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III Semester M.B.A. (Day and Eve.) Examination, June/July 2024
(CBCS) (2022 – 23)

MANAGEMENT

Paper – 3.3.3 : Investment Analysis and Management

Time : 3 Hours

Max. Marks : 70

SECTION – A

Answer **any five** of the following. **Each** question carries **five** marks. **(5×5=25)**

1. What is Investment ? Differentiate between Investment, Trading and Speculation.
2. Define non-marketable financial assets. How do they differ from marketable financial assets in terms of liquidity and tradability ?
3. What is meant by P/E ratio ? What is the logic of using this concept in investment decision ?
4. The following information is available.

	Stock A	Stock B
Expected return	12%	26%
Standard deviation	15%	21%
Coefficient of correlation	0.30	

- a) What is the covariance between stocks A and B ?
- b) What is the expected return and risk of a portfolio in which A and B are weighted 3 : 7 ?
5. An investor purchases a bond at a price of Rs. 900 with Rs. 100 as a coupon payment and sold at Rs. 1,000, what is his holding period return and if the bond is sold for Rs. 750 after receiving Rs. 100 as coupon payment, then what is the holding period return ?

P.T.O.



6. Assume you are a portfolio manager, based on the following details determine the securities that are overpriced and underpriced.

Stock Return	Actual Return (%)	Beta
Hindustan Zinc	17	1.3
Asian Paints	14.5	0.8
Maruti Udyog	15.5	1.1
Purvi Electronics	18	1.7
Nifty Index	15	1
T-Bills	10	0

7. Cinderella Mutual Funds has the following assets in Scheme Rudolf at the close of business on 31st March 2023.

Company	No. of Shares	Market price per share
Nairobi Ltd.	25000	Rs. 20
Dakar Ltd.	35000	Rs. 300
Senegal Ltd.	29000	Rs. 380
Cario Ltd.	40000	Rs. 500

The total number of units of Scheme Rudolf is 10 Lakhs. The Scheme Rudolf has accrued Expenses of Rs. 2,50,000 and other liabilities of Rs. 2,00,000. Calculate the NAV per unit of the Scheme Rudolf.

SECTION – B

Answer **any three** questions. **Each** question carries **10** marks. (3×10=30)

8. “Fundamental Analysis provides an analytical framework for rational investment decision-making”. Discuss.
9. Explain CAPM theory and its validity in the stock market.
10. Consider the following information for three mutual funds, X, Y and Z and the market.

Portfolio	Mean return (%)	Standard Deviation (%)	Correlation Co-efficient
X	18	27	0.8
Y	14	18	0.6
Z	15	8	0.9
Market	13	12	–

Risk free rate of interest is 9.

- a) Rank these portfolios using Sharpe’s and Treynor’s methods.
b) Compare both the indices.



11. An investor wants to build a portfolio with the following four stocks. With the given details, find out his portfolio return and portfolio variance. The investment is spread equally over the stocks. Market Return = 11 and Market Return Variance = 26.

Company	Alpha	Beta	σ_{ei}^2
Sneha	0.17	0.93	45.15
Neha	2.48	1.37	132.25
Asha	1.47	1.73	196.28
Priya	2.52	1.17	51.98

SECTION – C

12. **Compulsory** question. It carries **fifteen** marks.

(1×15=15)

An investor holds two stocks A and B. An analyst prepared ex-ante probability distribution for the possible economic scenarios and the conditional returns for two stocks and the market index as shown below.

	Probability	Conditional Returns (%)		
		A	B	Market
Growth	0.3	20	25	16
Stagnation	0.5	12	15	10
Recession	0.2	-3	-7	-3

The risk-free rate during the next year is expected to be around 11%. Determine whether the investor should liquidate his holdings in stocks A and B or on the contrary make fresh investments in them. CAPM assumptions are holding true.