PROJECT 1
By ADITYA DESHKAR

Q1)

Assuming expected return of 15%

1)FUND A

FINANCIAL INSTRUMENT	ALLOCATION OF THE FUND	EXPECTED RETURN PERCENT	WEIGHTED AVERAGE RETURN
Debt	50%	7%	3.5%
Equity	30%	13.5%	4.05%
Futures and Options	20%	37.25%	7.45%
			15%

Calculation of expected return % on futures and options:

0.1600=0.0350+0.0405+0.2x

0.1500=0.0755+0.2x

0.0745=0.2x

x=37.25%

2)FUND B

FINANCIAL INSTRUMENT	ALLOCATION OF THE FUND	EXPECTED RETURN PERCENT	WEIGHTED AVERAGE RETURN
Debt	40%	7%	2.8%
Equity	40%	13.5%	5.4%
Futures and Options	20%	34%	6.8%
			15%

Calculation of expected return % from futures and options:

0.150=0.028+0.054+0.2x

0.150=0.082+0.2x

0.068=0.2x

x=34%

3)FUND C

FINANCIAL INSTRUMENT	ALLOCATION OF THE FUND	EXPECTED RETURN PERCENT	WEIGHTED AVERAGE RETURN
Debt	40%	7%	2.8%
Equity	30%	13.5%	4.05%
Futures and Options	30%	27.16%	8.15%
			15%

Calculation of expected return from future and options:

0.1500=0.0280+0.0405+0.3x

0.1500=0.0685+0.3x

0.0815=0.3x

x=27.16%

Assuming 18% returns:

1)FUND A

FINANCIAL INSTRUMENT	ALLOCATION OF THE FUND	EXPECTED RETURN PERCENT	WEIGHTED AVERAGE RETURN
Debt	50%	7%	3.5%
Equity	30%	13.5%	4.05%
Futures and Options	20%	52.25%	10.45%
			18%

Calculation of expected return % on futures and options:

0.1800=0.0350+0.0405+0.2x

0.1800=0.0755+0.2x

0.1045=0.2x

X=52.25%

2)FUND B

FINANCIAL INSTRUMENT	ALLOCATION OF THE FUND	EXPECTED RETURN PERCENT	WEIGHTED AVERAGE RETURN
Debt	40%	7%	2.8%
Equity	40%	13.5%	5.4%
Futures and Options	20%	49%	9.8%
			18%

Calculation of expected return % from futures and options:

0.180=0.028+0.054+0.2x

0.180=0.082+0.2x

0.098=0.2x

x=49%

3)FUND C

FINANCIAL INSTRUMENT	ALLOCATION OF THE FUND	EXPECTED RETURN PERCENT	WEIGHTED AVERAGE RETURN
Debt	40%	7%	2.8%
Equity	30%	13.5%	4.05%
Futures and Options	30%	37.16%	11.15%
			18%

Calculation of expected return from future and options:

0.1800=0.0280+0.0405+0.3x

0.1800=0.0685+0.3x

0.1115=0.3x

x=37.16%

Q2)

As mentioned in the question the risk score of Mr.X was 47/100 and he is ready to take more risk if opportunity prevails, so I think that fund B would be perfect for Mr.X as the risk score of it is 55/100, this would provide growth and stability. This would also meet the aimed return of 15-18%.

Q3)

A)

1)Equity mutual fund allocation

Quant Active Fund-Growth:

The fund is a multicap fund, which diversifies its investment in large cap, mid cap and small cap companies. It has given a CAGR of 28.12%.It has good track record of consistent performance for past 5 years. The fund size of the mutual fund is Rs.6059.61Cr

Percentage Allocation in the portfolio:

40% of overall portfolio value.

Purpose of Allocation and Fund Manager Details:

The fund is good fit for risk taking apetite of Mr.X as it balances growth and stability.It is well-managed by Mr. Sanjeev Sharma , he has total work experience of 17 years including a 13 years of experience in financial markets. He is commerce graduate and PGDBA(finance) from symbiosis. He specialises in identifying crucial inflection points in securities. It is also well managed by Mr. Vasav Sahgal and Mr. Ankit Pande. Mr. Vasav Sahgal has done B.com and CFA and has worked with eqestar capital as equity research analyst prior to joining quant mutual fund. Mr. Ankit Pande has done CFA and MBA. Prior to joining Quant mutual fund he has worked with Infosys Finacle. He has 13 years of experience in equity research.

2)Debt mutual fund allocation

SBI Magnum Gilt Fund Direct-Growth:

This fund has a very good track record of preserving capital and generating stable returns, with CAGR of 8.56%. The fund size of this mutual fund is Rs.7714.94Cr.

Percentage Allocation :

25% of overall portfolio value

Purpose of allocation and fund manager details:

This fund is good choice for Mr. X's risk taking apetite as it provides a steady income while minimising the risk. This fund is well-managed by Mr. Rajeev Radhakrishnan, he has an experience of 17 years. He joined SBIFM as a fixed income portfolio manager in 2008. He currently heads the Fixed Income desk at the AMC. Prior to joining SBIFM, Rajeev was Co-Fund Manager for Fixed Income with UTI

Asset Management for seven years. Rajeev is an Engineering graduate and holds a Masters degree in finance from Mumbai University. He is also a charter holder of the CFA Institute, USA.

It is well managed by Tejas Soman. Mr. Soman has done B.Com from University of Mumbai and Post Graduate Program in Securities Markets - From 'NISM' .Prior to joining SBI Mutual Fund, he was associated with Yes Bank Limited, STCI Primary Dealership and Price water house Coopers.

B)

Assuming 15% returns:

FINANCIAL INSTRUMENT	ALLOCATION OF THE FUND	EXPECTED RETURN PERCENT	WEIGHTED AVERAGE RETURN
Debt	25%	8.56%	2.14%
Equity	40%	28.5%	11.4%
Futures and Options	35%	4.1%	1.46%
			15%

Calculation of return on futures and options:

0.15=0.0214+0.114+0.35x

0.15=0.1354+0.35x

0.0146=0.35x

x=4.1%

Assuming 18% returns:

FINANCIAL INSTRUMENT	ALLOCATION OF THE FUND	EXPECTED RETURN PERCENT	WEIGHTED AVERAGE RETURN
Debt	25%	8.56%	2.14%
Equity	40%	28.5%	11.4%
Futures and Options	35%	12.74%	4.46%
			18%

Calculation of returns on futures and options:

0.18=0.0214+0.114+0.35x

$0.18=0.1354+0.35x$

$0.0446=0.35x$

$x=12.74\%$