Where Reading 3 Comes Back

Benchmarking Returns is a foundation. Its two tools — IRR-based and time-weighted returns — and its index ideas return across Level I and grow at Levels II and III. When a later reading feels heavy, come back to its row here. Topic-area names follow the CFA Level I curriculum; exact reading titles may differ.

Money-weighted return and IRR

What you learnt in Reading 3	Where it comes back	What you will learn there
IRR and NPV (MWR)	Corporate Issuers	Capital budgeting: NPV and IRR rules for accepting projects, and their limitations.
IRR as a single discount rate	Fixed Income	Yield to maturity: the IRR of a bond's cash flows.
BA II Plus cash-flow worksheet	All quantitative topics	The same CF / NPV / IRR keystrokes for projects, bonds and annuities.

Time-weighted return and performance measurement

What you learnt in Reading 3	Where it comes back	What you will learn there
Compound (geometric) returns	Quantitative Methods	Geometric vs arithmetic means and other return measures.
Judging a manager's skill	Portfolio Management	Risk-adjusted performance (e.g. Sharpe ratio) and comparing portfolios with benchmarks.
GIPS and when MWR is allowed	Ethical and Professional Standards · Level III	Introduction to GIPS at Level I; full performance presentation rules at Level III.

Security market indexes

What you learnt in Reading 3	Where it comes back	What you will learn there
Index construction and weighting	Equity Investments	Security market indexes in depth: index uses, equity, fixed income and alternative investment indexes.
Market-cap index as "the market"	Portfolio Management	The market portfolio, beta and the CAPM; passive investing with index funds.
Price vs total return index	Equity Investments · Portfolio Management	Choosing a valid benchmark for a portfolio.
Rebalancing and reconstitution	Portfolio Management	Rebalancing a client's portfolio to its target asset allocation.
Stock splits and stock dividends	Equity Investments · Financial Statement Analysis	Corporate actions and their effect on per-share data such as EPS.
Index levels as underlyings	Derivatives	Index futures and options.

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