language of returns used across the whole CFA programme. Almost every idea here returns later in more depth. Topic-area names follow the CFA Level I curriculum; exact reading titles may differ.

Measuring returns

What you learnt in Reading 1	Where it comes back	What you will learn there
Price, distribution and total return	Quantitative Methods (Reading 2)	Returns by asset type: equities, bonds, derivatives; currency and indexes.
Arithmetic vs geometric mean	Quantitative Methods (Readings 2–3)	Volatility drag; time-weighted returns; linking index returns.
Annualizing and compounding	Quantitative Methods (Time Value of Money)	PV and FV, annuities, effective annual rates, compounding frequency.
Continuously compounded returns	Quantitative Methods (Probability)	Lognormal distribution of prices and why log returns are used in models.
Dividend yield and current yield	Equity Investments · Fixed Income	Dividend-based valuation; bond yield measures.

Required returns and risk premiums

What you learnt in Reading 1	Where it comes back	What you will learn there
Real vs nominal rates; inflation premium	Economics	Inflation, monetary policy and how central banks set rates.
Default, liquidity and maturity premiums	Fixed Income	Credit spreads, the yield curve and term structure, liquidity in bond markets.
Size, value and market risk premiums	Portfolio Management · Equity	CAPM and the market risk premium; factor models; cost of equity.
Interest rate as a discount rate	Corporate Issuers · Fixed Income · Equity	Discounting cash flows to value projects, bonds and stocks.

Measures of return

What you learnt in Reading 1	Where it comes back	What you will learn there
Excess return vs a benchmark	Portfolio Management	Risk-adjusted performance and benchmarking.
Gross vs net; after-tax returns	Portfolio Management · Level III	Fees, taxes and the investment policy statement.
Leverage	Corporate Issuers · Derivatives · Alternatives	Financial leverage and capital structure; leverage in futures and options; leverage in hedge funds.

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