

**Note : Each question carry equal (14) marks. Attempt all 5 questions.**

Q.1 What are the Investment Avenues? Which are the attributes one should consider while evaluating an investment? Compare Investment Avenues.

Q.2 A The following information is available on a bond: Face value –Rs. 100, Coupon rate: 12 percent payable annually, Years to maturity: 6, current market price: Rs. 110. what is the duration of the bond? Use approximate formula for calculating the yield to maturity.

B What is convexity? Discuss different types of Bond Management strategies in detail.

Or

Q.2 A What is the difference between Fundamental and Technical Analysis? Explain in detail

B Compute the following: Cumulative wealth index, Arithmetic Mean, Geometric Mean, Variance and Standard Deviation.

Year	Return
1	0.07
2	0.03
3	-0.09
4	0.06
5	0.10

Q-3 A Rs. 1,00,000 par five year maturity bond with a 9 percent coupon rate (paid annually) currently sells at a yield to maturity of 8 percent. A portfolio manager wants to forecast the total return on the bond over the coming two years, as his horizon is two years. He believes that two years from now, three year maturity bonds will sell at a yield of 7 percent and the coupon income can be reinvested in short term securities over the next two years at a rate of 6 percent. What is the expected annualized rate of return over the two year period?

Or

From the following information calculate the following :

1. What are the betas of the stocks?
2. What is expected return on each stock if the market return is equally likely to be 6% or 20%?
3. If the risk free rate is 7% and the market return is equally likely to be 6 or 20% what is the SML?
4. What are the alphas of the two stocks?

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Market Return	Aggressive stock	Defensive stock
6%	2%	8%
20	30	16

- Q.4 Write short note on : (Any two)
1. Efficient Frontier
  2. CAPM and APT
  3. Efficient Market Hypothesis

- Q.5 Consider the following information for three mutual funds X,Y and Z and the market. The mean risk free rate is 6 percent. Calculate the Treynor, Sharpe and Jensen measure for the three mutual funds and market index.

Particular	Mean return (%)	Standard Deviation (%)	Beta
A	12	18	1.1
B	10	15	0.9
C	13	20	1.2
Market Index	11	17	1.0

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