

CBCS SCHEME

USN

18MBAFM302

Third Semester MBA Degree Examination, Jan./Feb. 2023 Investment Management

Time: 3 hrs.

Max. Marks:100

- Note:** 1. Answer any **FOUR** full questions from Q.No.1 to Q.No.7.
2. Question No. 8 is compulsory.
3. Use of calculator and future and present values tables is permitted.

- 1 a. What is Investment? (03 Marks)
b. Explain in detail the difference between investment and speculation. (07 Marks)
c. Explain the Investment Process. (10 Marks)
- 2 a. What do you mean by primary market? (03 Marks)
b. Briefly explain the functions of stock exchanges. (07 Marks)
c. Explain briefly the Bombay Stock Exchange, Sensitive Index (sensex) and S & P CNX Nifty index. (10 Marks)
- 3 a. What do you mean by breadth of the market? (03 Marks)
b. The returns on two stocks X and Y are given below. Select the security according to risk and return.

Return on stocks

X (%)	Y (%)	Probability
8	1	0.5
5	4	0.3
2	6	0.2

- c. Calculate the duration of Bond A and Bond B. (07 Marks)

Particulars	Bond A	Bond B
Face value	Rs.1000	Rs.1000
Coupon rate	7%	8%
Maturity period	4 years	4 years

Bonds are currently yielding at 6% suggest which bond is to be selected for investment.

(10 Marks)

- 4 a. Alpha of a stock is 3.72, Beta is 0.99 and market return is 13.5%. What is expected return of the stock? (03 Marks)
b. What is technical analysis and what are the basic principles of technical analysis? (07 Marks)
c. The Rudrakshi investment company manages a portfolio consisting of four stocks with the following market values and Betas.

Stock	Market Value (Rs.)	Beta
Infosys	2,00,000	1.16
Wipro	1,00,000	1.20
M & M	1,50,000	0.80
TCS	50,000	0.50

If the risk free rate of interest is 9% and the market return is 15%, what is the portfolios expected return as per CAPM approach? (10 Marks)

- 5 a. What do you mean by RSI? (03 Marks)
- b. Mr. Shetty is considering investing in 'X' corporation. He expects 'X' corporation to earn a return of 17% the next year 'X' s beta is 1.3, R_f is 7% and market return is 15%. Should Mr. Shetty invest in this stock? (07 Marks)
- c. The following table gives the expected return on two stocks for a particular market returns:

Market Return	Aggressive Stock	Defensive Stocks
6%	2%	8%
20%	30%	16%

- (i) What are betas of two stocks?
- (ii) What is the expected return on each stock if the market return is equally likely to be 6% or 20%?
- (iii) If the risk free rate is 7% and the market return is equally likely to be 6% or 20%, what is the SML?
- (iv) What are the alphas of two stocks? (10 Marks)
- 6 a. What is efficient frontier? (03 Marks)
- b. What are the assumptions of CAPM and APT? (07 Marks)
- c. Explain DOW theory. (10 Marks)
- 7 a. What is fundamental analysis? (03 Marks)
- b. Anand owns Rs.1000 face value bond bearing a coupon rate with 5 years of maturity. The bond has an annual coupon of Rs.75. The bond is currently priced at Rs.970. Given an appropriate discount rate of 10%. Should Anand hold or sell bond? (07 Marks)
- c. Consider the following information for three mutual funds A, B and C and the market.

Particulars	Mean Return (%)	Standard Deviation (%)	Beta
A	12	18	1.1
B	10	15	0.9
C	13	20	1.2
Market risk	11	17	1.0

The mean risk free rate is 6%. Calculate the Treynor measure, Sharpe measures and Jensen measure for the mutual funds and the market index. (10 Marks)

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Case Study :

Stocks L and M have yielded the following returns for the past two years:

Years	Return %	
	L	M
2017	12	14
2018	18	12

- a. What is the expected return on a portfolio made up of 60% of L and 40% of M? (05 Marks)
- b. Find out the standard deviation of each stock. (05 Marks)
- c. What is the covariance and coefficient of correlation between stocks L and M? (05 Marks)
- d. What is the portfolio risk of a portfolio made up of 60% of L and 40% of M? (05 Marks)

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