SET A

Unique Paper Code: 61017926
Name of the Paper: Investment Analysis and Portfolio Management
Name of the Course: Bachelor of Management Studies (BMS) (CBCS)
Semester: V
Duration: 3 hours
Maximum Marks: 75
Instructions for Candidates
Attempt any four questions. All the questions carry equal marks. Please attempt all the three parts of question together.

Q.1.   (I) What is the utility of yield curve for investors?. (II) What yield curve do you expect for developing countries like India and why?. (III). A 6 year bond will pay 10% interest, with face value of Rs. 1000/- is callable is 4 years at a price of Rs. 1050/- The bond is currently available at Rs. 900/- What is the Current yield, Yield to call and Yield to maturity of the bond?

Q.2.   (I) Which Systematic factors do you feel important for investors in developing countries? (II) How do you use P/E ratio in doing share valuation? Explain with some example. (III) The ZBC Ltd has been growing at a rate of 5% per year in recent years, and it is expected this growth rate will continue in next three years, then it is likely to grow at the normal growth rate of 4% in next 2 years, after that it will grow at a rate of 3% perpetually. The required rate of return of the shares of investor is 10%, and the dividend paid by the company in last year was Rs 2. At what price would you as an investor be ready to buy this stock now?

Q3.   (I). What are the different Portfolio Management Strategies that can be employed?. (II) Explain the role of Investor Life Cycle Approach in Investment Decision making. (III) Consider the information provided below. Calculate the Portfolio Beta, Portfolio Return and Portfolio Risk using an appropriate model, assuming that the return on market index is expected to be 10% and its standard deviation is 7%.

Stock	HUL	ITC	P&G
Proportion of Funds	45%	30%	25%
Alpha	1%	2%	-2%
Beta	0.8	1.3	1.1
Unsystematic Risk (Variance)	4%	16%	6.25%

Q4.   (I). A group of college students was discussing stock market investments. One of their juniors was curious to know more about terms referred to in the discussion. They had mentioned about "market trends", "highs and lows" and "circuit filters". Explain (II) There was a discussion about "advances and declines". What sounded even more interesting was "we can do an analysis to identify the timing of investment". Specify which analysis does it refer and explain?. (III). Explain the random walk and semi

strong form of market efficiency and its relevance for investors in analysing financial markets.

Q5.   (I). How can an asset allocation pyramid be used in the investment decision making process? (II). For example, a risk averse investor is holding stock A. Suppose he is considering to add stock X and/or stock Y to increase the return, but he is worried that risk will also increase. What do you advise?. Which stock/s investor should buy? (III). Stark Ltd has beta of 1.2 and standard deviation of 30%. The standard deviation of the market portfolio is 25%. What is the correlation between them? What is the systematic risk and unsystematic risk of Stark Ltd.?

Q6.   (I).Recently, there has been huge investments by retail investors in mutual funds through the Systematic Investment Plans (SIPs). Critically evaluate the benefits and features of SIPs versus "lump sum" mode of investment. Rank the following mutual funds on the basis of (II). Sharpe ratio, Treynor Ratio and (III) Jensen's measure.

Portfolio	Zerox	Caterpillar	Alphonso	Sensex	T-bill
Return (%)	30	45	55	50	5
Beta	0.9	1.2	1.4		
Standard Deviation (%)	30	35	50	40	