

Spring 2012 Final

2:30 A

1.a. $V_{port} = 0.4(100) - 30.7692 = 9.2308$ ^{all}

⇒ buy call, short 4 shares, buy \$30.7692 bonds

	\$0	\$80	\$130
Buy call ⁺⁵	-8 +5	0 +5	+20 +5
Short 4 shares ⁺⁵	+40 +5	-32 +5	-52 +5
Buy bond ⁺⁵	-30.7692 +5	+32 +5	+32 +5
<u>Total</u>	+1.2308 +5	0 +5	0 +5