CBCS SCHEME

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16/17MBAFM303

Third Semester MBA Degree Examination, Aug./Sept. 2020
Investment Management

Time: 3 hrs. Max. Marks:80

Note: ***1. Answer any FOUR full questions from Q1 to Q7.***
2. Question No. 8 is compulsory.
3. PV tables are permitted.

1 a. What does $\beta = +1.0$ indicate? **(02 Marks)**

b. Explain the various types of money market instruments. **(06 Marks)**

c. On the basis of the following data given calculate :
i) Beta (β) and
ii) Alpha (α).

Day	BSE points	Wipro 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

(08 Marks)

2 a. What is NAV of a mutual fund? **(02 Marks)**

b. What is Risk? Explain the different types of systematic and unsystematic risks. **(06 Marks)**

c. Stocks L and M have yielded the following returns for the past 2 years.

Years	Return %	
	L	M
2011	12	14
2012	18	12

Calculate :
i) What is the expected return on a port folio made up of 60% of L and 40% of M?
ii) Find out the standard deviation of each stock
iii) What is the covariance and co-efficient of correlation between stocks L and M
iv) What is the port folio risk of a portfolio made up of 60% of L and 40% of M. **(08 Marks)**

3 a. What is R_f, give an example? **(02 Marks)**

b. Explain the various levels of information and the forms of markets according to Efficient Market Hypothesis (EMH). **(06 Marks)**

c. The following 3 portfolios provide the particulars given below, the risk free rate of interest is 9%,

i) Rank these portfolios using Sharpe's and Treynor's method

ii) Compare both the indices.

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	–

(08 Marks)

4 a. In technical analysis, what is a resistance level? **(02 Marks)**

b. Explain the hypotheses and various trends as suggested by the DOW theory. **(06 Marks)**

c. 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 bounds current yield 6%. **(08 Marks)**

5 a. What is default risk? **(02 Marks)**

b. Explain the various Bond portfolio management strategies. **(06 Marks)**

c. Grace and Co. has common shares outstanding in the market with price earnings ratio of 15. The annual expected growth in earnings, dividends and price is 7%. The earnings per share is Rs.2.50, the dividend payout is 60% and the investor wants to hold the stock for 4 years. The required rate of return is 15%. What would be the president value? **(08 Marks)**

6 a. Mention the formula for portfolio standard deviation according to Markowitz model. **(02 Marks)**

b. Explain in detail, the various types of mutual funds. **(06 Marks)**

c. Assume you are portfolio manager of PMW company. 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	0.0

(08 Marks)

7 a. Mention the formula for Sharpe's performance index. **(02 Marks)**

b. Explain any 4 chart patterns in technical analysis of securities. **(06 Marks)**

c. The KMW investment company manages a stock fund consisting of 4 stocks with the following market values and Beats. If the risk–free rate of interest is 9% and the market return is 15%, what is the portfolios 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

(08 Marks)

8 CASE STUDY [Compulsory]

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's 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 :

a. Assumptions of CAPM **(03 Marks)**

b. Return of the stock using CAPM. **(06 Marks)**

c. Return of the stock using APT model. **(06 Marks)**

d. Explanation for the difference of return based on CAPM as compared to APT model. **(01 Marks)**

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