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NAVRACHANA UNIVERSITY
MBA Program – Semester III
End-Sem Examination
Academic Year 2017-2018

Course Code: FA308
Subject: Portfolio Management

Date: 20-Nov-17
Time: 3.30-5.30

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- Open Book Examination, no exchange of study material allowed.
 - Use of calculator is allowed
 - Total Marks is 40
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Q-1 Choose the correct option:

(10)

1. Relationship between risk and required return is classified as
 - A. security market line
 - B. required return line
 - C. market risk line
 - D. riskier return line
2. A positively perfect related stock to the market has an expected return of 15% and risk premium is 7%. Find risk free return.
 - A. 8%
 - B. 6%
 - C. 9%
 - D. 7%
3. In your opinion Return on stock should be 11% while its beta is 1.5, market return is 14% and risk free is 8%. According to CAPM, the stock is:
 - a. Overpriced
 - b. Underpriced
 - c. Fairly priced
 - d. None of the above
4. If generally interest rates in nation increase, a corporate bond with a fixed interest rate will usually
 1. increase in value
 2. remain unchanged
 3. decrease in value.
 4. be returned to corporation.
5. The market risk premium is 15% and the risk-free rate is 5%. The beta of Asset D is 0.2. What is Asset D's expected return under the CAPM?
 - A. 8%
 - B. 30%
 - C. 7%
 - D. 3%

Q-2 Below given is the data of various mutual fund schemes with details of their Sharpe, Treynors and Beta ratio. You are required to comment on each scheme and select the best in the category. (15)

Scheme	Returns 5 Yrs	Expense Ratio	Treynors Ratio	Sharpe Ratio	Beta
HDFC Equity	18.42%	2.22%	5.77	0.46	1.19
Reliance Top 200	18.71%	2.47%	8.20	0.60	1.02
Aditya Birla Frontline Equity	18.41%	2.26%	8.83	0.65	0.93

Q-3 Global advisory Company (GAC) is an SEC registered investment firm involved solely in managing international securities portfolios. After much research on the developing economy and capital markets of India, GAC has decided to include an investment in National Stock Exchange (NSE) in its Emerging Marketing Fund. However, GAC has not yet decided whether to invest actively or by investing in Index companies. Your opinion is solicited to decide on whether to go for index investing or active investing.

Indian economy is service sector dominated and it is observed they have reasonably good accounting standards and disclosure regulations. Currently, it has been most favored investment destination. They have short settlement cycle and better IT usage.

Answer the following questions:

(15)

1. Briefly discuss the future prospects of Indian economic environment that favors investment. (4)
2. Recommend whether to go for active investment (investment in different stocks) or Index investment. (3)
3. Recommend 5 sectors with reasons and also suggest companies in those sectors for investment. (8)