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Third Semester MBA Degree Examination, Dec.2019/Jan.2020
Investment Management

Time: 3 hrs.

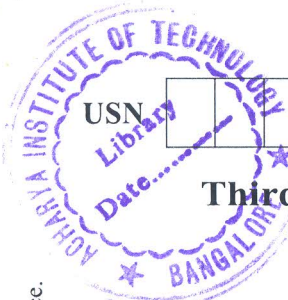
Max. Marks:100

SECTION - A*Note : Answer any FOUR questions from Q.No.1 to Q.No.7.*

- 1 Define Beta (β). (03 Marks)
- 2 What is AUM of a Mutual fund? (03 Marks)
- 3 What is risk free asset? Give an example. (03 Marks)
- 4 In Technical Analysis, what is a support level? (03 Marks)
- 5 What is Interest rate risk? (03 Marks)
- 6 Mention the formula for Markowitz model. (03 Marks)
- 7 Mention the formula for Treynor's performance index. (03 Marks)

SECTION - B*Note : Answer any FOUR questions from Q.No.1 to Q.No.7.*

- 1 What are the features of a good investment? (07 Marks)
- 2 Explain the different types of systematic and unsystematic risks involved in financial markets. (07 Marks)
- 3 Explain the various forms of market according to Random Walk theory / Efficient Market Hypothesis (EMH). (07 Marks)
- 4 Explain the DOW theory with reference to various trends and hypotheses. (07 Marks)
- 5 Explain the various Bond portfolio management strategies. (07 Marks)
- 6 Explain the various types of Mutual Fund. (07 Marks)
- 7 Explain any 4 chart patterns in Technical Analysis of Securities. (07 Marks)



SECTION - C

Note : Answer any FOUR questions from Q.No.1 to Q.No.7.

- 1 On the basis of the following data given below, calculate i) Beta (β) and ii) Alpha (α).

Day	NSE points	TCS rate
1	904.95	597.80
2	845.75	570.80
3	874.25	582.95
4	847.95	559.85
5	849.10	554.60
6	835.80	545.10
7	816.75	519.15
8	843.55	560.70
9	835.55	560.95
10	839.50	597.40

(10 Marks)

- 2 Stocks L & M have yielded the following returns for the past two years.

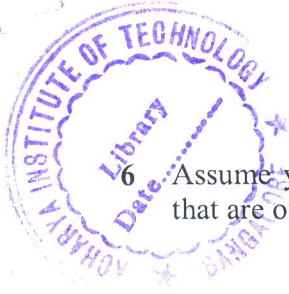
Years	Return %	
	L	M
2011	12	14
2012	18	12

Calculate :

- What is the expected return on a portfolio made up of 60% of L and 40% of M?
 - Find out the standard deviation of each stock.
 - What is the covariance and co-efficient of correlation between stocks L and M?
 - What is the portfolio risk of a portfolio made up of 60% of L and 40% of M? (10 Marks)
- 3 The following 3 portfolios provide the particulars given below, the risk free rate of interest is 9%, calculate
- Rank these portfolios using Sharpe's and Treynor's methods.
 - Compare both the indices. (10 Marks)

Portfolio	Average Annual Return	Standard Deviation	Correlation Coefficient (market and portfolio)
A	18	27	0.8
B	14	18	0.6
C	15	08	0.9
Market	13	12	-

- 4 Calculate the duration for Bond A and Bond B with 7% and 8% coupons, having a maturity period of 4 years. The face value is Rs 1000/-. Both the bonds currently yield 6%. (10 Marks)
- 5 A research study has stated that the rate of return of PMW Company due to capital appreciation and dividend after making adjustment for the outflow of income is 16.27% for the period 2011 – 12. Let us assume that the return would continue to grow at this rate for another 4 years. The recent dividend paid by the company to its stockholders is Rs 4/- and the EPS on 10/12 is Rs 35/- and P/E ratio is 4.8. If an investor wants to buy and hold the PMW stock for another 4 years, what would be the ideal price if his required rate of return is 20%? The price is Rs 167/- on 14/10/12. (10 Marks)



- 6 Assume you are a Portfolio Manager. Based on the following details, determine the securities that are overpriced and those that are under priced in terms of the SML.

Security	Actual Return	β	σ
A	0.33	1.7	0.50
B	0.13	1.4	0.35
C	0.26	1.1	0.40
D	0.12	0.95	0.24
E	0.21	1.05	0.28
F	0.14	0.70	0.18
Nifty index	0.13	1.00	0.20
T - Bills	0.09	0	0

(10 Marks)

- 7 The DMW investment company Manager a stock fund consisting of 4 stocks with the following market values and betas. If the risk – free rate of interest is 9% and the market return is 15%, what is the portfolio's expected return?

Stock	Market Value (in Rs)	Beta
Bell	2,00,000	1.16
Sell	1,00,000	1.20
Grill	1,50,000	0.80
Shrill	50,000	0.50

(10 Marks)

SECTION - D
CASE STUDY – [Compulsory]

- 8 Assume you are an Investment Manager. You need to guide Mr. MVW, based on the following details :

The expected return of the market is 15%, the equity beta is 1.2 and the risk – free rate of interest is 8%, further the following Macro Economic Factors were also observed.

Factor	Market price of risk (%)	Sensitivity index
Inflation	6	1.1
Industrial Production	2	0.8
Risk Premium	3	1.0
Interest rate	4	-0.9

The guidance to Mr. MVW should be in terms of

- Assumptions of CAPM. (04 Marks)
- Return of the stock using CAPM. (07 Marks)
- Return of the stock using APT model. (07 Marks)
- Explanation for the difference of return based on CAPM as compared to APT model. (02 Marks)

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