USN

14MBAFM303

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 :

a) What is the expected return on a portfolio made up of 60% of L and 40% of M?
b) Find out the standard deviation of each stock.
c) What is the covariance and co-efficient of correlation between stocks L and M?
d) 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

a) Rank these portfolios using Sharpe's and Treynor's methods.
b) 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 interms of

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

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