Subject Code: MB1335/R13

M B A - III Semester Regular Examinations, Jan/Feb - 2015

INVESTMENT MANAGEMENT

Time: 3 hours **Max Marks: 60**

Answer any FIVE of the following

All questions carry equal marks. Q.No.8 is compulsory

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1. a) Explain the process of Investment?
   b) Explain the Investment Vs Speculation?

2. a). What do you mean by yield to maturity? How is it different from current yield and Coupon rate?
   b) Explain the principles of the Bond pricing theorem

3. a). A chemical company paid a dividend of Rs.2.75 during the current year. Forecasts suggest that earnings and dividends of the company are likely to grow at the rate of 8 per cent over the next five years and at the rate of 5 per cent thereafter. Investors have traditionally required a rate of return of 20 per cent on these shares. What is the present value of stock?
   b). Describe the multiplier approach to share valuation?

4. "CAPM postulates the nature of the relationship between the expected return and the systematic risk of a security." Explain.

5. 'Mutual funds provide stability to share prices, safety to investors and resources to the prospective entrepreneurs' Discuss

6. 'The fundamental analysis always useful to be prospective investors' Discuss.

7. Consider a portfolio of six securities with the following characteristics

Security	Weighting	Alpha	Beta	Residual variance (per cent)
1	0.10	-0.28	0.91	23
2	0.15	0.76	0.87	60
3	0.20	2.52	1.71	52
4	0.10	-0.16	0.97	86
5	0.25	1.55	1.07	67
6	0.20	0.47	0.86	82

Assuming the return on market index to be 14.5 per cent and the standard deviation of return on market index to be 16 per cent, calculate the portfolio return and risk under single index model.

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8. **Case Study:**

Information regarding two mutual funds and marks index are given below:

Fund	Return (per cent)	Standard deviation (per cent)	Beta
Franklin Temple ton	14	30	0.72
standard chart	32	70	1.33
Market index	20	48	1.00

Assuming the risk-free return as 5 per cent.

a) calculate the differential return(Jensen Ratio) for the two funds

b) Calculate net selectivity measure for the both funds using Fama's framework of performance components.

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