

**INVESTMENT & PORTFOLIO MANAGEMENT**

(For students admitted in 2014 only)

Time: 3 hours

Max. Marks: 60

All questions carry equal marks

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**SECTION – A**

Answer the following: (05 X 10 = 50 Marks)

1 What are the different aspects of the investment? Explain the process of investment undertaken by the investor.

**OR**

2 Investment and speculation are somewhat different and yet similar in certain respects. Explain.

3 Why is industry analysis important and why should it follow economic analysis? Explain.

**OR**

4 How would you classify shares into growth, cyclical and defensive? Name some stocks in each group and explain.

5 Explain the importance of the estimation of Beta and coefficient of determination and how would you minimize the various risk exposures.

**OR**

6 What are the statistical tools used to measure the risk of the securities return? Explain.

7 'Stocks are considered to be risky but bonds are not'. Elucidate with an example.

**OR**

8 Bonds A and B are similar, except for the maturity period. Both the bonds carry 9 percent coupon rate with the face value of Rs. 10000. The yield to maturity is 9 percent. If the yield to maturity is to rise to 11 percent, what will be the respective percentage price change in bond A with 7 years to maturity and B with 10 years maturity?

- 9 (a) Explain the concept of portfolio analysis.  
(b) What are the applications of portfolio analysis?  
(c) Discuss about various portfolio models.

**OR**

10 An investor wants to analyze his portfolio using Markowitz or Sharpe Single index models. His portfolio consists of 25 different stocks. He is not aware of the bits of information needed to evaluate the portfolio. He wants to adopt a technique which requires minimum information. As a portfolio manager, which method would you advise him to use? Give your reasons.

**SECTION – B**

(Compulsory Question)

01 X 10 = 10 Marks

11 **Case study:**

Anand has the following information regarding his favourite stocks. He wants to invest equally in all four stocks.

Stock	$\alpha$	$\beta$	$\sigma_{ie}^2$
1	1.27	1.50	50
2	1.02	1.05	40
3	2.48	1.37	20
4	0.47	0.86	35

The market variance is 25 and the expected return is 20%.

Questions:

- (a) What would be Anand's portfolio return and risk?  
(b) Can you advise him about amount he would allocate to each security so as to enhance his earnings?

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