Subject Code: MB1335/R13

M B A - III Semester Regular/Supply Examinations, Jan/Feb - 2016

INVESTMENT MANAGEMENT

Time: 3 hours **Max Marks: 60**

Answer any **FIVE** of the following

All questions carry equal marks. **Q.No.8 is compulsory**

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1. What is the meaning of investment? Discuss the different alternatives available to investor for making an investment?
2. What are basic valuation models of bonds? How to calculate yield on bonds?
3. The equity stock of Sharma Ltd. Is currently selling for Rs.32 per share. The dividends are expected next is Rs.2.00. the investors required rate of return on this stock is 12 per cent. Assume that the constant growth model applies to Sharma Ltd. What is the epected growth rate of Sharma Ltd.?
4. What is Markowitz 'efficient frontier'? Explain with illustration.
5. Distinguish between Investment, Speculation and Gambling. What is the usefulness of the sound investment plan?
6. Assume the two securities constitute the market portfolio. Those securities have the following expected returns, standard deviations and proportions:

Security	Expected Return (%)	Standard Deviation (%)	Proportion
A	10	20	0.4
B	15	28	0.6

Based in this information, and given a correlation of 0.30 between the two securities and a risk free rate of 5%, specify the equation for the capital market line.

7. Write a notes on :
   (a) Treyner's Ideal Fund.
   (b) Sharpe's Performance measure.
   (c) Jenson's Model

8. **Case Study:**

The required rate of return on the market portfolio of SBI Magnum Plus Fund is 16 per cent. The beta of stock RPG is 1.6. The required return on the stock is 22 per cent. The expected dividend growth on stock is 12 per cent. The price per share of stock is Rs.260.

I. What is the expected dividend per share of stock next year?

II. What will be the combined effect of the following on the price per share of stock?

Questions.

(a) The inflation premium increases by 5 per cent.
(b) The decrease in the degree of risk-aversion reduces the differential between the return on market portfolio and the risk-free return by one-self.
(c) The expected growth rate of dividend on stock decrease to 10 per cent.
(d) The beta of stock falls to 1.1

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