

DERIVATIVE INVESTMENT

What is Derivative investment

Derivative investment involves trading financial instruments whose value is based on, or “derived” from, the performance of an underlying asset, index, or rate. These underlying instruments can be anything from stocks, bonds, and commodities (like gold or oil), to currencies, interest rates, or even market indices. Derivatives themselves have no intrinsic value—they gain their worth from the price movements of the asset they’re linked to. There are several types of derivatives, including futures, options, forwards, and swaps. Each serves different purposes, ranging from hedging (protecting against price risk), to speculation (betting on future price direction), to arbitrage (exploiting price differences across markets).

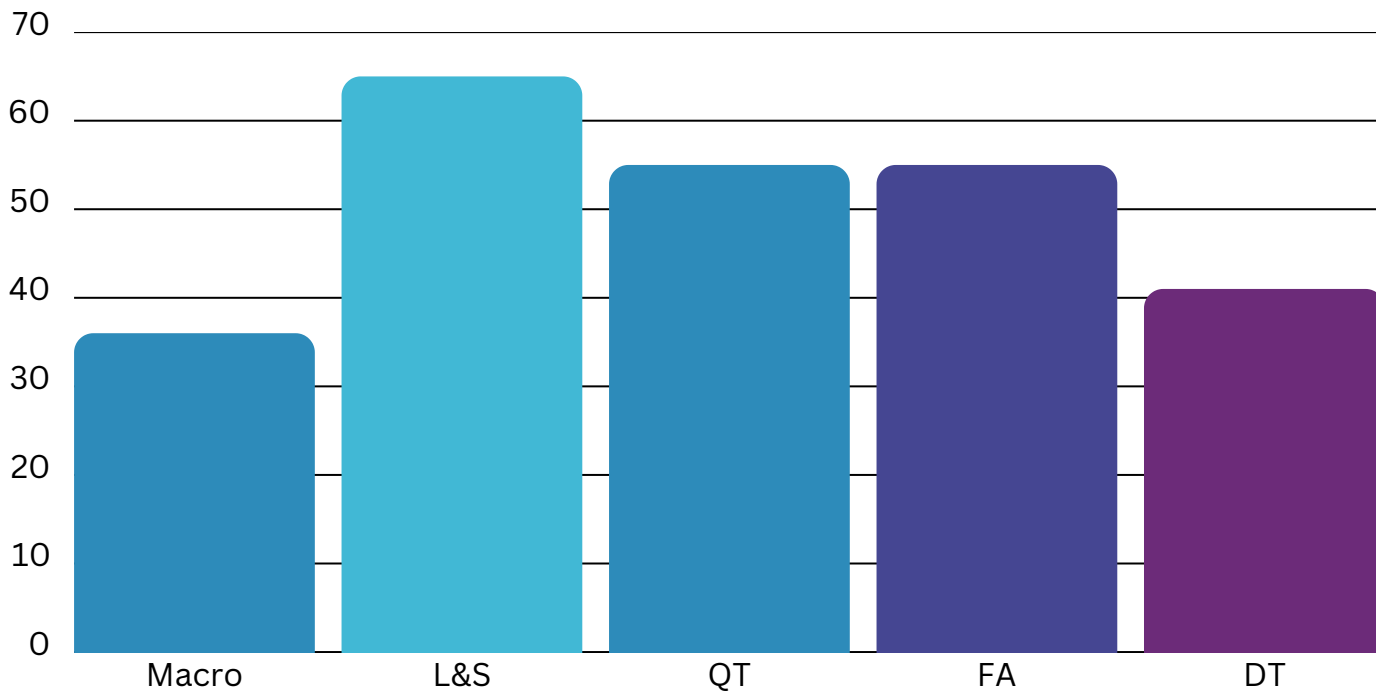
Things you should know before investing

Before investing in derivatives, it’s crucial to understand that these financial instruments are complex and often involve a high level of risk. Unlike traditional investments like stocks or bonds, derivatives are contracts whose value depends on the movement of an underlying asset such as commodities, currencies, interest rates, or indices. Investors must be prepared for rapid price fluctuations, which can lead to significant gains or losses—sometimes exceeding the initial investment due to the use of leverage. It’s essential to have a clear grasp of how different derivative instruments like options, futures, and swaps work, including their pricing, expiration dates, and margin requirements. Moreover, understanding market volatility, liquidity, and regulatory frameworks is important, as these factors can influence contract performance and risk exposure.

Investment Made by Top Firms

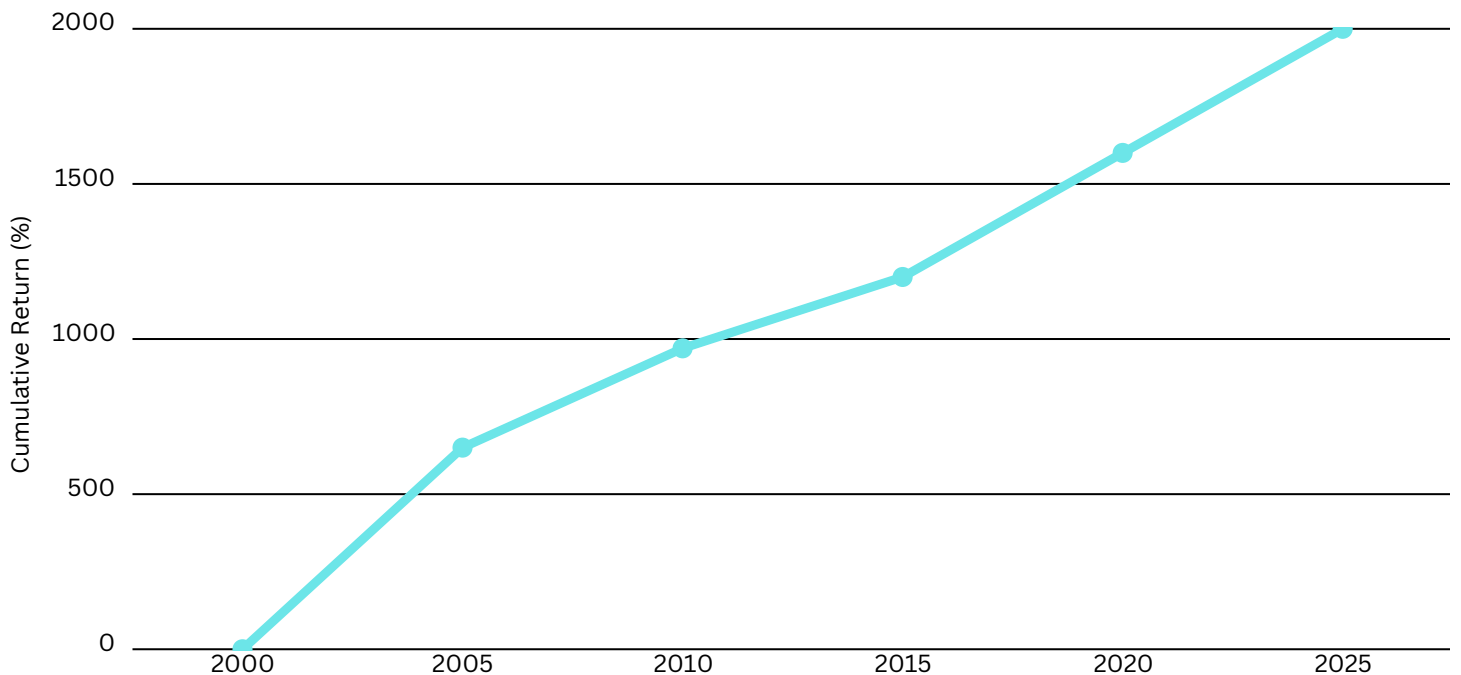
Hedge Funds

Macro L&S QT FA DT



Funds raised: \$1,000,000,000,000

Hedge Fund AUM (2000-2025)



Factors to Consider

Things You Should Consider Before Investing in Derivative investment Before allocating capital to Fundamental Investment strategies, it's crucial to understand the unique characteristics, risks, and requirements associated with this approach.

✓ **Hedging Against Risk**

Derivatives allow investors to protect their portfolios from adverse price movements. For example, using options or futures to hedge against currency, interest rate, or commodity price volatility reduces potential losses.

✓ **Leverage for Higher Gains**

With derivatives, investors can control large positions with relatively small capital, enhancing potential returns. This leverage makes them attractive for amplifying profits—though it also increases risk.

✓ **Efficient Price Discovery**

Derivatives markets contribute to efficient price formation by incorporating future expectations into asset prices. This helps traders and institutions assess fair market value more accurately.

✓ **Portfolio Diversification**

Investors can use derivatives to gain exposure to diverse asset classes like commodities, interest rates, or foreign currencies—beyond just stocks and bonds—strengthening overall portfolio resilience.

✓ **Profit from Any Market Direction**

By taking long or short positions in derivatives, investors can benefit from both rising and falling markets, enabling greater flexibility in strategy regardless of market conditions.

⚠ **High Leverage Risk**

Leverage in derivatives can amplify profits—but it can also magnify losses. A small unfavorable price movement may lead to substantial financial damage or even complete capital loss.

⚠ **Complexity and Technical Knowledge Required**

Derivatives involve advanced strategies, pricing models, and market behavior. Without sufficient expertise, investors may misinterpret market signals and suffer unintended losses.

⚠ **Counterparty Risk**

In over-the-counter (OTC) derivative contracts, there's a possibility that the other party may default, exposing the investor to financial loss—especially during market stress.

Step-by-Step Breakdown

- **Initial Capital:** ₹1,00,000
- **Strategy:** Derivatives Investment Strategy focused on hedging, leverage, and market sentiment
- **Timeframe:** 12 Months (Jan 2024 - Jan 2025)
- **Final Return:** 1,12,000 (12% ROI)

✓ 1. Derivatives Strategy & Positioning by Ackerman Group

In January 2024, the Ackerman Group’s derivatives team conducted a comprehensive market review and built a tactical plan using options and futures. Their strategy included:

- **Risk Control:** Using put options as insurance against downside risks
- **Premium Generation:** Selling call options to enhance income from stable holdings

The firm constructed a balanced portfolio using a mix of directional bets and hedging tools.

✓ 2. Investment Allocation (Sample Derivative Instruments)

Instrument Type	Amount Invested	Reason for Selection
Nifty 50 Futures	₹50,000	Leverage market upside with minimal capital
Auto Sector Put Options	₹30,000	Hedge against short- term downside in auto
FMCG Stocks + Call Options	₹20,000	Generate steady income from stable stocks

📈 Performance After 12 Months (Jan 2025)

Investment	Return %	Final Value
Nifty 50 Futures	+16%	₹58,000
Auto Sector Put Options	+12%	₹33,600
Covered Calls on FMCG	+10%	₹22,000

- **Profit Made:** ₹12,000
- **Return on Investment (ROI):** +12%

Conclusion

🙏 Thank You for Visiting

Thank you for taking the time to visit this page and explore the fundamentals of **Derivatives Investment**. We hope it provided you with valuable insights into how instruments like options and futures can be used to hedge risk, enhance returns, and navigate complex market conditions with flexibility.

At Ackerman Group, we believe that informed investing is the foundation of long-term success. Whether you're a seasoned investor or just beginning your financial journey, understanding derivatives strategies can empower you to manage volatility, leverage market movements, and construct a dynamic, risk-adjusted portfolio tailored to your financial goals.



If you have questions or are reconsidering applying Derivatives to your investments, feel free to contact us. Our team is here to guide you with research-driven insights and practical solutions tailored to your goals.

Invest wisely. Stay informed. Grow globally.



Example given on Page 4:-Is merely an illustrative example and has not been tested or applied in real markets. It is shared solely to help you understand the concept using simplified logic and easy calculations.