

VPM's
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Programme: MMS (2016-18) (Finance)
Third Semester Examination October 2017

Subject	Security Analysis and Portfolio Management		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages		Date	24.10.2017

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.

Q1) 20 Marks (Compulsory) Attempt Any FOUR from the Remaining SIX Questions

1A) The investment of Bank is as follows.

Government Bonds	Coupon Rate	Purchase Rate(F V-100)	Duration (Years)
GOI 2006	11.68	106.50	3.50
GOI 2010	7.55	105.00	6.50
GOI 2015	7.38	105.00	7.50
GOI 2022	8.35	110.00	8.75
GOI 2032	7.95	101.00	13.00

Face value of total investments in each government bond is 5 crores.

Calculate the actual investment in the portfolio.

1B) Explain different ways of valuation of securities? If you were an analyst which methods will you adopt and why?

Q2) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

There are only two stocks and risk free assets in the market, the stocks are high tech corporation and low tech corporation.

The stocks are High Tech Corporation and Low -Tech Corporation.

	Expected returns	Standard deviation of returns
High Tech – HT	15%	30%
Low Tech - LT	8%	10%
Risk free assets	4%	0%
Co relation between HT and LT	- 0.10	
Co relation between HT and RF	0	
Co relation between LT and RF	0	

Choose an optimal portfolio which will generate return in future.

The distribution of security F and market portfolio P is given as below.

Probability	Security F (Return %)	Security P (Return %)
0.30	30	-10
0.40	20	20
0.30	0	30

- a) You are required to calculate expected return of security F and the market portfolio P the covariance between the market portfolio and security
- b) Beta of the Security

c) A company is considering project X and Y with the following information, which project do you recommend based on the data given below.

Project	Expected NPV	Standard Deviation
X	244000	177000
Y	450000	235000

Q3) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

a) Rank the following stocks based on which you expect to generate the highest returns over the next three years (1 is the highest expected return and 9 the lowest)

Exxon Mobil _____ Google _____ Wal-Mart _____ Apple _____ Toyota Motors _____ Ford Motors _____ Baidu _____ Citigroup _____ Goldman Sachs _____ Tata motors

b) Risk Measure for NYSE composite index and selected stocks.

c)

Stocks	Industry	Average return-2002-2006	Standard deviation of return	Beta
NYSE Index	Broad based index of stocks	9.02%	11.92%	1.00
US Treasury Bills	Measure of risk free rate	1.45%	5.02%	0
ABN Ambro Holding	Foreign Bank	22.04%	29.94%	1.40
CytRx Corp	Drugs	35.58%	105.03%	0.55
JDSiphase	Electronic	-24.71%	77.84%	1.45
YUM! Brands	Restaurant	18.16%	21.04%	0.55

Base on CAPM assumption in behavioral Finance and investors expectation analyze the above table in detail.

d) Why do we see a huge selling of stocks during the month of January, give reasons.

Q4) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

Years	Security 1	Security 2
1	12	20
2	8	22
3	7	24
4	14	18
5	16	15
6	15	20
7	18	24
8	20	25
9	16	22
10	22	20

a) Calculate covariance from the above data

b) Calculate correlation coefficient.

c) Differentiate between SML and CML

Q5) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

The beta co-efficient is 1.40. the company has been maintaining 8% growth in dividend and earning. The last dividend paid was 4 per share. Return of gov securities is 10%. Return on market portfolio is 15%. the current market price of Target Ltd is Rs 30.

- a) What will be the equilibrium price of Target Ltd.
- b) Would you advise purchasing the share.
- c) Explain what is New Issue Market?

Q6) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

Following is the data of 6 securities

Securities	A	B	C	D	E	F
Returns %	8	8	12	4	9	8
Risk (SD) %	4	5	12	4	5	6

- a) Which Security will be selected?
- b) Assuming perfect correlation whether it is preferable to invest 75% in security A and 25% in security B
- c) Explain what are Mutual Funds?

Q7) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Explain the concept of investment Vs Speculation.
- b) What is systematic risk and unsystematic risk? Explain with examples
- c) Explain 3 forms of market efficiency as per efficient market hypothesis.