SVKM's NMIMS
NMIMS – GLOBAL ACCESS SCHOOL FOR CONTINUING EDUCATION

Programme: PGDFM

Examination: June 2016
Subject: Capital Market and Portfolio Management

Semester: III
Course : New
Marks : 70

Date: 19.06.2016
Time: 3.00 p.m. to 6.00 p.m.

Instructions:

1. **Answer to each new question to be started on a fresh page.**
2. **Figures in bracket indicate full marks.**

Q.1) Attempt any 2 out of 4 **(Marks: 2X5=10)**

a) Explain Difference between Investment and Speculation.

b) Explain Optimal Portfolio (Two Assets).

c) Explain Capital Asset Pricing Model and Assumptions of CAPM.

d) Explain Sharpe ratio, Treynor measures, and Jensen's alpha

Q.2) Write short notes on (2 out of 5) **(Marks: 2X5=10)**

a) Explain the types of Investors.

b) Explain and Interpret the mean, variance, and covariance (or correlation) of asset returns based on historical data.

c) Explain Arbitrage Pricing Theory (APT) and Model in finance

d) Examine the concept of Efficient Frontier with the Riskless Assets

e) The covariance of the market's returns with the stock's returns is 0.008. The standard deviation of the market's returns is 0.1 and the standard deviation of the stock's returns is 0.2. What is the correlation coefficient between the stock and market returns?

Q.3) Attempt any 3 out of 5 **(Marks: 3X10=30)**

a) Explain return measures (any three):

   i. Holding period return (HPR),
   ii. Money-weighted rate of return (MWROR),
   iii. Time-weighted Return(TWR),
   iv. Dollar-weight Rate of Return

b) Explain Macro Economic Analysis.

c) Explain Six Basic Tenets of Dow Theory.

d) Differentiate between Fundamental and Technical Analysis.

3e) An investor invests his funds in ratio of 8:2 in assets A and B respectively. Given the following information calculate the expected return, variance and standard deviation of the two asset portfolio.

a) Expected return of asset A is 20%
b) Expected return of asset B is 12%
c) Standard deviation of asset A is 20%
d) Standard deviation of asset B is 10%
e) Covariance of asset A and B is 0.0025

Q.4) Attempt both the questions (Marks: 2X10=20)

4a) The rates of return on the security of company XYZ and market portfolio for 5 periods are given below:

Period	Return of Security XYZ	Return on Market Portfolio
1	30	25
2	20	15
3	18	20
4	12	18
5	10	15

Calculate the Beta of the stock XYZ and comment whether the stock is aggressive or defensive.

(b) SBI and ICICI are two mutual funds. SBI has a sample mean of success 0.13 and fund ICICI has a sample mean of success 0.18, with the riskier fund ICICI having double the beta at 2.0 as fund SBI. The respective standard deviations are 15% of ICICI and 19% of SBI. The mean return for market index is 0.12, while the risk-free return is 8%.

(i) Compute the Jensen index for each of the funds. What does it indicate?

(ii) Compute the Treynor index for the funds. Interpret the results and compare it to the Jensen index.

(iii) Compute the Sharpe index for funds

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