PG – 926

IV Semester M.B.A. Degree Examination, July 2016
(CBCS)
MANAGEMENT
Paper – 4.2.1 : Investment Analysis and Management

Time : 3 Hours Max. Marks : 70

SECTION – A

Answer **any five** questions. **Each** question carries **five** marks : **(5×5=25)**

1. Distinguish between investments and speculation.
2. What is efficient market hypothesis ?
3. Discuss various types of risk with example.
4. Sekhar has a portfolio of five stocks with the following expected market value and returns.

Stocks	Market value	Return
A	20,000	10%
B	25,000	18%
C	30,000	15%
D	1,00,000	12%
E	1,000	8%
	1,76,000	

Determine their expected return.

P.T.O.

5. Mr. Arjunan received a bonus of Rs. 50,000 from his company. He wants to invest the money in two stocks. After a careful study of the stocks market he selected Rock and Reed Corporations The expected return in Rock(S) is 14 percent and standard deviation of return is 22 percent. The return from the Read Corp(G) is slightly higher being 16 percent and at the same time the standard deviation of return is also higher being 25 percent. The correlation coefficient between them is 0.5. Help him to build a minimum risk portfolio.

6. The X/Y Company stock's return depends heavily on the market return, the beta being 1.4, the risk free rate of return is 8 percent and the Market return is 15 percent.
   a) Determine the expected return for XY stock.
   b) What happens to expected return, if the market return increases to 20 percent ?
   c) What happens to the return if beta falls to .90 while the other inputs remain the same ?

7. Describe the CAPM model. Give the significance of SML and CML.

SECTION – B

Answer **any three** questions. **Each** question carries **ten** marks : **(3×10=30)**

8. Explain the Markowitz model of portfolio analysis and selection.

9. Distinguish between Fundamental analysis and Technical analysis.

10. Sun Rise Company manages two mutual funds. The funds are Index Fund and Equity Fund. The data below provide the key statistical information.

	Return per cent	**Risk**	**Beta**	**r**
Equity Fund	19	18	1.49	.83
Index Fund	13	16	1.08	.68
Market	14	10	1.0	1.00
R_f	5			

   a) According to Jensen method which fund performs well.
   b) In your opinion, which fund consists more of systematic risk.
   c) What is the meaning of alpha in Jensen method ?

11. Determine the relationship between assets R and S return with the following data :

Probability of occurrence	Annual Returns	
	R	S
0.2	– 8	– 9
0.4	12	– 4
0.3	– 6	10
0.1	9	– 11

SECTION – C

Case study : **(1×15=15)**

12. A portfolio manager has got the following information about several stocks. He has to build a optimum portfolio for his client without short sales :

Security	Expected return	β	α^2_{ei}
A	22	1.0	35
B	20	2.5	30
C	14	1.5	25
D	18	1.0	80
E	16	0.8	20
F	12	1.2	10
G	19	1.6	25
H	17	2.6	30

The market index variance is 12 percent and the risk free rate of return is 7 percent.