Detailed List of Changes:

NEW IN THE ELEVENTH EDITION

The following is a guide to changes in the Eleventh 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.

Chapter 1 The Investment Environment

This chapter contains additional discussions of corporate governance, particularly activist investors and corporate control.

Chapter 3 How Securities Are Traded

We have updated this chapter and included new material on trading venues such as dark pools.

Chapter 5 Risk, Return, and the Historical Record

This chapter has been updated and substantially streamlined. The material on the probability distribution of security returns has been reworked for greater clarity, and the discussion of long-run risk has been simplified.
Chapter 7 Optimal Risky Portfolios

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

Chapter 8 Index Models

We have reorganized and rewritten this chapter to improve the flow of the material and provide more insight into the links between index models, factor models, and the distinction between diversifiable and systematic risk.

Chapter 9 The Capital Asset Pricing Model

We have simplified the development of the CAPM. The relations between the assumptions underlying the model and their implications are now more explicit. The links between the CAPM and the index model are also more fully explored.

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

This chapter has been substantially rewritten. The derivation of the APT has been streamlined, with greater emphasis on intuition. The extension of the APT from portfolios to individual assets is now also more explicit. Finally, the relation between the CAPM and the APT has been further clarified.

Chapter 11 The Efficient Market Hypothesis

We have added new material pertaining to insider information and trading to this chapter.

Chapter 13 Empirical Evidence on Security Returns

Increased attention is given to tests and interpretations of multifactor models of risk and return and the implications of these tests for the importance of extra-market hedging demands.

Chapter 14 Bond Prices and Yields

This chapter includes new material on sovereign credit default swaps and the relationship between swap prices and credit spreads in the bond market.

Chapter 18 Equity Valuation Models
This chapter includes new material on the practical problems entailed in using DCF security valuation models, in particular, the problems entailed in estimating the terminal value of an investment, and the appropriate response of value investors to these problems.

**Chapter 24 Portfolio Performance Evaluation**

We have added new material to clarify the circumstances in which each of the standard risk-adjusted performance measures, such as alpha, the Sharpe and Treynor measures, and the information ratio, will be of most relevance to investors.

**Chapter 25 International Diversification**

This chapter also has been extensively rewritten. There is now a sharper focus on the benefits of international diversification. However, we have retained previous material on political risk in an international setting.