VCD B1022 SYBFM Sem III Portfolio Management 2.5 Hours Marks: 75

Q1. A) State whether True or False. (Any 8) (8)

1. Investment is the employment of funds with the aim of getting return on it
2. Economic Investment means addition to the capital stock of the society
3. Share means a share in the share capital of a company
4. Debenture holders are the Debtors of the company
5. Duration Shift strategy is strategy of matching Assets to future liabilities.
6. Management means utilisation of resources in the best possible manner
7. Inflation risk is a type of unsystematic risk.
8. Higher the variance of security, higher is its total risk.
9. Unsystematic risk is not a diversifiable risk.
10. Higher the standard deviation, lower is the investment risk.

Q1. B) match the following (any 7) (7)

Column A	Column B
1. Default risk	a. Safety
2. Element of investment	b. Time
3. Principles of Portfolio construction	c. Ability to convert investment into cash
4. Risk	d. Change of loss
5. Portfolio	e. PPF
6. Liquidity	f. Related to movement of market
7. Beta	g. Combination of security
8. Tax saving investment	h. Bankruptcy
9. Standard deviation	i. Variance
10. Covariance	j. Correlation

Q2. The rate of return of stock A and B under different states of the economy are presented below along with the probability of occurrence of each state of economy. (15)

	Boom	Normal	Recession
Probability	0.3	0.4	0.3
Rate of return on stock A(%)	20	30	50
Rate of return on stock B(%)	50	30	20

a)calculate the expected rate of return and standard deviation of return for stock A and for stock B

b)If you could invest in either stock a or stock B but not in both, which stock would you prefer and why?

OR

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Q2. A) What is an Investment? What are the objectives of Investment? (8)

B) What is the difference between Investor and Speculator? (7)

Q3. The details of three portfolios are given below. Compare these portfolios on performance using the Sharpe,Treynor and Jensen's measures. (15)

Portfolio	Average Return	Standard Deviation	Beta
1	15%	0.25	1.25
2	12%	0.30	0.75
3	10%	0.20	1.10
Market Index	12%	0.25	1.20

The risk free rate of return is 9%.

OR

Q3. A) Explain Passive Portfolio Management Strategies and List down various advantages and disadvantages of passive portfolio management strategy . (8)

B) Explain the Top Down and Bottom Up portfolio management strategies. (7)

Q4. A) From the following information calculate beta of a security (8)

Year	Return on security (%)	Return on Market portfolio (%)
1	10	12
2	12	11
3	15	14
4	10	12
5	08	11

Q4. B) Shankar considering an investment in stock x. He has estimated the following probability distribution of return of stock x . (7)

Years	Return on stock x	Probability
1	5	10
2	10	25
3	15	40

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4	20	20
5	25	05

Calculate the expected return and standard deviation of stock x.

OR

Q4. A) What is the risk? Explain types of risks. (8)

B) What is a portfolio? How can you build an optimal portfolio? (7)

Q5. A) Explain the concept of Portfolio Revision. What are the various constraints of Portfolio Revision? (8)

B) Explain Markowitz theory and various assumptions of Markowitz theory. (7)

OR

Q5. Write the short notes. (Any 3) (15)

1. Duration Shift and Immunisation
2. Active Portfolio Management Strategy
3. Elements of Investment
4. Markowitz theory
5. Factors affecting performance of Measures