

CBGS SCHEME

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20MBAFM303

Third Semester MBA Degree Examination, June/July 2023 Investment Management

Time: 3 hrs.

Max. Marks: 100

Note: 1. Answer any FOUR full questions from Q.No.1 to 7.
2. Q.No. 8 is compulsory.

- 1 a. What is Interest Rate risk? (03 Marks)
b. Distinguish between Investment and Speculation. (07 Marks)
c. Explain trading and settlement procedure in Bombay Stock Exchange. (10 Marks)
- 2 a. What are the risks associated with bonds? (03 Marks)
b. What are the attributes that an investor should consider while evaluating an investment. (07 Marks)
c. The return on securities A and B are given below:

Probability	Sec A	Sec B
0.5	4	0
0.4	2	3
0.1	0	3

Give the security of your preference. The security has to be selected on the basis of return and risk. (10 Marks)

- 3 a. What is Arbitrage Pricing theory? (03 Marks)
b. Write a brief note on DOW theory. (07 Marks)
c. Assume you are a portfolio manager. Based on following details, determine the securities that are overpriced and those that are underpriced 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

(10 Marks)

- 4 a. What is an efficient frontier? (03 Marks)
b. Assume that the risk free rate of return is 7%, the market portfolio has an expected return of 14% and standard deviation of return of 25% under equilibrium conditions as described by CAPM. What would be the expected return for a portfolio have no unsystematic risk and 20% standard deviation of return? (07 Marks)
c. Discuss the Investment process. (10 Marks)

- 5 a. What do you mean by port folio revision? (03 Marks)
 b. Discuss different types of systematic and unsystematic risks. (07 Marks)
 c. Mr. Anand is having units in a mutual fund for that past three years. He wants to evaluate its performance by comparing it to the market:

	Fund	Market
Return	70.60	41.40
Standard deviation	41.31	19.44
Risk free rate	12	12
β	1.12	-

Find out sharpe and Treynor indices.

(10 Marks)

- 6 a. What is RSI? (03 Marks)
 b. Discuss factors to be considered in Industry analysis. (07 Marks)
 c. Discuss the advantages of investing in mutual funds. What are the different mutual fund schemes available in India? (10 Marks)
- 7 a. Write any three assumptions of CAPM theory. (03 Marks)
 b. Explain Markowitz portfolio selection model. (07 Marks)
 c. What is technical analysis? Explain it. (10 Marks)

8 CASE STUDY (Compulsory)

Stock L and M here yielded the following return for the past two years:

Years	Returns		%
	L	M	
2019	12	14	
2020	18	12	

- a. What is the expected return on a port folio 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 coefficient 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? (20 Marks)
