

CACS Paper 2 – Industry & Product Knowledge

Summary of Updates (Sept 2024 – Version 1.1)

The updates made to the CACS Paper 2 study guide (June 2024 – Version 1.0) are summarized as follows:

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

Chapter	Page No.	Update / Amendment
Appendix A Formulae Sheet		
Row 6 (New)		<i>Performance Attribution to Asset Allocation</i> $\sum [w_i \times (\text{Actual Weight}_i - \text{Benchmark Weight}_i) \times \text{Benchmark Return}_i]$
Row 7 (New)		<i>Performance Attribution to Security Selection</i> $\sum [w_i \times (\text{Actual Return}_i - \text{Benchmark Return}_i) \times \text{Actual Weight}_i]$
Row 18 (New)		<i>FX Gain/Loss</i> <i>Gain / Loss in Quote Currency = [Amount of Base Currency x (FX Rate₂ – FX Rate₁)]</i> <i>Gain / Loss in Base Currency = [Amount of Base Currency x (FX Rate₂ – FX Rate₁)] ÷ FX Rate₂</i> <i>Where,</i> <i>“Amount of Base Currency” is a positive number if the investor holds a Long position, or a negative number if the investor holds a Short position.</i>
Row 19 (New)		<i>FX Margin</i> $\text{FX Margin} = [\text{Net Open Position} \div (\text{Cash Margin} - \text{Unrealised Loss})]$ <i>Where,</i> <i>The Net Open Position, Cash Margin, and Unrealised Loss are all denominated in the same currency.</i>
Row 60-67		Margin Erosion <i>Collateral Erosion Ratio</i> $\text{Margin Erosion} = \frac{\text{Original Portfolio Investment} - \text{Market Value of Investments}}{\text{Loan Exposure}}$

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		$\text{Margin Erosion} = \frac{\text{Loan Exposure} - \text{Leverage Collateral Value}}{\text{Total Market Value} - \text{Leverage Collateral Value}}$ <p>Or</p> $\text{Margin Erosion} = \frac{\left(\frac{\text{Loan Exposure}}{\text{Market Value}}\right) - \left(\frac{\text{Leverage Collateral Value}}{\text{Market Value}}\right)}{\left(1 - \frac{\text{Leverage Collateral Value}}{\text{Market Value}}\right)}$
Row 63 (New)		<p>Payoff to Put Holder</p> <p><i>Payoff to put holder = (X - S_T) if S_T < X or = 0 if S_T ≥ X</i></p> <p>Where, S_T = Value of the underlying asset X = Exercise price of the asset</p>
Row 63		<p>Yield to Maturity, (YTM) = Capital Gains Yield + Current Yield</p> <p>Where, Capital gains yield = Price appreciation on the bond</p> <p>Current yield = $\frac{\text{Annual Coupon}}{\text{Bond Price}}$</p>
Row 64		<p>Intrinsic Value Per Share = $\frac{\text{Value of Equity}_t}{\text{Number of Common Shares Outstanding}}$</p>
Appendix B Review Questions		
Chapter 2	Q 7	<p>Which of the following is a task within the planning stage of the Portfolio Management Process?</p> <ol style="list-style-type: none"> Select securities to populate the client's portfolio. Establish the client's investment objectives. Perform a review of the client's portfolio. Establish the appropriate Tactical Asset Allocation for the client.
Chapter 3	Q18	<p>Ian owns a property in Indonesia currently valued at about IDR1 billion, which is approximately SGD100,000 at current SGD/IDR exchange rate of 10,000.00. Although the exchange rate has been quite stable in recent years, Ian would still like to understand the avenues available to him for hedging the foreign exchange risk.</p> <p>The price for a 1-year NDF is 10,300.00. Ian decided to enter into the contract for SGD100,000. At the end of 1 year, the fixing rate of SGD/IDR is 10,000.00. What is the gain or loss that Ian needs to settle?</p> <ol style="list-style-type: none"> Gain of SGD3,000.00. Gain of SGD2,912.62. Loss of SGD2,912.62. Loss of SGD3,000.00.

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Chapter 7	Q32	<p>What are the key risks of investing in Real Estate Investment Trusts (REIT) <i>real estate</i>?</p> <ol style="list-style-type: none"> Liquidity risk. Concentration risk. Income risk. Credit default risk. <ul style="list-style-type: none"> ▪ (a), (b) and (c). ▪ (a), (c) and (d). ▪ (b), (c) and (d). ▪ (a), (b),(c) and (d).
Chapter 8	Case Study Q40 - Q42	<p>Mr Pan entered into put spread <i>2 options</i> on 10,000 Amazon shares with the following terms:</p> <ol style="list-style-type: none"> Buy 3-month put option with strike price \$100. Option premium paid = \$40,000. Sell 3-month put option with strike price \$80. Option premium received = \$15,000.
Chapter 8	Q41	<p>At what share price is the put spread's <i>2 options</i> breakeven price?</p> <ol style="list-style-type: none"> \$102.50. \$97.50. \$92.50. \$82.50.
Chapter 8	Q42	<p>What is the maximum potential net gain on the put spread <i>2 options</i>?</p> <ol style="list-style-type: none"> \$15,000 \$25,000 \$175,000 \$200,000
Chapter 9	Q51	<p>Assuming the ELN is not early terminated. At the end of 6 months, the market prices of the 3 stocks are as follows:</p> <p>Stock A \$16 Stock B \$75 Stock C \$35</p> <p>What is the outcome of Mr Yee's investment?</p> <ol style="list-style-type: none"> Receives 62,500 shares of stock A. Receives 12,500 shares of stock B. Receives 25,000 shares of stock C. Receives cash of \$1,060,000.
Chapter 10	Q58	<p>Mr Ong has a FX position of Long EUR5 million against USD at exchange rate of 1.1400. Based on the current EUR/USD exchange rate of 1.0500, what is Mr Ong's margin position?</p>

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		<p>a. 9.65%.</p> <p>b. 10.38%.</p> <p>c. 11.00%.</p> <p>d. 17.65%.</p>