

INVESTMENT & PORTFOLIO MANAGEMENT

(For students admitted in 2014, 2015 & 2016 only)

Time: 3 hours

Max. Marks: 60

PART – A

(Answer the following: (05 X 10 = 50 Marks))

- 1 Discuss the characteristics of investors, speculators and gamblers. Explain the impact of each on the investment process.

OR

- 2 Explain the investment environment in India with classification of financial markets and financial instruments.

- 3 How does technical analysis differ from fundamental analysis? Explain

OR

- 4 A technical analyst explains that the stock market acts like a barometer rather than a thermometer-Elaborate.

- 5 Determine portfolio risk involve with the help of following information.

S.No	Scrip Name	Weight of scrip (%)	Standard deviation (%)	Correlation between I & J
1	I	30	45	- 0.90
2	J	70	10	

OR

- 6 (a) If the expected returns of two stocks are same, but the standard deviations of the returns differ, which security is to be preferred.
(b) If an investor desires diversification, should he/she seek investments that have a high positive correlation?

- 7 What are the active and passive bond valuation strategies? Explain

OR

- 8 Explain the following:

- (a) Dividend discount model.
(b) Book value per share & market value per share.

- 9 Explain the following:

- (a) Sharpe's single index model.
(b) Capital asset pricing model.

OR

- 10 Define Markowitz diversification. Explain the statistical method used by Markowitz to reduce the risks.

PART – B

(Compulsory question, 01 X 10 = 10 Marks)

11 Case Study:

Give the following information:

Economic condition	Prob	Return on stock – X(%)	Return on stock – Y(%)
High growth	0.30	28	20
Low growth	0.30	25	16
Stagnation	0.25	22	10
Recession	0.15	8	6

Questions:

- (a) Calculate expected return and standard deviation. Assume you are the investor. Which stock do you prefer? Give reasons.
