Duration: 2 Hours & 30 Minutes **Maximum Marks: 75**

Note: 1) All questions are compulsory, Subject to internal choice.
2) Figures to the right indicate full marks.

Q 1 A) Fill in the Blanks (Any 8) **08**

1) ____________ is an appraisal of portfolio performance. (Portfolio selection, Portfolio evaluation, Portfolio revision)

2) __________ of the market is always equal to one. (ERR, Beta, Cov)

3) Modified method is method for calculating_________. (Immunisation, duration, bond)

4) ______ consists in taking high risks not only for high returns, but also for thrill and excitement. (Speculation/Gambling/Investment)

5) ______ portfolio management strategy refers to a portfolio management strategy that involves making precise investments for outperforming an investment benchmark index. (Active/Passive/Negative)

6) Standard deviation and variance are statistical measures used to measure ____________ in investment (risk, return, volatility)

7) ______ is the nominal rate of interest fixed and printed on the bond certificate. (Coupon rate/Dividend Rate/Market Rate)

8) ____________ objectives do not have priority and are not very painful. (short term high priority, low priority, long term high priority)

9) _____ refers to the possibility of incurring a loss in a financial transaction. (Return/Risk/Loss)

10) The higher the _____, the higher is the return. (Risk/Rate/Refund)

Q 1 B) Match the Column (Any 7) **07**

	Group A		Group B
1	Sharpe ratio	**A**	R= α + βmRm +β1R1+…
2	Tax saving	**B**	Addition to Capital stock
3	Portfolio	**C**	Capital + current returns
4	Multi index model	**D**	Reward to variability ratio
5	BSE	**E**	Fixed Income Securities
6	Efficient Market Hypothesis	**F**	Reward to volatility ratio
7	Economic Investment	**G**	Diversification of risk
8	Bonds	**H**	Everyone knows all possible – to – know information and behaves rationally
9	Total gain	**I**	LIC investment
10	Treynor's ratio	**J**	Stock Exchange

Q 2 A) What is the meaning of investment? Explain its features. **08**

B) What are the advantages of portfolio management? **07**

OR

C) Explain the role of portfolio managers in managing of funds. **08**

D) Explain the types of investors. **07**

Q 3 A) Calculate Expected rate of return & Standard Deviation. **08**

Year	Probability	Return on Security A (in %)	Return on Security B (in %)
2001	0.25	11	18
2002	0.25	13	15
2003	0.30	16	10
2004	0.20	19	7

B) Calculate Beta. **07**

Year	Return on Security A (in %)	Market Return (in %)
1	35	35
2	40	42
3	10	15
4	25	30

OR

C) Calculate portfolio risk and return. **08**

Securities	Return (%)	Standard deviation (%)	Proportion
1	35	.20	.40
2	30	.45	.60.

r ($Cor_{xy)}$ is .40

D) Explain the Markowitz “Modern Portfolio theory” in brief. **07**

Q 4 A) Define Portfolio Evaluation? Explain its need in portfolio management **08**

B) Explain portfolio Revision and its constraints. **07**

OR

C) The details of three portfolios are given below. Compare these portfolios on performance using the sharpe’s, treynor’s and Jenson’s measures. Comment and rank them according to the performance. **15**

Portfolio	Average return (%)	Std. deviation	Beta
1	25	0.25	0.80
2	20	0.40	1.10
3	18	0.30	1.20

The risk free rate of return is 6%.
Market return is 10 %

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Q 5 A) A bond of Rs. 100 face value carries a coupon rate of 10% and is redeemable after 6 years at a premium of 5%. If the required rate of return is 15%, what is the present value of the bond? The current market price of the bond is Rs. 150. Advise the investor whether the bond should be purchased or not. **08**

B) A bond of Rs. 1000 has a coupon rate of 8% p.a. and maturity period is 6 years. The bond is currently selling at Rs. 900. What is the yield to maturity in investment of this bond? **07**

OR

C) Write Short Notes (Any 3) **15**

Investment environment
Investment Vs Speculation
Decomposition of performance
Bond Risks
Multi-Index model

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