MMS/M11 **6815**
Portfolio Management
Paper: FM-407

Time: Three Hours] [Maximum Marks: 70

Note:- Attempt **FIVE** questions in all. Question no. 1 is compulsory. All questions carry equal marks.

1. Write short answers for the following:

   (i) Risk diversification

   (ii) How portfolio beta is calculated?

   (iii) What is risk premium?

   (iv) Define benchmark portfolios

   (v) Leveraged portfolio

   (vi) Why new investors should invest in mutual funds?

   (vii) Discuss indifference curve.

2. What is a diversified portfolio? What type of risk is reduced through diversification? How many securities are necessary to achieve this reduction in risk?

3. Explain the concept of efficient frontier in the context of portfolio selection. How portfolio is selected with Sharpe's Single Index Portfolio selection method?

4. (a) Discuss efficient frontier with risk free lending and borrowing.

   (b) Illustrate how beta of individual security is calculated.

5. The following data are available to you as portfolio manager:

Security	Estimated Return (per cent)	Beta	Standard deviation (per cent)
A	30	2.0	50
B	25	1.5	40
C	20	1.0	30
D	11.5	0.8	25
E	10.0	0.5	20
Market index	15	1.0	18
Govt. Security	7	0	0

(a) In terms of the security market line, which of the securities listed above are under priced?

(b) Assuming that a portfolio is constructed using equal proportions of the five securities listed above, calculate the expected return and risk of such a portfolio.

6. Compare and contrast CML, SML and characteristics line.

7. What factors necessitate portfolio revision? Discuss formula plans with examples.

8. What are different perspectives that can be adopted for evaluation of performance of investment activity? Discuss Treynor and Jensen measures.