

MMS-III (Finance)
PMSA 03

01-11-2019

Roll No.

Portfolio Management & Security Analysis

Total no. of printed pages: 2

Total no. of questions: 8

Maximum marks: 60

Duration: 3 hours

Note: Answer any five questions. All questions carry equal marks.

Q.1.

Fundamental analysis is superior to technical analysis, though both focus on the same broad objectives. Explain with at least two examples..

Q.2.

(a) A portfolio contains four securities A,B,C and D in the ratio of 10:40:30:20. Returns on investment in each security are 6%, 8%, 7% and 9% respectively. Find out the portfolio return (Rp).

(b) Two securities that are perfectly negatively correlated have standard deviations of 0.005 (Security A) and 0.015 (security B). What would be the proportion of these two securities in a zero risk portfolio?

Q.3.

An investor purchases share of a company at a price of Rs.320 per share. These have face value of Rs. 10 per share. It is expected that the company will declare a dividend of 65% at the end of one year and expected market price per share at that time will be Rs.390. Calculate the rate of return on shares.

Q.4.

(a) From the following information, determine expected rate of return:

Risk free rate= 9%, beta= 1.5, Return on market portfolio= 14%

(b) State the difference between Capital Market Line and Security Market Line.

Q.5.

If the risk free rate is 10%, expected return on NSE Index is 18%, standard deviation is 5%. construct an efficient portfolio to secure 16% return. The efficient portfolio consists of market securities and risk free securities invested in the proportion of W and 1- W.

Q.6.

The beta of XYZ Company is 1.2. The company is maintaining a 5% rate of growth in earnings or dividends. The last dividend paid was Rs. 2 per share. The risk free rate of return and the return on market portfolio are 10% and 15% respectively. The current market price of the company is Rs. 14. What will be the equilibrium price per share of the company?

Q.7.

Consider the following data for a particular period:

	Portfolio P	Market M
Average return	0.35	0.28
Beta	1.2	1
Standard deviation	0.42	0.3

The treasury bill rate during the period was 6%. Evaluate Portfolio P using Sharpe measure and find out whether the portfolio over or under performed the market.

Q.8.

Write short notes on the following:

- a) Systematic and unsystematic risk
- b) Efficient portfolio and dominant portfolio
- c) Beta as a measure of risk for portfolio.
- d) Significance of risk and return in portfolio management