

**TUTORIAL 6 : Investments**

1.
  - 1a. Describe the parties involved in a Unit Trust scheme.
  - 1b. Name FIVE types of Unit Trust in the order of increasing risk and return. Describe TWO of these Unit Trusts that give the highest return.
  - 1c. What are the benefits and drawbacks of investing in Unit Trusts?
2.
  - 2a. What is “forward” pricing for Unit Trusts? What is the disadvantage of “forward” pricing to unit holders?
  - 2b. What are the differences between bid and offer pricing of Unit Trusts and single pricing of Unit Trusts?
3.

Mr Ang was interested in currency-linked investment after understanding the product from the bank officer. He decided to place a principal of USD50,000 against an alternate currency in British pound (GBP) for 3 months (90 days). The enhanced yield is 10% and the pre-determined exchange rate of GBP/USD is 1.6651.

  - (i) What was his gain or loss if GBP/USD appreciates to 1.7200? Why did the bank choose this currency to settle the payment upon maturity?
  - (ii) What was his gain or loss if GBP/USD depreciates to below 1.600?

4.

- 4a. What are the differences between Gold Certificates and Gold Savings Account in terms of investing in gold?
- 4b. David has SGD300,000 to place in Fixed Deposit or to invest in silver by opening a Silver Savings Account. Examine the table of information given and determine whether the Fixed Deposit placement or silver deposit investment will give him a better return after SIX months. Assume no fees are charged to both of the products.

(I) The table below shows the rate p.a. for different amount of US Dollar deposits:

Foreign currency FD – US Dollar

Amt(USD)	< 10'000	< 25'000	< 50'000	< 100'000	< 250'000	<= 500'000
1 day	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
1 week	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
1 mth	0.0000	0.0000	0.0000	0.0600	0.0600	0.0600
2 mths	0.0000	0.0000	0.0000	0.0600	0.0600	0.0600
3 mths	0.0000	0.0000	0.0000	0.1000	0.1000	0.1000
6 mths	0.0200	0.0200	0.0200	0.2200	0.2200	0.2200
12 mths	0.1050	0.1050	0.1650	0.4050	0.4650	0.5250

The table below shows the rate at the time of deposit and after 6 months

Description	Rate between USD and SGD
Time of deposit	USD/SGD is 1.22
After 6 months	USD/SGD 1.25

(II) The tables below show the silver prices at time of deposit and after 6 months anticipation

Silver prices at time of deposit

Description	Unit	Bank Sells (SGD)	Bank Buys (SGD)
Silver Savings Account	SGD/oz	59.29	58.38

Anticipated silver prices after 6 months

Description	Unit	Bank Sells (SGD)	Bank Buys (SGD)
Silver Savings Account	SGD/oz	60.02	59.45

5. Explain what would happen to the money if the investments, bought using CPF, were sold.

End of Tutorial