

Comments on exam for candidate 10041 FIN3005  
Asset Pricing, Fall 2015

April 6, 2016

**Problem 1)**

a) This way of writing the final payoff is equivalent to the one suggested in the solution to the exam.

b) The candidate demonstrates a good understanding of how to apply the martingale approach for valuing exotic options. Although the final answer does not match the suggested solution, the candidate receives a high score on this problem. (Note that the last expression in the suggested solution misses the exercise price  $X$ .)

c) Here the candidate shows how the call option can be used as a control variate in the simulations. He does not say how we can impose correlation between the returns on the two underlying assets, but this is only a minor issue.

**Problem 2** This problem turned out to be difficult for many students, particularly the formulation of the problem. The candidate successfully formulates and solves the optimization problem. Nothing more to say!