Seat No.: _____ Enrolment No._____

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA – SEMESTER (3) – EXAMINATION– SUMMER 2019

Subject Code: Security Analysis & Portfolio Management Date:10/05/2019

Subject Name: 3539223

Time:02.30 PM TO 05.30 PM Total Marks: 70

Instructions:

1. **Attempt all questions.**
2. **Make suitable assumptions wherever necessary.**
3. **Figures to the right indicate full marks.**

Q.1 Define following terms: **14**

1. Settlement Period
2. Odd lot Trading
3. Support and Resistance Level
4. Systematic Risk
5. Head and shoulder pattern
6. Bond Duration
7. Holding period Return

Q.2 (A) "The investment process involves a series of activities starting from the policy formulation" Discuss the statement. **07**

Q.2 (B) Stock L and M have yielded the following returns for the past two years. **07**

Year	Return %	
	L	M
1995	12	14
1996	18	12

A. What is the expected return on portfolio made up of 60% of L and 40% of M?

B. Find out the standard deviation of each stock.

C. What is covariance and coefficient of correlation between stock L and stock M?

OR

Q.2 (B) From the following information available of Vedanta Ltd. Calculate Beta value. **07**

Year	Return of Vedanta Ltd.	Return from Market
1	-13%	-3%
2	5%	2%
3	15%	8%
4	27%	12%
5	10%	7%

Q.3 (A) Discuss the factors that Differentiate investor from speculator and gambler in detail. **07**

Q.3 (B) Miss. Mona is considering an investment in the stock of PC Jewelers corporation. Miss. Mona expects PC Jewelers corporation to earn a return of 17% in the next year. PC Jewelers' beta is 1.3, T- bill rate is 7% and market return is 15%. Should Miss. Mona invest in the PC Jewelers corporation **07**

OR

Q.3 (A) What do you mean by Fundamental Analysis? How does fundamental analysis differ from technical analysis? **07**

Q.3 (B) Alpha and beta coefficient details of the following stocks are as under; **07**

Stocks	α	β
A	1.00	0.80
B	1.35	1.15
C	1.18	1.25
D	1.25	0.95
E	1.50	1.40

Rank the five stocks using Jenson's performance measure.

Q.4 (A) "Stocks are considered to be risky but bonds are not". Clarify that this is not fully correct. **07**

Q.4 (B) Miss. Charmi considers Rs. 1000 par value bond bearing a coupon rate 11% that matures after 5 years. She wants minimum yield to maturity of 15%. This bond is currently available at Rs. 870. Should she buy the Bond? **07**

OR

Q.4 (A) What do you mean by portfolio return? Explain various types of Return in detail. **07**

Q.4 (B) The following three portfolios of 'Mihir Investment House' provided bellow particulars; **07**

Portfolio	Avg. Annual Return	Standard Deviation	Correlation coefficient
A	18%	27%	0.8
B	14%	18%	0.6
C	15%	8%	0.9
Market	13%	12%	--

Risk free rate of interest of 9%. Rank these portfolios using sharpe Index and Treynor's Model.

Q.5 Miss Nikita is constructing an optimal portfolio. The market return forecast says that it would be 13.5% for the next two year with the market variance of 10%. The riskless rate of return is 5%. The following securities are under review.

Company	α	β	Residual variance
A	3.72	0.99	9.35
B	0.60	1.27	5.92
C	0.41	0.96	9.79
D	-0.22	1.21	5.39
E	0.45	0.75	4.52

Q.5 (A) What is the Cut Off point of Optimal Portfolio for Miss Nikita? **07**

Q.5 (B) Find out the stocks for optimal portfolio and also create an optimal portfolio with the calculation of proportion of investment in each stocks selected for portfolio. **07**

OR

Q.5 'Kinjal investment Avenues' assumes CAPM equilibrium model with unlimited borrowings and lending at the riskless rate of interest. Complete the blanks in the following table.

Security	∑(R)	σ	β	Residual
A	0.15	--	2	0.10
B	--	0.25	0.75	0.04
C	0.09	--	0.50	0.17

Q.5 (A)	Find out expected return of security B for 'Kinjal investment Avenues'.	**07**
Q.5 (B)	Calculate standard deviation of security A and security C.	**07**

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