

Register No.: Name.:

SAINTGITS COLLEGE OF ENGINEERING (AUTONOMOUS)

(AFFILIATED TO APJ ABDUL KALAM TECHNOLOGICAL UNIVERSITY, THIRUVANANTHAPURAM)

THIRD SEMESTER MBA DEGREE EXAMINATION (S), MAY 2022**(2020 Scheme)****Course Code : 20MBA237****Course Name: Security Analysis and Portfolio Management****Max. Marks : 60****Duration: 3 Hours**

*Scientific Calculators are allowed for the examinations
Programmable calculator or other computing devices will not be permitted
Annuity Tables or Logbooks will not be provided for the examination*

PART A*(Answer all questions. Each question carries 2 marks)*

1. Define with a diagram the Industry Lifecycle.
2. Define with a diagram the Head and Shoulder Pattern.
3. Illustrate the APT Model.
4. Explain if diversification will eliminate Systematic Risk.
5. Define Portfolio Revision.

PART B*(Answer any 3 questions. Each question carries 10 marks)*

6. Evaluate the various investment avenues where an investor can deploy his surplus funds and explain the nature and characteristic of each of these avenues.
7. Define Efficient Market Hypothesis and explain the two major anomalies in EMH namely (i) Size effect (ii) Valuation effect (low P/E)
8. As a mutual fund analyst, you must evaluate two funds to recommend one of them or none of them to your customer. You find that fund A has a sample mean of .14 and fund B has a sample mean of .19 with the riskier fund B having double the beta at 2.4 when compared to fund A. The respective standard deviations are 10% and 16%. The mean return for the market index is 13% with a standard deviation of 0.07 while the risk-free rate on the bond market is 9%.
 - a. Compute the Jensen's Index for each of the fund (2 Marks)
 - b. Compute the Treynor Index for the funds and the market (3 Marks)
 - c. Compute the Sharpe Index for the funds and the market (3 Marks)
 - d. Find the fund that has superior management, which is the measure that you base your conclusion on and why (2 Marks)
9. Elaborate on the passive and active asset management strategies that can be adopted by a portfolio manager
10. Suppose you invest Rs. 30,000 in three securities A, B and C in the ratio of 4:3:3. Company A has an expected return of 20%, Company B has an expected return of 10% and Company C has an expected return of 12%. If the variance and the covariance data of the securities are as in the table below, what is the expected rate of return and the variance of the portfolio

Variance / Covariance	A	B	C
A	18		
B	-3.6	8	
C	7.2	-4	8

PART C

(Compulsory question, the question carries 20 marks)

11. Answer all 3 sub sections

a) An investor wants to use DuPont analysis to compare two similar companies within the same industry to help decide which company is the better investment option. He has gathered the following financial information about each company:

	Company 1	Company 2
Net Income	₹ 7,500	₹ 8,250
Revenue	₹ 27,275	₹ 75,215
Average Assets	₹ 12,120	₹ 32,525
Average Equity	₹ 5,560	₹ 4,577

Use the 3 factor Dupont model to do your analysis and provide justification on why you chose one company over the other

Marks (5)

b) Elaborate on the Fama and French three Factor model

Marks (5)

c) Explain how Triangle formations on charts can be used to identify continuation of the trend in stock markets

Marks (10)
