

CACS Paper 2 – Industry & Product Knowledge

Summary of Updates (April 2019 – Version 2.1)

The updates made to the CACS Paper 2 (Jan 2019 – Version 2.0) are summarized as follows:

- *Additions / updates / corrections are indicated in blue italics.
- Deletions are indicated in strikethrough.
- Section and page references relate to the updated study guide.

Chapter / Section	Page No	Update / Amendment																														
Chapter 4 – Fixed Income Analysis & Strategies																																
4.3.4 – Key Risks of Bonds	47	<p>Exhibit 4.3.4.1 – Credit Ratings (Replaced with new table below)</p> <table border="1"> <thead> <tr> <th>Standard & Poor's</th> <th>Moody's</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>AAA</td> <td>Aaa</td> <td>The highest possible rating. Extremely strong ability to repay interest and capital.</td> </tr> <tr> <td>AA</td> <td>Aa</td> <td>Very strong capacity to repay interest and principal.</td> </tr> <tr> <td>A</td> <td>A</td> <td>Strong capacity to repay interest and principal, but somewhat susceptible to circumstances.</td> </tr> <tr> <td>BBB</td> <td>Baa</td> <td>Adequate capacity to repay; more susceptible to changes in economic conditions</td> </tr> <tr> <td>BB</td> <td>Ba</td> <td>Speculative ability to repay obligations. Highly speculative; ability to repay over time is questionable.</td> </tr> <tr> <td>B</td> <td>B</td> <td></td> </tr> <tr> <td>CCC</td> <td>Caa</td> <td>CCC/Caa and CC/Ca rated bonds may already be in default or facing imminent default.</td> </tr> <tr> <td>CC</td> <td>Ca</td> <td></td> </tr> <tr> <td>C</td> <td>C</td> <td>In default on interest repayments with little prospects for recovery.</td> </tr> </tbody> </table>	Standard & Poor's	Moody's	Description	AAA	Aaa	The highest possible rating. Extremely strong ability to repay interest and capital.	AA	Aa	Very strong capacity to repay interest and principal.	A	A	Strong capacity to repay interest and principal, but somewhat susceptible to circumstances.	BBB	Baa	Adequate capacity to repay; more susceptible to changes in economic conditions	BB	Ba	Speculative ability to repay obligations. Highly speculative; ability to repay over time is questionable.	B	B		CCC	Caa	CCC/Caa and CC/Ca rated bonds may already be in default or facing imminent default.	CC	Ca		C	C	In default on interest repayments with little prospects for recovery.
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Chapter 5 – Equity Analysis and Strategies				
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Appendix B – Review Questions				
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