5. Write short notes on any **four** of the following : (4.5×4=18)

   (i) Credit Rating

   (ii) Tenets of Dow Theory

   (iii) Fundamental Analysis

   (iv) Types of Risks

   (v) Arbitrage Pricing Theory (APT)

[This question paper contains 8 printed pages.]

Your Roll No..............

Sr. No. of Question Paper : 5165 **H**

Unique Paper Code : 2922072402

Name of the Paper : Investment Analysis and Portfolio Management

Name of the Course : **Bachelor of Business Administration (FIA) (NEP-UGCF)**

Semester : IV

Duration : 3 Hours Maximum Marks : 90

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Marks are indicated against the question.
3. No negative marking.
4. **All** the questions are compulsory.

1. (a) What will be the fair price of a 10% bond with 3 years to maturity when market yields are 7%. Estimate the new price using modified duration if there is a 1% reduction in interest rates. (9)

(b) Bond A has a coupon of 8% and bond B 9%, they have the same maturity and are priced to give the same YTM. Which has higher reinvestment risk? Why? (4)

(c) What is the yield to call for a 9%, 10-year bond with par value of Rs. 100, and callable after 2 years at 105, if interest rates in the economy are 7%? The bond is currently available at Rs. 114.05. (5)

OR

(a) Mr. Shivam who is a bank manager needs Rs. 5 lakhs after two years. Out of various options he has shortlisted two bonds for investment in the

4. (a) Consider the following information regarding six portfolios :

PORTFOLIO	AVERAGE ANNUAL RETURN	STANDARD DEVIATIONS	CORRELATION WITH MARKET
A	22.0	21.2	0.70
B	18.6	26.0	0.80
C	14.8	18.0	0.62
D	15.1	8.0	0.95
E	26.5	19.3	0.65
F	(-)9.0	4.0	0.42
MARKET INDEX	12.0	12.0	

The risk tree rate was 9%.

You are required to :

(i) Rank these portfolios using Sharpe's method and Treynor's method; and

(ii) Compare the ranking and explain the reasons behind the differences. (12)

(b) "In equilibrium, the market portfolio is the unique mean variance efficient tangency portfolio, which indicates that a passive strategy is efficient". Explain the above statement in the light of Capital Asset Pricing Model". (6)

OR

(a) The return and beta of two stocks that lie on the security market line are as follows. ABC has return of 17% and the beta 1.2 and XYZ has return 19 and beta 1.4. What is the required return on PQR with beta of 0.8? (6)

(b) Explain Active and Passive portfolio management services. (6)

(c) The market return is 15%, standard deviation is 20% and the risk free rate is 5%. Which of the following securities is efficient/inefficient according to CML? (6)

SECURITY	STANDARD DEVIATION	EXPECTED RETURN
A	15	13
B	18	12
C	20	17

preliminary screening. The two bonds which he has shortlisted for investment are a one year bond with 5 % coupon and a three year bond with 8% coupon. How he can immunize himself against price and reinvestment risk if the interest rate in the economy is 7%. (7)

(b) How is technical analysis different from fundamental analysis? (6)

(c) Explain industry life cycle model for industry analysis. (5)

2. (a) A company paid a dividend of Rs. 5 per share in the immediately preceding period. Dividend is expected to grow at 8% for one year, then at 15% rate for the next two years, after which it is expected to grow at a 5% rate forever. What is the fair price of the share after two years if the required return is 10%? (8)

(b) ABC Ltd. paid a dividend of Rs. 15 in the previous year. The dividends in the future are expected to grow perpetually at the rate of 7%. Find out the share's price today if the market capitalization rate is 12%. (5)

(c) What is the role of support and resistance levels in technical analysis? (5)

OR

(a) Calculate duration for a three year zero coupon bond and a three year bond with 9% coupon if both have 9% yield to maturity. (7)

(b) A deep discount bond with face value of Rs. 100, maturing in 4 years was purchased for Rs. 79.92. What is the Yield to maturity. (5)

(c) What are leading and lagging indicators? Explain with examples. (6)

3. (a) Consider the following three securities and the relevant data on each :

	SDD	JKC	DSD
Expected Return	10	11	7
Standard Deviation	10	15	5
Correlation Coefficients			
Stocks 1,2	0.3		
Stocks 2,3	0.4		
Stocks 1,3	0.5		

Compute the correlation risk and return if the following proportions are assigned to each stock: SDD=0.2, JKC=0.4 and DSD=0.4 (12)

(b) Following are the details of stock XYZ :

Risk free rate	5%
Return on market	12%
Standard deviation of market	6%
Correlation of XYZ with market	0.75
Standard deviation of XYZ	5%

What is the required return on the stock XYZ according to CAPM? (6)