Portfolio Management'

Paper.: FM-407

Time: Three Hours]   [Maximum 11arks : 70

Note :-

Attempt FIVE questions in all. Question No. I., is' compulsory.

All questions carry equal marks.

1.   Write brief explanation of=

   (i)   Security Characteristic Line

   (ii) Efficient Frontier

   (iii) Alpha

   (iv) Variable Ratio Plan

   (v) Risk-free Rate

   (vi) Leveraged Portfolio

   (vii) Volatility.   2x7=14

2,   The estimates of
   the standard deviations and corre,lation co-efficients
   for three stocks are given below:

Stock	Standard Deviation	Correlation with Stock		
		A	B	C
A	32	'1.00	-0.80:	0.40
B	26	-0.80	1.00	0.65
C	18	0.40	0.65	1.00

If a portf~l~o is constructed with 15 per cent of stock A, 50 per cent of stock B and 35 per cent of stock C, what is the portfolio's standard deviation?   J 4

Describe the Sha~p~'sfngle index model. How do you interpret a and rj par~meters in the ITlodel ?   I {j

4. Illustrate graphically how CAPM can be used for assessing whether a ~ecudty is underpriced, overpriced or correctly priced.   14

5.~rite notes on:, '

   (i) Atbitrage Pricing Theory

   (ii) Capital Market L~ne.   14

6. What factors, necessitate P°rtfeIio revision? Bring out the techniques for revising portfolios.   14'

7   Write a.detailed note on bond portfolio mana~ement strategies.   14

8.   Distinguish bet\.Yeen Treynor and Sharpe indices of portfolio perfonnance. Which do you recommend? Why?   14