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PGDFT, Semester-II, Semester End Examination, June 2022

Subject- DFTO212: Security Analysis and Portfolio Management

Duration: 3 hours

Total marks: 60

Instructions:

- 1) This paper consists of nine questions carrying equal marks
- 2) Question no. 1 consists of 5 compulsory questions of 2 marks each.
- 3) Answer any 5 questions from Question 2,3,4,5,6,7,8 and 9.
- 4) Each question carries 10 marks. Figures to right indicate marks.
- 5) Present value and logarithm table will be provided on request.

Q1) Answer the following:**(5*2=10)**

- a) Explain the tradeoff between risk and return.
- b) What is Beta? How is it interpreted?
- c) Describe the various stages of industry life cycle.
- d) Write short notes on candle stick chart.
- e) Distinguish between active and passive revision strategies.

Q2) Answer the following questions:

- a) Write short notes on Yield to maturity, zero coupon bond and default risk of a bond. **(05)**
- b) Describe the key economic variables that an investor must monitor as part of his fundamental analysis. **(05)**

Q3) Answer the following questions

- a) Find risk and return of the following securities. Should the investor keep all these securities? **(05)**

Securities	Returns	Probability
1	-25	0.05
2	-10	0.10
3	0	0.10
4	15	0.15
5	20	0.25
6	30	0.20
7	35	0.15

- b) Ashwin wants to buy Hatsen company stock and hold it for 5 years. He estimates that Rs3.44 dividend would be paid by the company continuously for next 5 years. He hopes to sell the shares at Rs60/- at the end of 5th year. What is the present price? His required rate of return is 10%. (05)

Q4) Find a duration of a 6% coupon bond with face value of Rs1000 making annual interest payments, if it has 5 years until maturity. The bond is redeemable at 5% premium at maturity. The market interest rate is currently 8%. (10)

Q5) Answer the following questions:

- a) How does a technical analysis differ from fundamental analysis? (05)

- b) What is meant by portfolio revision? What factors necessitate portfolio revision? (05)

Q6) The following results were obtained from a study for a period of 6 months.

Fund	Return	Standard Deviation	Beta
Balanced fund	25.38	4.00	0.23
Small and Mid-cap fund	36.28	6.86	0.52
Infra fund	45.56	4.31	0.63
Nifty	36.74	3.69	1.00
Rf	9.00	-	-

Using the inputs, rank the funds according to the predictive ability of the fund management. (Jensen index) (10)

Q7) Mr Drone is constructing an optimal portfolio. The market return forecast says that it would be 13.5% for the next 2 years with the market variance of 10%. The risk-free rate of return is 5%. The following securities are under review. Find out expected return and optimum portfolio.

Company	Alpha	Beta	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	2.52

(10)

Q8) As a portfolio manager determine the securities that are overpriced and under-priced in terms of SML, based on the below details: (10)

Security	Actual return	Beta	Standard Deviation
A	0.34	1.7	0.5
B	0.16	1.4	0.35
C	0.26	1.1	0.4
D	0.12	0.95	0.24
E	0.21	1.05	0.28
F	0.10	0.7	0.18
Nifty Index	0.13	1	0.2
T Bills	0.09	0	0

Assume that the portfolio is constructed by using equal portions of 6 stocks as listed above. Find out the expected return.

Q9) Describe briefly the investment avenues and its features. (10)

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