

## IMBA in FS Sem.-6 Examination

FS - 603

Portfolio Mgmt

May-2025

[Max. Marks : 70]

Time : 2-30 Hours]

**Instructions:**

- **Figures to the right indicate Full Marks.**
- **Do not write anything on the question paper.**
- **Simple calculator is allowed. Do not use a scientific calculator.**

Q.1	Discuss the Qualities required for successful investing	14															
	<b>OR</b>																
Q.1	List the key developments in the G-secs market in India from 1990 onwards.	14															
Q.2	Raja Ram Corp Ltd. has experienced earnings and dividend growth at a rate of 20% per annum, and this is expected to continue for the next 3 years. After that, the growth rate is expected to decrease to 14% for the following 3 years. Thereafter, the growth rate is projected to stabilize at 7% per annum forever. The last dividend per share was Rs. 5.00 and the required rate of return by investors on Raja Ram Corp Ltd. equity is 1%. What is the intrinsic value per share?	14															
	<b>OR</b>																
Q.2	The stock of Jayram Ltd performs well compared to other stocks during recessionary periods. On the other hand, Laxman Limited's stock did well during growth periods. Both stocks are currently selling for Rs 100 per share. You assess the rupee return (dividend plus price) of these stocks for the next year as follows:	14															
	<table border="1"> <tr> <td>Probability</td> <td>0.30</td> <td>0.40</td> <td>0.20</td> <td>0.1</td> </tr> <tr> <td>Return on Jayram Ltd stock</td> <td>10</td> <td>110</td> <td>120</td> <td>140</td> </tr> <tr> <td>Return on Laxman Ltd Stock</td> <td>150</td> <td>130</td> <td>90</td> <td>60</td> </tr> </table>	Probability	0.30	0.40	0.20	0.1	Return on Jayram Ltd stock	10	110	120	140	Return on Laxman Ltd Stock	150	130	90	60	
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(P.T.O)

	Rs 500 each is invested in Jaram Ltd and Laxman Limited's equity stock. Calculate expected return and Standard deviation.																					
Q.3	A portfolio consists of 3 securities: 1, 2, and 3. The proportions of these securities are $w_1 = 0.3$ , $w_2 = 0.5$ , and $w_3 = 0.2$ . The standard deviations of returns on these securities (in percentage terms) are $s_1 = 6$ , $s_2 = 9$ , and $s_3 = 10$ . The correlation coefficients among security returns are $r_{12} = 0.4$ , $r_{13} = 0.6$ , and $r_{23} = 0.7$ . What is the standard deviation of portfolio return? <b>OR</b>	14																				
Q.3	What is the coefficient of correlation between the returns on assets of Apple Ltd and Orange Ltd, given below <table border="1" data-bbox="432 837 1066 1039"> <thead> <tr> <th>Scenario</th> <th>Prob</th> <th>Apple Ltd</th> <th>Orange Ltd</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>0.10</td> <td>5%</td> <td>0%</td> </tr> <tr> <td>2</td> <td>0.30</td> <td>10%</td> <td>8%</td> </tr> <tr> <td>3</td> <td>0.50</td> <td>15%</td> <td>18%</td> </tr> <tr> <td>4</td> <td>0.10</td> <td>20%</td> <td>26%</td> </tr> </tbody> </table>	Scenario	Prob	Apple Ltd	Orange Ltd	1	0.10	5%	0%	2	0.30	10%	8%	3	0.50	15%	18%	4	0.10	20%	26%	14
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Q.4	Calculate Treynor measure, Sharpe measure, Jensen measure, and $M^2$ for the three mutual funds and market index. <table border="1" data-bbox="432 1211 1040 1615"> <thead> <tr> <th></th> <th>Mean Return</th> <th>STD Deviation</th> <th>Beta</th> </tr> </thead> <tbody> <tr> <td>ICICI Bank</td> <td>15%</td> <td>20%</td> <td>0.90</td> </tr> <tr> <td>IDBI BANK</td> <td>17%</td> <td>24%</td> <td>1.10</td> </tr> <tr> <td>DBS Bank</td> <td>19%</td> <td>27%</td> <td>1.20</td> </tr> <tr> <td>Market index</td> <td>16%</td> <td>20%</td> <td>1.00</td> </tr> </tbody> </table>		Mean Return	STD Deviation	Beta	ICICI Bank	15%	20%	0.90	IDBI BANK	17%	24%	1.10	DBS Bank	19%	27%	1.20	Market index	16%	20%	1.00	14
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Q.4	<b>OR</b> Explain the concept of an efficient frontier in portfolio theory. How does it help investors in selecting the best portfolio?	14																				

Q.5	<p><b>Answer in one line/one word (any 7)</b></p> <ol style="list-style-type: none"><li>1. What is the term for the variability of returns from an investment?</li><li>2. Name two non-marketable financial assets.</li><li>3. What is the theory that suggests stock prices reflect all information?</li><li>4. Who introduced the Modern Portfolio Theory?</li><li>5. What is the difference between spot and forward exchange rates?</li><li>6. What is the term for measuring bond profitability?</li><li>7. What term describes the theoretical value of a security?</li><li>8. What model focuses on the risk-return trade-off to form an optimal portfolio?</li><li>9. What is the theory that suggests stock prices reflect all information?</li></ol> <p style="text-align: center;"><b>END</b></p>	14
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