

What Every Level 3 CFA Candidate Must Know

Your host:
Dr. Bruce Kuhlman, CFA, CAIA
Vice President and Level 3 Manager
Kaplan/Schweser

1

Contents

- In this video I will address:
 - How Level 3 is different from 1 and 2
 - How you should study for Level 3
 - When you should start studying
 - The 2009 Level 3 topic weights
 - Historic Level 3 pass rates
 - What Level 3 candidates say
 - How we can help you pass the Level 3 exam

2

First, Congratulations!

- You have cleared two formidable hurdles
 - Levels 1 and 2!
- You have demonstrated that you have the *discipline* and the *ability* to be a successful CFA candidate!
- You must continue to rely on your abilities and maintain that discipline through exam day, June 6, 2009!

3

Now...How is Level 3 Different?

- Level 3 is a whole new ball game!
- You will probably find the Level 3 curriculum to be “an easy read”
 - It’s shorter than the other two and can actually be enjoyable
- Don’t be lulled into a false sense of security
- Success at Level 3 is as much about preparing for the exam as learning the curriculum
 - Level 3 pass rates attest to this →

Continued →

4

Level 3 Pass Rates

<i>Year</i>	<i>Test Takers</i>	<i>Pass Rate</i>
2003	13,020	68%
2004	13,452	64%
2005	11,102	55%
2006	16,283	76%
2007	12,777	50%
2008		53%

5

Level 3 Pass Rates (Cont.)

- 2007 had the lowest pass rate in the history of the Level 3 exam!
 - 2008 only beat 2007 by 3 percentage points
 - And, every Level 3 candidate had the entire Level 3 curriculum
- You have to ask yourself, “If the Level 3 curriculum is as easy as it seems, would the pass rates be that low?”
 - Again, the exam is the challenge, not the curriculum

Continued →

6

How Level 3 is Different (Cont.)

- At Levels 1 and 2, the material is tested in much the way it is presented
- To answer questions at Level 3, you must learn each study session well enough to integrate it with the others
 - A single item set or essay question can ask questions from several study sessions

Continued →

7

How Level 3 is Different (Cont.)

- For example, to answer questions in a morning case for an individual (private wealth) investor, you could have to call on your knowledge of five or more study sessions:
 - SS 3 – Behavioral Finance
 - SS 4 – Private Wealth Management
 - SS 8 – Asset Allocation
 - SS 13 – Alternative Investments
 - SS 14 – Risk Management

Continued →

8

How Level 3 is Different (Cont.)

- Only two topics are consistently tested in single, dedicated questions:
- Ethics and Standards (Study Sessions 1 and 2) and GIPS® (Study Session 18)
 - Ethics **will** be tested in 2, 18-point item sets
 - GIPS **will** be tested in either an 18-point item set in the afternoon or an essay question in the morning
 - GIPS will be worth 15 to 20+ points

Continued →

9

The Level 3 Standards Pack

- Since together they will be worth at least 15% of the exam (≥ 54 points), I have created the *Schweser Level 3 Standards Pack* for 2009
- It contains everything the Level 3 candidate needs to know for Ethics and GIPS!
- It's at the end of SchweserNotes™ book 1
- You can (and should) tear it out and carry it around

Continued →

10

How Level 3 is Different (Cont.)

- Level 3 essay questions have multiple parts
 - Each part can be worth 3 to 10 points
 - A total of 10 to 35 points per essay question
- “Double jeopardy” is considered fair and almost necessary at Level 3 in both essay questions and item sets
 - You must use the answer from one question as an input for another question

Continued →

11

How Level 3 is Different (Cont.)

- The morning session of your exam will be all constructed response essay questions
 - 180 points spread over 8 to 12 questions
 - The weight of each question is noted in *minutes* (one minute = 1 point)
 - They can require written text and/or calculated answers
- The afternoon session will be all item sets
 - 180 points in 10, 6-question item sets

Continued →

12

How Level 3 is Different (Cont.)

- The afternoon session of the Level 3 exam is much like the Level 2 exam
 - All item sets
- The difference, of course, is the combination of multiple study sessions in the same item set
 - Some will be dedicated to a single topic, like derivatives, but even that could entail recalling information from two SSs (10 and 15)
- Another thing...at Level 3 you have to *use* what you learn about a topic

Continued →

13

How Level 3 is Different (Cont.)

- For example:
- Rather than define a derivatives hedging strategy, you could be given the manager's goals and forecasts and asked to recommend the most efficient derivatives strategy to use and then explain your choice
- In other words, you don't answer from a list or definition that you memorized
 - You answer through reasoning and the knowledge you have gained

Continued →

14

How do I Study for Level 3?

- At a minimum, read the SchweserNotes™
 - They're concise and comprehensive
 - An efficient way to learn the material and prepare for the exam
- I strongly recommend that you study with others
- In my 30 years as a university student and professor, I found that discussing topics is the best way to learn them
 - If you can explain a concept to someone, you know it!

Continued →

15

How do I Study for Level 3? (Cont.)

- One key is thinking of ways the topics can be combined into a single question
- Challenge yourself to think of ways CFA Institute could ask questions
- For example, while you are reading SS 3, think of how an individual's behavioral characteristics affect his or her investment decisions and how you, as the financial advisor, would recognize and deal with them

16

When Should I Start Studying?

- Start studying as soon as you can
 - Register for the exam and start with the CFA Level 3 curriculum
- Spread out your studying over as long a period as possible
- Don't try to cram a bunch of knowledge into your brain in a short time period
 - Short-term memory might have been sufficient at Levels 1 and 2
 - That doesn't work at Level 3

17

2009 Topic Weights

Topic Area	Weight (%)
Ethics/Standards	10
Quantitative Methods	0
Economics	0
Equity Investments	5-15
Fixed Income	10-20
Derivatives	5-15
Alternative Investments	5-15
Portfolio Management	45-55

Includes GIPS

Continued →

18

Will topics from Levels 1 and 2 be tested on the Level 3 Exam?

- Not directly, but in some cases you will be expected to know the basics. For example:
 1. It would be difficult to answer a question on forwards or other derivatives if you didn't learn them when you first saw them
 2. You are expected to know the basics of options and determine the payoff to an option strategy, but you won't have to value options as you did at Level 2

19

What Level 3 Candidates say about the Exam

- Over the years the vast majority of candidates have said the exam caught them off guard
- The test seems to cover material and topics not covered in the curriculum or only lightly mentioned
- Some have even said that the readings themselves are the "distracters"
 - Minor topics that took time away from more important topics and were not tested

Continued →

20

What Level 3 Candidates say about the Exam (Cont.)

- Prior to 2008, all (and I mean ALL) Level 3 candidates said the morning session was OK, but the afternoon session was tortuous
 - When they received their results, however, their scores were the opposite of what they expected
- For 2008 the results seem reversed
 - The morning was very time-consuming

21

How Schweser Can Help You Pass the 2009 Level 3 Exam

- I have been the Schweser Level 3 manager for six years
- My team and I know the Level 3 curriculum
 - It's our lives!
- We will do everything we can to help you pass the 2009 Level 3 exam

2009 Schweser Level 3 Products →

Please visit www.schweser.com for descriptions and pricing of all Schweser products and packages.

22

How Schweser Can Help You Pass the 2009 Level 3 Exam (Cont.)

- SchweserNotes™
- Online Schweser Study Planner
- SchweserPro™QBank
- Practice Exams, Vols. 1 & 2
- Audio and Video CDs
- Weekly In-Class Programs
- 16-Week Online Classes
- 3- and 5-Day Seminars
- WindsorWeek™
- Instructor-led Office Hours
- Online 2-Day Mock Exam and Problem Solving Workshop

23

SchweserNotes™ Pack

- 5 volumes
 - Clear and concise
 - Every LOS in the curriculum
- For the Exam notes
- Professor's notes
- Key concepts
- Concept checkers
- Topic Self-Tests
- **New...**The Level 3 Standards Pack

Continued →

24

SchweserNotes™ Pack (Cont.)

- Included with Level 3 SchweserNotes Pack:
 - Book 0 – key concepts from Levels 1 and 2
 - Practice Exams, Vol. 1
 - Schweser's QuickSheet™
 - Schweser PassProtection™
 - Partial access to InstructorLink™:
 - FAQs
 - Exam-tips Blog
 - Five volumes from the Schweser Library
 - Online Schweser Study Planner

25

Essential Solution

- SchweserNotes™
- Schweser's QuickSheet™
- Practice Exams, Vols. 1 & 2
- SchweserPro™ QBank
- Online Schweser Study Planner
- Schweser PassProtection™
- Access to FAQs, Exam-tips Blog, Instructor-led Office Hours, and 5 videos from the Schweser Library

26

Premium Solution

- Essential Solution plus:
 - Instructor Email Access
 - Complete access to the Schweser Library
 - And **your choice** of Instruction:
 - 16-Week Online Class
 - 3-Day Seminar (available in select cities)
 - Video CDs

27

PremiumPlus Solution

- Premium Solution plus the **Final Review Pack**:
 - 3-Day Seminar Archive w/ PDF Slide Workbook
 - 2-Day Problem Solving Workshop
 - Sample exam questions and solutions
 - Schweser's Secret Sauce® book
 - SchweserNotes in a single, abbreviated volume

28

Curriculum Instruction and Support Package

- SchweserPro™ QBank
- Practice Exams, Vol. 1
- Instructor-led Office Hours
- Your choice of Instruction:
 - 16-Week Online Class
 - 3-Day Seminar (available in select cities)
 - Video CDs
- Does not include SchweserNotes

29

Schweser Online Library

- Background and extra study materials
- Any purchase of Level 3 SchweserNotes includes access to at least 5 Level 3 volumes:
 1. Quantitative Methods
 2. Portfolio Management
 3. Mortgage Backed securities
 4. Behavioral Terms in the 2009 Level 3 Curriculum
 5. Determining an Individual Investor's Risk Tolerance

Continued →
30

Schweser Library (Cont.)

- In addition, full access includes:
 - Economics
 - Alternative Investments
 - Working with Corner Portfolios
 - Derivatives
 - Fixed Income Investments
 - Risk Management
 - And many more, including the entire Level 1 and Level 2 libraries

31

16-Week Online Class

- Two 3-hour classes each week
 - Schedule available online
- In addition to 16 weeks of scheduled instruction, class members receive:
 - Instructor Email Access
 - Online support, including all Schweser Library volumes
 - Weekly class email(s)

Continued →

32

16-Week Online Class (Cont.)

- Every week class members receive:
 - Coverage of every LOS
 - Exam tips
 - Sample questions and problems
 - On-going case
- And everything is posted for download!
 - At the end of the 16 weeks, you have a notebook full of review materials

33

Schweser Products (cont.): Live Seminars

- Kaplan Schweser offers live Seminars and Weekly Programs around the globe:
 - 3-Day Seminars
 - 7-Day WindsorWeek™
 - Residential program
 - 5-Day Seminar in Dallas-Fort Worth
 - 16-Week Online Class
 - Weekly In-Class Programs
- Please check our website for details and schedules.

34

Online Support


- Instructor-Led Office Hours
 - Online questions with real time answers by a member of the Schweser Level 3 team
 - Free with Solution/Class purchase
- Instructor Email Access
 - Email address for submitting questions
 - Free with Premium, Premium Plus, online Class
- FAQs
 - Free with Solution/Package/Class purchase

35

SchweserPro™ QBank

- More than 3,000 Level 3 questions, including:
 - Multiple-choice questions
 - Constructed response essay questions
 - Six part item set questions
- You have the ability to create your own exams
 - You can select questions by study session, reading or LOS
 - You can even specify the level of difficulty!

36



**Remember, luck has nothing to do with
passing the Level 3 exam!**

I wish you all the best on June 6th!

See you in January?

37