UNIVERSITI TEKNOLOGI MARA
FINAL EXAMINATION

COURSE	:	**INVESTMENT AND PORTFOLIO ANALYSIS**
COURSE CODE	:	**FIN 552**
EXAMINATION	:	**JULY 2022**
TIME	:	**2 HOURS**

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of (3) questions

2. Answer ALL questions in the Answer Booklet. Start each answer on a new page

3. Do not bring any material into the examination room unless the invigilator gives you permission to do so.

4. Please check to make sure that this examination pack consists of:

   i) The Question Paper
   ii) An Answer Booklet- provided by the Faculty

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO

This Examination Paper consists of 4 printed pages

QUESTION 1

a) You are given the following information.

Portfolio	Expected Return (%)	Beta
1	4	0.9
2	7	1.2
3	9	0.7
4	3	1.4
5	8	0.8
Market	6	1.0
T-Bills	4	-

According to the Capital Asset Pricing Model (CAPM) , which portfolios are overvalued and which are undervalued? Draw and label the graph showing the SML and the position of all the portfolios relative to SML

(15 marks)

a) Explain the Buy and Hold Strategy in Equity Portfolio Management Strategy

(5 marks)

QUESTION 2

a) You are attempting to construct an optimum portfolio. Assume the T-bill rate is 4 percent, and the market variance is 8 percent. The securities identified below are under review

Securities	Expected Return (in %)	Residual variance	Beta
Gold	14	10	1.3
Silver	8	20	0.8
Bronze	6	14	1.1
Diamond	16	10	1.3
Jade	11	8	1.2

Calculate the optimum portfolio.

(15 marks)

b) You are assessing the performance of ABC Unit Trust for the year 2021. The information is given below

	Year 2020	Year 2021
Assets	RM600 million	RM 750 million
Liabilities	RM 50 million	RM 40 million
Number of units	100 million units	100 million units

i) Calculate the NAV (Net Asset Value) for the year 2020 and 2021
(3 marks)

ii) In 2021 the company announced dividend distribution of RM5 for each unit. Calculate the amount an investor will receive if the redeems 100,000 units after distribution.
(2 marks)

QUESTION 3

The following information is given to you.

Fund	Average Annual Return(%)	Standard deviation	Beta
A	18	5	1.2
B	7	8	1.3
C	9	7	0.8
D	14	6	0.7
FBM KLCI	8	4	1.0

Compute and rank the performance of these funds according to Sharpe, Treynor and Jensen if the risk-free rate is 5 percent

(20 marks)

END OF QUESTION PAPER