T4 FM
Sem-V

7/4/2016

Portfolio mgt. **QP Code : 26511**

(2½ Hours) [Total Marks : 75

N.B. : (1) All questions are compulsory.
(2) All working notes should form a part of your answer.
(3) Specify assumptions, if any, while solving the questions.
(4) Figures to the right indicate full marks.

1. (a) What is an investment? What are the objectives investment? 7
(b) What are the main advantages of investing in Equity shares ? 8

OR

(a) What are the limitations of investment in mutual funds?. 7
(b) Explain in detail different types of Bonds. 8

2. (a) What is the importance of Beta? 7
(b) The rates of return of stock of A Ltd & B Ltd under different state of economics are given bellow along with the probability of occurrence. 8

State of Economy	Probability%	Stock(A Ltd)%	Stock (B Ltd)%
Recession	40	30	30
Boom	30	40	20
Normal	30	35	50

Calculate the Expected rate of return and Standard deviation of A Ltd and B Ltd. Which stock would you prefer for the investment?

OR

2. (a) Write a short note on Security market line. 7
(b) Calculate beta of a security from the following data offer comments. 8

Year	Return on security (%)	Return on market portfolio (%)
1	20	24
2	24	22
3	30	28
4	20	24
5	16	22

TURN OVER

3 (a) Explain the Arbitrage Pricing Theory.

(b) Consider the following information of three portfolios.

Portfolio	Avg. Returns %	Beta
1	15	1.25
2	12	0.75
3	10	1.20
Market Index	12	1.00

Risk free rate of return is 8%. Compute Jensen's measures of index and rank them.

OR

(3)(a) Explain the assumption of CAPM.

(3)(b) Following information is given in respect of three Mutual Fund and market.

Growth fund	Return	Standard deviation	Beta
P Ltd	10%	12%	1.2
Q Ltd	12%	14%	0.8
RLtd	15%	13%	0.9
Market	12%	15%	1.0

The mean risk free rate 8%.Calculate the Treynors measures and Sharpes measures and rank the portfolios.