GL BAJAJ
Institute of Management & Research
Approved by A.I.C.T.E., Ministry of HRD, Govt. of India

Roll No…………

Plot No. 2, Knowledge Park-III, Greater Noida (U.P.) – 201306

POST GRADUATE DIPLOMA IN MANAGEMENT (2017-19)

END TERM EXAMINATION (TERM-IV)

Subject Name: **Security Analysis and Portfolio Management** Time: **02.00 hrs**
Sub. Code: **PGF-02** Max Marks: **50**

Note:
1. Writing anything except Roll Number on question paper will be deemed as an act of indulging in unfair means and action shall be taken as per rules.
2. All questions are compulsory in Section A, B & C. Section A carries 2 Case Studies, 10 marks each. Section B carries 2 questions of 10 marks each and Section C carries 5 questions 2 marks each.

SECTION-A **10×02 = 20 Marks**

Q. 1: Case Study:

Stocks TATAMO and IIFL display the following returns over the past five years.

Year	Return(%)	
	TATAMO	IIFL
2004	14	12
2005	16	18
2006	20	15
2007	17	11
2008	18	10

(a) What is the expected return on portfolio made up of 40 per cent of TATAMO and 60 per cent of IIFL?
(b) What is the standard deviation of each stock?
(c) Determine the correlation co-efficient of stock TATAMO and IIFL.
(d) What is the portfolio risk of a portfolio made up of 40 per cent TATAMO and 60 per cent IIFL?

Q. 2: Case Study:

With the given details, evaluate the performances of the different Mutual funds using Sharpe, Treynor and Jensen portfolio performance evaluation techniques.

Funds	RETURN(%)	STD DEV(%)	BETA
A	12	20	0.98
B	12	18	0.97
C	8	22	1.17
D	9	24	1.22

SECTION-B $10 \times 02 = 20$ Marks

Q. 3: Hari wants to buy Morning Star Co., shares that have paid a dividend of Rs 1.50 during the last financial year. Joan traditionally requires 18 per cent return from his investment. Analyst suggests that earnings and dividends on the stock will grow at a rate of 15 per cent for the next two years and thereafter at a rate of 10 per cent. What is the fair price expected by Hari?

Q. 4: A bond portfolio manager advises her to buy a 5 years, Rs 1,000 face value bond that gives 8 per cent coupon semi annually. The current market interest rate is 10 per cent per annum. The bond is currently selling at discount of Rs.700.
Should portfolio manager adhere to the manager's advice? Suggest with analysis.

SECTION-C $02 \times 05 = 10$ Marks

Q. 5 (A): Explain the merits of fund raising through IPO and compare it with other traditional ways of fund raises by Corporates.
Q. 5 (B): How is bond duration different from maturity term of Bond? How do we estimate duration of bond?
Q. 5 (C): Calculate the future spot rate for year 2, if two year forward rate is 8 percent and the spot rate for year 1 is 7 per cent per annum.
Q. 5 (D): Discuss CAPM and APT. What is the link between SML and CML?
Q. 5 (E): Explain difference of assumptions in Markowitz Model and Sharpe's Model of optimal portfolio construction.