

**Vidya Vikas Mandal's**  
**Shree Damodar College of Commerce & Economics, Margao**  
**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 5<sup>th</sup> 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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