Registration No. :

Total number of printed pages – 3

Third Semester Regular Examination – 2014

SECURITY AND PORTFOLIO MANAGEMENT (SAPM)

BRANCH : MBAR

QUESTION CODE : H 433

Full Marks – 70

Time : 3 Hours

Answer Question No. **1** which is compulsory and any **five** from the rest.
The figures in the right-hand margin indicate marks.

1. Answer the following questions :   2 ×10

    (a) How is Security Analysis different from portfolio analysis ?

    (b) What are the objectives of investment ?

    (c) Explain special kinds of orders which investors use to protect their profits or limit their losses.

    (d) Explain the concept of systemic risk. Give at least 4 examples of systematic risk.

    (e) What is feasible set of portfolios ?

    (f) Construct a table showing the decision inputs required for 3 securities and write the formula to find the measure of risk.

    (g) What makes it necessary to go for evaluation of portfolio ?

    (h) Is it advisable to go for revising portfolio every now and then to maximize return ?

    (i) Explain Dow Theory.

    (j) Distinguish between Technical Analysis and Fundamental analysis.

2. A mutual fund has earned an average annual return of 24 per cent over a five year period while the average market return over the same period was only

18 per cent. The risk free rate prevailing at the time was 7.5 per cent. The mutual fund had a beta of 1.45. The standard deviation of returns of the mutual fund and the market index were 40 per cent and 30 per cent respectively.

Calculate Fama's net selectivity for the fund, showing the decomposition of performance.   10

3.   The following data are available to you as a portfolio manager :   10

Security	Estimated Return (per cent)	Beta	Standard deviation (per cent)
1	32	2.10	50
2	30	1.80	35
3	25	1.65	42
4	20	1.30	26
5	18	1.15	29
6	15	0.85	18
7	14	0.75	20
8	12	0.50	17
Market Index	16	1.00	25
Govt. Security	7.5	0	0

(a)   In terms of security market line, which of the securities listed above are undervalued ?

(b)   Assuming that a portfolio is constructed investing equal proportion of funds in each of the above securities, what is the expected return and risk of such a portfolio.

4.   Suppose an analyst has provided you the following estimates in respect of equity shares of Century, Escorts and ACC :

Security	C	E	A
Expected Monthly returns per cent	5	4	9
Standard deviation per cent	8	7	17

Correlation coefficients of returns between

   C and E = 0.4

   C and A = 0.6

   E and A = 0.3

Assuming that equal amounts of the available funds will be invested in the three stocks, estimate the portfolio's mean return and standard deviation.   10

5   What is a portfolio ? Explain the different phases in portfolio management.   10

6   "The first step in industry analysis is to determine the stage of growth through which the industry is passing". Explain.   10

7   Explain the theoretical foundation in Markowitz model, bringing out the concepts of opportunity set of portfolio efficient frontier and limitation. Don't forget to show graphical presentation.   10

8.   Write short notes on any two :   5×2

   (a)   SML VS CML

   (b)   EMH

   (c)   Elliot wave theory

   (d)   Lame duck Vs Stag.