1. Rank these according to their place in the capital structure:
   1. Senior debt
   2. Ordinary share
   3. Term loan

**First: Senior debt/term loan.**

**Second: Ordinary share.**

1. Rank these by their risk
   1. Japan large cap equity
   2. US small cap equity
   3. Chinese mid cap equity

**A,C,B. Low to high risk. These can be argued due to the current ongoing uncertainty over trade war.**

1. Name 3 common equity style factors and describe what they represent

**Value factor: some smaller companies may outperform larger companies due to their niche or flexibility to pivot. Such value can be realised by identifying companies whose price is lower than their fundamental value (e.g. low P/E).**

**Momentum: this is refers to the herding concept, where prices moving in a given direction tend to continue moving in that direction. Also due to investor-bias, investor behaviour tends to exacerbate the existing trend.**

**Quality: high quality companies tend to outperform less-efficient peers. This is due to investor-bias, where the superficial investors are attracted by the brand name and high earning reports. However, diligent investors would investigate the underlying composition.**

1. The yield of the 10 year US government bond is 2.57. The yield of the 10Y JGB is -5 bp. The Bund 10Y benchmark is 7 basis points over the JGB.
   1. What is a JGB? **Japanese Government Bond**
   2. Who is the issuer of the Bund? **Germany’s federal government.**
   3. What is the spread in basis points between the US treasury benchmark and the JGB. **262bps**
2. A portfolio of US large cap equities has long only investments and has an annualised volatility of 5%. The portfolio has daily PnL in the range of + or - $500,000. What is the likely size of the portfolio in $.

**Assuming 252 day count convention. The daily volatility would be:**

**Therefore the portfolio size (P) is:**

1. A portfolio has a parametric VaR (95%, 1-day) of $500,000. What does 95% mean? What assumption has been made in this?

**95% is the confidence interval. The main assumption of parametric VaR is that the portfolio returns are normally distributed.**

1. Which of the following currencies trade as NDFs:
   1. GBP, MYR, EUR, JPY, THB

**Only MYR (Malaysian ringgit).**