

THIRD SEMESTER M. Com. DEGREE EXAMINATION, NOVEMBER 2020
COMMERCE
FMCM3EF01 - INVESTMENT MANAGEMENT

Time: Three Hours

Maximum Weightage: 30

Part A: Answer any *four* questions. Each carries *two* weightage.

1. Define portfolio.
2. What is a zero coupon bond?
3. What are the quantitative models of equity valuation?
4. Explain the candle stick chart.
5. Write short note on security market line.
6. What is Treynor's index?
7. Security X has a beta of 0.75 while security Y has a beta of 1.45. Calculate the expected return for these securities, assuming that the risk free rate is 5 per cent and expected return of the market is 14 per cent.

(4 × 2 = 8 weightage)

Part B: Answer any *four* questions. Each carries *three* weightage.

8. Explain different types of investments
9. What is 'yield to maturity'?
10. Describe the different situations where evaluation of performance of portfolios becomes necessary.
11. Describe the key assumptions underlying the CAPM.
12. What do you mean by behavioral finance?
13. A portfolio is constituted with four securities having the following characteristics:

Security	Return (%)	Proportion of investment
A	17.5	0.15
B	24.8	0.25
C	15.7	0.45
D	21.3	0.15

Calculate the expected return of the portfolio.

(P.T.O.)

14. An investor is considering the purchase of the following debenture:
 Maturity: 3 years
 Coupon: 11 per cent
 Par: Rs.100
 If the investor requires a YTM of 13 per cent on debentures of equivalent risk and maturity, what does he believe is a fair market price?

(4 × 3 = 12 weightage)

Part C: Answer any two questions. Each carries five weightage.

15. Explain various investment strategies.
 16. Discuss the tools used in fundamental analysis.
 17. Monthly return data (in percent) are presented below for ITC stock and BSE National Index for a 12 month period.

Month	ITC	BSE National Index
1	9.43	7.41
2	0.00	-5.33
3	-4.31	-7.35
4	-18.92	-14.64
5	-6.67	1.58
6	26.57	15.19
7	20.00	5.11
8	2.93	0.76
9	5.25	-0.97
10	21.45	10.44
11	23.13	17.47
12	32.83	20.15

Calculate beta of ITC stock.

18. Consider a portfolio composed of four securities with the following characteristics

Security	Weight	α_i	β_i	Residual variance σ_{ei}^2
1	0.2	2.0	1.2	320
2	0.3	1.7	0.8	450
3	0.1	-0.8	1.6	270
4	0.4	1.2	1.3	180

Calculate the return and risk of the portfolio under single index model if the return on market index is 16.4 percent and standard deviation of return on market index is 14 percent.

(2 × 5 = 10 weightage)