

THE HONG KONG POLYTECHNIC UNIVERSITY  
HONG KONG COMMUNITY COLLEGE

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**Subject Title** : Introduction to Portfolio Management

**Subject Code** : CCN3102

**Session** : Semester Two, 2015/16

**Numerical Answers**

**Question B1**

- (a) Expected return = 6.20%; SD = 17.5%
- (b) Correlation = 0.5773

**Question C1**

- (a) Duration = 6.995
- (b) 

Interest rate	Actual value	Forecasted value	Differential
9.20%	\$987.28	\$987.17	\$0.11
10.00%	938.55	935.83	2.72

**Question C2**

Part I

- (c) Option worth is \$400 per contract. With eight contracts, net profit is \$800.

Part II

- (a) The settle price is 166.90 cents per pound. Contract value is \$62,587.50.
- (b) The settle price is \$2.8723 per gallon. The value of 10 contracts is \$1,206,366.
- (c) A short position has a gain of \$9,060

**Question C3**

Part II

- (a) Sharpe is .2034  
Treydor is .0350
- (b) Jensen's alpha = 3.45%