

VPM's
DR VN BRIMS, Thane
Programme: PGDM (2016-18)
Sixth Trimester Examination April 2018

Subject	Security Analysis and Portfolio Management		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	2	Date	04/04/2018

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

The investment portfolio of the bank is as follows

Government Bond	Coupon Rate	Purchase Rate (FV-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 investment in each government bond is 5 crs

Calculate actual investment in the portfolio

What is the suitable action to churn out investment portfolio in the following scenario?

- Interest rate is expected to be lower by 25 basis point.
- Interest rate is expected to be increased by 75 basis point.

Also calculate the revised duration of investment portfolio in each scenario.

- List down few government bonds in India which can be a good investments in the current scenario.

Q2 Solve the following (5x2) = 10 Marks

(a) Calculate the covariance and correlation of two securities

Years	Security 1 (returns %)	Security 2 (returns %)
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

(b) Explain with examples systematic and unsystematic risk ?

Q3. Solve the following ————— (5x2) = 10 Marks

(a) An investor seeking the price to pay for a security whose standard deviation is 3%. The correlation coefficient of the security with the market is 0.80 and the market standard deviation is 2.20%. The return from government security is 5.20% and from the market portfolio is 9.80%. The investors know that by calculating required return, he can determine the price to pay for the security. What is the required rate on the security?

(b) What is the difference between SML and CML ?

Q4. Solve the following ————— (5x2) = 10 Marks

(a) What are the forms of Efficient Market Hypothesis?

(b) What are the different investment avenues? Being a portfolio manager which avenues will you suggest and why?

Q5. Solve the following ————— (5x2) = 10 Marks

(a) X Ltd co invested in certain equity shares as on 01/04/2005

Name of the company	No of shares	Cost
M Ltd	1000 (Rs 100 each)	200000
N Ltd	500(Rs 10 each)	150000

On September 5th 10% dividend was paid out by M Ltd and in October 2005, 30% dividend was paid out by N Ltd as on 31/03/2006. Market quotation showed a valued of 220 and 290 per share respectively for M and N Ltd.

(b) An investor is holding 1000 shares of fatless company. Presently the dividend paid by the company is rs 2 per share and the share is being sold at rs 25 per share in the market. However several factors are likely to change during the year which is as follows.

	Existing	Revised
Risk free rate	12%	10%
Market risk premium	6%	4%
Beta value	1.4	1.25
Expected growth rate	5%	9%

With the view of above factors, whether the investor should buy, hold or sell the security ?

Q6. Solve the following ————— (5x2) = 10 Marks

(a) A has invested in 3 mutual fund schemes as per details given below

	MF A	MF B	MF C
Date of Investment	01\12\03	01/01/04	01/03/04
Amount of Investment	50000	100000	50000
NAV at entry date	10.50	10	10
Dividend received 31/03/07	950	1500	nil
NAV	10.40	10.10	9.80

What is the effective yield on per annum basis in respect of each of the three schemes to Mr A upto 31/03/2004?

(b) What are sartorial fund, looking at today's market which sector should a mutual invest in to get a return of 15% p.a and above.

Q7. Solve the following ————— (5x2) = 10 Marks

Securities	U	V	W	X	Y	Z
Returns %	10	10	15	5	11	10
Risk (SD)	5	6	13	5	6	7

(a). Which security will be selected for investment.

Assuming a perfect correlation, whether it is preferable to invest, 80% in security U and 20% in security W or 100% in Y.

(b) Differentiate between primary and secondary markets.